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Council Building
2 High Street
Perth
PH1 5PH

Thursday, 07 June 2018

Attached is a supplementary agenda for the meeting of the **Scrutiny Committee** being held in **the Council Chamber, 2 High Street, Perth, PH1 5PH** on **Wednesday, 13 June 2018 at 14:00**.

If you have any queries please contact Committee Services on (01738) 475000 or email Committee@pkc.gov.uk.

BERNADETTE MALONE
Chief Executive

Those attending the meeting are requested to ensure that all electronic equipment is in silent mode.

Members:

Councillor Grant Laing (Convener)
Councillor Sheila McCole (Vice-Convener)
Councillor Chris Ahern
Councillor Henry Anderson
Councillor Harry Coates
Councillor Dave Doogan
Councillor David Illingworth
Councillor Tom McEwan
Councillor Andrew Parrott
Councillor Callum Purves
Councillor Colin Stewart

Scrutiny Committee

Wednesday, 13 June 2018

SUPPLEMENTARY AGENDA

MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.

- 7 ANNUAL GOVERNANCE STATEMENT 2017/18 5 - 20**
Report by Head of Legal and Governance Services (copy herewith
18/192)

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PERTH AND KINROSS COUNCIL

Scutiny Committee - 13 June 2018

ANNUAL GOVERNANCE STATEMENT 2017/18

Report by Head of Legal & Governance Services (Report No. 18/192)

PURPOSE OF REPORT

The purpose of the report is to seek approval of the Annual Governance Statement (AGS) for the financial year 2017/18 which provides assurance as to the effectiveness of the Council's governance framework and in particular the system of internal control.

1. INTRODUCTION

1.1 The purpose of the Annual Governance Statement (AGS) is to give assurance to our stakeholders that we have effective arrangements in place to ensure that, as a Council, we are doing the right things for the right people at the right time in an open, honest and accountable way.

1.2 The AGS provides an opportunity to review our rules, resources, systems, processes, culture and values to make sure that our governance framework and in particular our system of internal control is:

- legally compliant
- ethically sound; and
- fit for purpose

thereby enabling the Council to achieve its strategic objectives and provide high quality services that meet the needs of our communities, in an appropriate, efficient and affordable way. It is important therefore, that governance issues are identified systematically and comprehensively and reported in an open and transparent manner.

1.3 The Annual Governance Statement for 2017/18 is attached as Appendix 1 to this report. It has been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government and is required to be published as part of the Council's Annual Accounts.

2. GOVERNANCE ASSURANCE PROCESS

2.1 The assurance process to inform the AGS was reviewed and redesigned in 2016 to better test the effectiveness of the framework by requiring more in-depth evidence from Service Management Teams as to how well the internal

controls are operating within their own service areas. The process has been further refined in 2017 to take into account the new CIPFA Framework and associated guidance and to better reflect best value.

- 2.2 Evidence has been gathered by way of self-assessment from each of the Service Management Teams which was then scrutinised and reviewed through the Policy and Governance Group.
- 2.3 Directors have provided Certificates of Assurance in respect of the adequacy and effectiveness of the controls within their area. These are included as background papers to this report.
- 2.4 Certificates of Assurance have also been provided by the following officers in respect of their assessment of key corporate controls :
 - Chief Finance Officer (S 95 Officer)
 - Head of Legal & Governance Services /Monitoring Officer
 - Head of Democratic Services
 - Chief Internal Auditor
 - Corporate Procurement Manager
 - Information Compliance Manager
 - Corporate IT Manager
 - Corporate HR Manager
 - Employee Innovation & Engagement Manager

These are included as back ground papers to this report.

- 2.5 Assurance has been provided from the Head of Public Sector Reform , Culture and Community Development , in her capacity as the Contract Monitoring Officer in respect of our Arm's Length External bodies (Horsecross Arts Ltd, Live Active Leisure and Culture Perth & Kinross) . The relevant Certificates of Assurance are included as background papers to this report.
- 2.6 The Assurance process is designed to test the continuing effectiveness of our governance arrangements and to identify current, emerging and potential future risks to enable the organisation to adjust and improve their internal controls to mitigate and manage these effectively.

3 EFFECTIVENESS OF GOVERNANCE ARRANGEMENTS

- 3.1 In the course of 2017/18 there has been significant changes in terms of both the political and organisational structure and leadership within the Council.
- 3.2 The 2017 council elections brought a change of political administration and 22 new councillors. The administration is conservative led and comprised a partnership with the Liberal Democrats, with confidence and supply from the 3 Independent and 1 Scottish Labour councillors. The independent and Scottish Labour councillors have since withdrawn their confidence and supply to the administration, which whilst not changing the leadership may require further

changes to committee membership. Officers will continue to support elected members through training to ensure that they are effective in their roles.

- 3.3 There has also been significant changes over the last 18 months in terms of the Executive Officer Team with the retirement of the Chief Finance Officer, Deputy Chief Executive and the Senior Deputy Chief Executive in 2017-18. The Chief Executive herself will be retiring at the end of June and the Head of Democratic Services in November. Whilst this represents a substantial loss of knowledge, skills, and experience at the most senior levels of the organisation, the majority of these departures have been known and a programme of succession planning has been implemented to ensure that these changes are managed appropriately and that continuity of leadership and direction is maintained.
- 3.4 Despite these changes therefore, the assurance process can demonstrate that the Council has in place adequate internal controls that are considered fit for purpose in accordance with the governance framework.
- 3.5 The process also identified that significant work has been undertaken to improve the controls in areas identified through the Assurance Process for financial year 2016/17.
- Embedding a new approach to risk management in line with the Council's new Risk Management Strategy and associated processes through a tailored programme of training and risk workshops.
 - A comprehensive review of the Council's strategic risks is ongoing
 - Through our Procurement Strategy we seek to implement a consistent corporate approach to contract management activities. We have developed a Contract Management process which is aligned to Scottish Government toolkit for contracts and procurement, established our corporate approach to segmentation and analysis and redefined roles and responsibilities within our Contract Rules.
 - We have developed a Corporate Workforce Plan to ensure that we have the organisational capacity, skills and agility to deliver our corporate objectives.
 - We have improved the scrutiny function in respect of the performance of our Arm's Length External Organisations with regular reports and presentations to the Council's Scrutiny Committee.
 - Significant work has been undertaken in terms of information process mapping, privacy impact statements, awareness and training and a review of policy, procedures and practice in respect of our processing and management of personal information to ensure compliance with the General Data Protection regulation.

3.6 The process has also been successful in identifying the following areas which would benefit from continuing work or further development to ensure that they current and emerging risks are managed effectively:-

- Information Management : Given the new legislative requirements of the General Data Protection Regulation and the associated UK legislation, the Council requires to undertake a wholesale review of information policies, processes and procedures to ensure compliance. Such a review will also provide an opportunity to develop a new information strategy to derive the best value from our information assets.
- Transformation : the governance framework in respect of our programme of change and transformation requires to be reviewed and revised to provide more effective strategic management of our change, transformation and improvement activities to ensure that these are aligned to our key objectives and deliver best value.
- Community Engagement : Through the Stronger Communities Team we will continue to support communities to better engage and increase their participation in Action Partnerships. In particular we will create a common framework for Participatory Budgeting across Perth & Kinross and further develop and refine the Community Asset Transfer process.
- We will continue to work with the Integrated Joint Board and with colleagues within the Health & Care Partnership to refine our governance arrangements in order to :-
 - (i) provide adequate levels of assurance to both the Council and the Board services are being delivered in accordance with the IJB's Strategic Plan and that the quality and standards of services delivered are appropriate and maintained.
 - (ii) support the partnership in shifting the balance of care through service design; and
 - (iii) provide assurance that the partnership is delivering best value in relation to health and social care services.
- In terms of Contract Monitoring and management, we will continue to implement our Procurement Strategy. We will also undertake a review of our systems used to monitor third party spend in order to capture better quality performance data. For each contract we aim to have a clearly defined contract management cycle documented and agreed, with standards set out and communicated.
- We will continue to embed workforce planning into our overall business planning activities.
- In terms of health & wellbeing we will review our existing strategy to ensure that our procedures and approaches build organisational

resilience, address mental health issues effectively and enhance productivity.

- We will further develop and refine the scrutiny and assurance functions in respect of the performance of our arm's length organisations.

3.7 Elected Members, Senior Management and our stakeholders should be reassured however, that these areas are already the subject of ongoing work or planned reviews. This demonstrates that as an organisation we recognise and have a good understanding of our changing risk landscape. We are committed to continuously improving the effectiveness of our governance framework to ensure that it is robust and fit for purpose in these challenging times enabling us to continue to deliver high quality services to our communities in the most cost efficient and effective way.

4. RECOMMENDATION

4.1 It is recommended that the Committee:

- (i) Note the content of this report; and
- (ii) Scrutinise and comment on the draft Annual Governance Statement for the financial year 2017/18 attached

Author(s)

Name	Designation	Contact Details
Lisa Simpson	Head of Legal & Governance Services	legalservices@pkc.gov.uk

Approved

Name	Designation	Date
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	June 2018

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	
Community Plan / Single Outcome Agreement	None
Corporate Plan	None
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	Yes
Risk	None
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

1. **Strategic Implications N/A**

2. **Resource Implications N/A**

3. **Assessments N/A**

4. **Consultation**

Internal

- Service Management Teams
- Executive Officer Team
- Corporate Management Group
- Policy & Governance Group
- Chief Internal Auditor
- Corporate Procurement Manager
- Information compliance Officer
- Health, Safety & Wellbeing Manager

External

Staff from the following external organisations have been consulted the preparation of the Annual Governance Statement including :

- Tayside Contracts
- Perth & Kinross Integrated Joint Board
- Live Active Leisure Limited
- Culture Perth & Kinross Limited
- Horsecross Arts Limited
- Tayside Valuation joint Board

5. Communication

- 5.1 The Annual Governance Statement will be published with the Council's Final Accounts for 2017/18

2. BACKGROUND PAPERS

Certificates of Assurance

3. APPENDICES

Annual Governance Statement 2017/18

ANNUAL GOVERNANCE STATEMENT 2017/18

1 Introduction

- 1.1 Good governance is key to the success of Perth & Kinross Council. It supports better informed decision making, the efficient use and management of our resources, high quality performance, greater scrutiny and accountability, resulting in better outcomes for the communities we serve.
- 1.2 The purpose of the Governance Statement is to give assurance to the people of Perth & Kinross, our Elected Members, staff, partner agencies and other stakeholders that our governance arrangements are effective and our system of internal control is robust.

2 Scope of Responsibility

- 2.1 As a public body, the Council must act in the public interest at all times. It must behave with integrity, conduct its business in accordance with the rule of the law and demonstrate a strong commitment to ethical values. We must demonstrate and ensure that public money is used economically, efficiently, and effectively to deliver sustainable outcomes for the people of Perth & Kinross
- 2.2 The Local Government in Scotland Act 2003 also places a specific duty on the Council to make arrangements to secure best value and ensure continuous improvement in terms of the services it delivers to our communities.
- 2.3 A comprehensive and robust governance framework is integral to the Council's ability to discharge these responsibilities and deliver good outcomes. The Annual Governance Statement seeks to provide assurance that our governance framework is appropriate, adequate and effective in enabling the Council to deliver good outcomes and manage risk.
- 2.4 As well as providing assurance as to the effectiveness of the governance arrangements in place for the Council, this Annual Governance Statement also covers the six organisations that are included in the Council's Group Accounts.
- Live Active Leisure Limited (subsidiary)
 - Horsecross Arts Limited (subsidiary)
 - Culture Perth & Kinross Limited (subsidiary)
 - Tayside Valuation Joint Board (associate)
 - Tayside Contracts (associate)
 - Perth & Kinross Integrated Joint Board (joint venture)

3 The purpose of the Governance Framework

- 3.1 Our governance framework comprises the rules, resources, systems, processes, culture and values designed to help us achieve our strategic objectives and provide effective, good quality services in the most cost effective way possible. A crucial part of the governance framework is the system of internal control which is designed to manage the risk of a failure to the achievement of our intended outcomes.
- 3.3 The Council manages risk through a continuous process of identification, assessment, evaluation, prioritisation and mitigation. We evaluate risk on the basis of likelihood and impact in both financial and non-financial terms. We do however need to mitigate and manage risk proportionately; recognising that risk can never be eliminated completely and that only reasonable assurance can ever be given.
- 3.4 The purpose of the governance framework therefore is to ensure that we are using all of our resources effectively to deliver good outcomes for our communities and to provide assurance that we are indeed doing the right things, for the right people at the right time in an open, honest and accountable way.

4 Our Governance Framework

- 4.1 We recognise that the following are fundamental elements of good governance within public sector organisations:-
- Vision, direction & purpose
 - Leadership, Culture & Values
 - Stakeholder Engagement
 - Organisational Development
 - Effective Decision Making
 - Internal Controls
 - Scrutiny & Accountability
- 4.2 These fundamental elements of our governance framework reflect and seek to embed the principles of good governance within the International Framework: Delivering Good Governance in the Public Sector developed by CIPFA and the International Federation of Accountants, now incorporated into the 2016 CIPFA Framework for Delivering Good Governance in Local Government, namely :
- Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

4.3 Our governance arrangements are underpinned by the fundamental principles and the requirements of legislation and legislative best practice. They can be summarised as follows:

- Our vision is the achievement of the shared priorities and intended outcomes for the citizens of Perth & Kinross defined in our [Local Outcome Improvement Plan](#) and our [Corporate Plan](#). Building Ambition: Our Transformation Strategy together with our Revenue budget for 2018/19 our Capital Programme and our Housing Investment Programme and other strategic documents provide the necessary direction to the organisation to enable it to deliver on its vision and achieve its purpose.
- Whilst 2017/18 has brought change in terms of political and organisational leadership it remains effective. The roles and responsibilities of Elected Members and senior Management within the Council are clear and understood. There is effective communication between Members and Management through Leaders Meetings, Convenors meetings, Member Officer Working Groups and all member briefings where appropriate. There are also regular pre agenda discussions in respect of each scheduled Council and Committee meeting.
- There are effective arrangement in place for the discharge of the following functions:
 - Head of Paid Service
 - Monitoring Officer
 - Chief Finance Officer
 - Chief Social Work Officer
- Our culture and values are reflected in everything we do as an organisation. They are determined by our decision making and behaviours and are reflected in our key corporate and community documents and strategies, our Local Code of Corporate Governance, Elected Member and Employee Codes of Conduct, Whistleblowing and anti- fraud and corruption policies, Elected Member Register of Interests, Gifts & Hospitality Policy and in our suite of policies, processes and procedures ensuring that as a Council we respect the rule of law, behave with integrity, promote a culture of good governance and demonstrate a strong commitment to ethical values.
- We recognise the importance of good stakeholder engagement in redesigning and reshaping public services and we will continue to actively engage with our communities, partners and other stakeholders to ensure that our services best meet their needs. The Council has a strategy for engaging with communities and has agreed a Statement of Intent with its Community Planning Partners to support a co-ordinated approach to community engagement. Our approach to consultations is based on the [National Standards for Community Engagement](#) and we have established a wide range of [consultation processes and procedures](#). The Community Empowerment (S) Act 2015 provides a framework for improving the quality of engagement and participation which will be reflected in our [Local Outcome Improvement Plan](#).
- We recognise that in an increasingly complex and financially challenging public sector landscape we have be able to adapt and evolve our services and workforce to continue delivering cost efficient, high quality services. Our people remain are our most valuable asset and as an organisation we will secure the best outcomes for our communities by investing in the development of our workforce and of our leaders to ensure that they have the right skills and have sufficient capacity to deliver. Our approach is outlined in our strategic document Building Ambition – A Workforce for the 21st Century and our “Learn, Innovate Grow” philosophy is being embedded across the organisation to create a highly motivated, skilled and agile workforce. There is a programme of leadership development in place for our managers and a comprehensive induction programme is in place for Elected Members. An ongoing training programme will be developed in consultation with Members to ensure that it meets their needs going forward.
- The Council’s Scheme of Administration sets out the role of committees in decision-making and the delegated decision-making powers of individual officers. The committees, boards and panels we have established ensure proper democratic engagement and provide an appropriate mechanism for effective decision making and accountability. As a local authority, the extent of our decision making powers are determined by statute and regulation. Our report template is designed to ensure that legal and financial checks are carried out before a report is presented for decision. It also provides that appropriate internal and external consultations and where relevant, options appraisals, ensure that decision makers are appropriately informed to determine the best course of action in the circumstances.
- The Council has developed and implemented a suite of policies, procedures and management processes to ensure that there are appropriate **internal controls** in place in respect of:-
 - Workforce Management
 - Financial management
 - Officer /Member relations
 - Performance Management
 - Change & Improvement
 - Workforce Planning
 - Risk Management
 - Procurement
 - Major Investment Project Management
 - Health & Safety

- Information Management
 - Information Security
 - Civil Contingencies & Business Continuity
 - Anti- Fraud & Corruption
 - Conflicts of interests
 - Gifts & Hospitality
 - Whistle-blowing and reporting concerns
 - Complaints handling
 - Funding External bodies / ALEO's
- As a public body we must be open, transparent and accountable for our decisions, actions and performance. Our management and democratic structures and processes are designed to facilitate effective decision making and the proper scrutiny of those decisions and their impact in terms of performance and the achievement of our intended outcomes.
 - The Council has set a three year budget (years 2 /3 provisional). Each budget is allocated to a named budget holder. Budgets are monitored regularly by Service Management Teams and overall financial performance is monitored regularly by the Executive Officer Team. The Strategic Policy & Resources Committee receives regular financial monitoring information as part of the budgetary control framework and provides the required political scrutiny of our financial management and performance.
 - Capital spend is monitored by Senior Management through the Strategic Investment Group and the Corporate Resources Group, and reported regularly to the Executive Officer Team and the Strategic Policy & Resources Committee as part of the budgetary control framework. The Capital Programme Office monitors project milestones.
 - The annual service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored. Individual Business Management & Improvement Plans set out detailed actions and outcomes for each Service and include performance indicators. Service performance is reported regularly to the Executive Officer Team and publicly through the Council's themed committees and the Scrutiny committee. Financial performance is publicly reported through the Strategic Policy & Resources Committee and relevant service committees.
 - The Council publishes an [Annual Performance Report](#) on its performance against the objectives set out within the Corporate Plan and Local Outcome Improvement Plan.
 - The Council's Transformation Programme is scrutinised by Service Management Teams, the Executive Officer Team and the Modernising Governance Member Officer Working Group. Progress is reported regularly to the Council's Strategic Policy & Resources Committee.
 - The Council has a published process for dealing with the following and annually reports on performance in this respect of these areas:-
 - complaints from members of the public;
 - requests for access information under the Freedom of Information legislation
 - access information under the Data Protection legislation

5 Governance Assurance Process

- 5.1 Assurance evidence has been gathered from Service Management Teams (SMT) by way of self-assessment questionnaires designed around the fundamental elements of good governance and the principles set on in the 2016 CIPFA Framework).
- 5.2 The evidence submitted by services has undergone a process of quality assurance and challenge through the Policy & Governance Group, which is chaired by the Head of Legal & Governance Services.
- 5.3 Each Service Management Team has certified that, having considered the evidence of the financial and non- financial controls within each of their areas, they are satisfied that these are adequate and effective subject to certain improvement actions which have been identified as part of that self-assessment process being implemented.
- 5.4 A Certificate of Assurance to this effect has been signed by each Director and the Depute Chief Executive/ Chief Operating Officer.
- 5.5 Corporate assurance has also been provided as regards the adequacy of the internal controls from the following Officers:
 - Chief Finance Officer (S 95 Officer)
 - Head of Legal & Governance Services /Monitoring Officer
 - Head of Democratic Services
 - Chief Internal Auditor
 - Corporate Procurement Manager
 - Information Compliance Manager
 - Corporate IT Manager
 - Corporate Procurement Manager
 - Corporate HR Manager
- 5.6 For Arms Length External Organisations reliance has been placed upon:

- unaudited financial statements of the companies (audited accounts will be scrutinised when available);
- assurance self-assessment evaluations
- terms and conditions of Service Level Agreements
- quarterly contract monitoring meetings with Service;
- performance information and financial monitoring reports to Service; and
- presentations to Scrutiny Committee

- 5.7 For Tayside Contracts Joint Committee and Tayside Valuation Joint Board, reliance has been placed upon each organisation's own Annual Governance Statement.
- 5.8 For Perth & Kinross Integrated Joint Board reliance has been placed on their own Annual Governance Statement.
- 5.9 The draft Annual Governance Statement is considered by the Executive Officer Team, Corporate Management group and the Council's Scrutiny Committee prior to inclusion within the final draft Annual Accounts.
- 5.10 The Annual Governance Statement is considered by full Council as part of the Annual Accounts.

6 2016/17 Governance Statement : Improvement update

- 6.1 The 2016/17 AGS identified the following areas for further review and/or improvement:-

- Contract management
- Information management
- Risk management
- Procurement
- Workforce management
- Arm's Length external Organisations (ALEOs)
- Integrated joint Board

- 6.2 During the period 2017-18 the following work was undertaken in respect of these areas:-

Contract management : the Corporate Procurement Manager and Legal Services have continued to work closely with services to review and improve contract management practices across the organisation to ensure legal compliance and the delivery of best value.

Information management: the priority has been in ensuring organisational readiness for implementation of the new General Data Protection Regulation GDPR. This has involved extensive information process mapping across all services and between partners, education and awareness raising and the appointment of the new statutory Data Protection Officer.

Risk management : following approval of the Risk Strategy extensive work has been undertaken to embed the corporate approach to risk management into our business and management processes to facilitate better risk based decision making to enable us to deliver our intended outcomes. A cohort of officers at various levels within the organisation has been trained and accredited as risk practitioners to support service management and operational teams in identifying and managing risk, ensuring that there is a consistent approach to risk management across the Council.

Procurement: working with the Council's Corporate Procurement Manager and her team, we have continued to implement our procurement strategy across the organisation to ensure that our processes and practices are aligned to our objectives and that our procurement activity is legal compliant and delivering value for money.

Workforce management : under the guidance and direction of the Corporate Human Resources Manager together with the Council's organisational development team, we continue to refine our workforce planning activity to ensure that we have an adequately skilled and agile workforce equipped and motivated to meet the challenges of delivering high quality services in a climate of increasing demand and reducing financial and non-financial resources

ALEOs : with the support of the Council's Scrutiny Committee we have improved the scrutiny and assurance function in respect of our relationships with our three ALEOs to ensure better transparency and more robust accountability to the Council and its stakeholders.

Integrated Joint Board: council officers have provided technical and professional support and continue to work the Chief Officer and Chief Finance Officer of the Integrated Joint Board to further develop the governance arrangements in respect of the complex relationship between the IJB and the Council as a statutory partner.

- 6.3 In their Annual Audit report for 2016-17 our external Auditors, KPMG, assessed the effectiveness of our governance arrangements and concluded:

"We consider the Council to have high standards of governance and accountability. This is provided through an effective governance framework of committees, internal audit, and internal controls. Transparency is achieved through the committee structure and open nature of discussions."

7 Effectiveness of Governance Arrangements for 2017/18

- 7.1 Based on the assurance process outlined above, in terms of effectiveness, the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, subject to the areas identified for review or improvement set out in section 9 below.
- 7.2 Our financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)
- 7.3 Our assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)
- 7.4 The Council has designated the Depute Chief Executive (Chief Operating Officer) as the Senior Information Risk Owner with the Head of Legal & Governance Services as Depute. Our information security measures have been reviewed in 2017/18 to ensure continuing compliance with the Public Service Network (PSN) requirements.
- 7.5 The Chief Internal Auditor is the Council's nominated Money Laundering Reporting Officer. There has been no relevant activity in respect of Council during the year.
- 7.6 We have structures in place which support constructive challenge and effective scrutiny to our system of internal control and our broader governance arrangements. In particular;-
- Scrutiny Committee
 - Strategic Resources & Policy Committee
 - Audit Committee
 - Themed Committees
 - Executive Officer Team
 - Corporate Management Group
 - Strategic Investment Group
 - Policy & Governance Group
 - External Audit (presently KPMG)

8 Opinion of the Chief Internal Auditor

- 8.1 Audit activity and performance is detailed in the Annual Report by the Chief Internal Auditor for the year 2017/18. Chief Auditor has given the following opinion in respect of the effectiveness of the governance arrangements in place.

"In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's governance arrangements and systems of internal control for 2017/18, subject to management implementation of the agreed actions detailed in Internal Audit reports and summarised at Section 2 above. Whilst limited reliance can be placed on the corporate risk management arrangements in place throughout 2017/18, the ongoing implementation and embedding of the corporate risk management strategy should enable reasonable reliance for 2018/19."

9 Areas for review /continued improvement action

- 9.1 The following areas have been identified as requiring ongoing monitoring/review or further improvement action :-
1. **Personal Information Management** – following the implementation of the new General Data Protection Regulation and related UK Data Protection Act work must now be undertaken to review all policies, processes and procedures in respect of the Council's handling of personal information, to ensure legislative compliance.
 2. **Information Governance** – broaden the scope of the planned information management review to develop a framework which better supports the Council to manage information risk and to maximise the benefits of information as a corporate asset
 3. **Risk Management** – to further embed risk management into our business and management processes to facilitate better risk based decision. To undertake a comprehensive review of the Council's strategic risks and to review and refresh the corporate Risk Appetite Statement.
 4. **Organisational structure** – to ensure that roles, responsibilities and lines of accountability are clear and realigned to take account of the new organisational service structure.
 5. **Workforce Planning** – to continue to refine workforce planning across the organisation to ensure that we have a workforce that has the necessary skills, flexibility and capacity to continue to deliver quality services delivery in these increasingly challenging times and to embed workforce planning into our business and financial management processes.
 6. **Service redesign and transformation** – to carry out a strategic review of our current and planned transformation activity to ensure that projects and programmes are aligned to the priorities identified within our new Corporate Plan, make the most effective use of resources and deliver best value to the organisation.

- i. **Procurement and Contract Management** – to continue to review and improve processes and practices across the Council to deliver savings and efficiencies. To work with services to support better procurement, commissioning and contract management as part of the implementation of our Procurement Strategy.
7. **Scrutiny and Assurance** – to further refine the scrutiny and assurance functions in respect of our ALEOs and Integrated Joint Board

9.2 It should be noted that significant work has already been undertaken to review processes and improve internal controls in these areas. The assurance process has not identified any area which is not already the subject of current or planned improvement activity.

STATEMENT

The Governance Framework has been in place for the financial year ending 31 March 2018 and up to the date of approval of the Annual Accounts. The Council is legally required to conduct an annual review of the effectiveness of its governance arrangements and to publish a reporting statement, known as the Annual Governance Statement, with its Annual Accounts.

This Statement confirms that a comprehensive review of the Council's corporate governance arrangements has been undertaken and reports on the effectiveness of its arrangements and in particular its internal controls. The review has been carried out in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government 2016.

The review of the effectiveness of the Council's system of internal control and overall governance framework has been informed by different sources providing assurance and assessing risk:-

- Service Management Teams
- Executive Officer Team
- Chief Finance Officer
- Monitoring Officer
- Chief Internal Auditor
- Policy & Governance Group
- Internal Audit
- External Audit
- External agencies and inspectorates.

Internal Audit have provided assurance for the year 2017/18 and an Internal Audit plan is in place for 2018/19 that will focus on areas which have been identified as corporate or service specific risks.

Each Depute Chief Executive and Director who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control has provided assurance that the internal controls and governance arrangements within their service are effective and have been reviewed.

The Chief Financial Officer has provided assurance that the financial arrangements in place conform to the relevant CIPFA requirements and that our expenditure is lawful.

The Monitoring Officer has provided assurance that our governance arrangements ensure compliance with relevant laws, regulations, internal policies and procedures.

We are satisfied that our governance arrangements and in particular, our system of internal control, continue to be regarded as fit for purpose in accordance with the governance framework.

Governance improvement actions will be delivered where possible through existing improvement plans and change programmes to avoid duplication of effort. A plan for the improvement activity is outlined in Appendix 1. Oversight of governance improvement activity will be maintained through the Corporate Management Group with support from the Policy & Governance Group who will regularly monitor progress. Progress will be reported to the Council's Executive Officer Team and the Council's Scrutiny Committee.

We are also reassured by the fact that the areas identified for further development are already in progress. This provides assurance to our communities that this Council has a good understanding of its key risks and is committed to continuously improving the effectiveness of our governance framework to ensure that we deliver our intended outcomes.

Signed:

Signed:

Bernadette Malone, Chief Executive

Murray Lyle, Leader of the Council

Date

Date

ANNUAL GOVERNANCE STATEMENT 2017-18

CORPORATE IMPROVEMENT ACTION PLAN 2018-19

ACTION	LEAD OFFICER	TIMESCALE/ comment	RELEVANT ACTION PLAN
Personal Information Management 1. Review all policies, processes and procedures in respect of the Council's handling of personal information, to ensure legislative compliance. 2. Continue programme or training across all services. 3. Provide advice and guidance as required to ALEOs, IJB and TACTRAN in relation to their statutory obligations	Information Compliance Manager	Ongoing	
Information Governance 1. Develop a new strategy and associated framework to better support the Council to manage information risk and to maximise the benefits of information as a corporate asset.	Head of Legal & Governance Services/ Information Compliance Manager	31/12/18	
Risk management 1. Roll out programme of risk workshops across organisation 2. Deliver programme of risk and assurance workshops for IJB 3. Undertake a comprehensive review of the Council's strategic risks 4. Review and refresh the corporate Risk Appetite Statement	Head of Legal & Governance Services/ risk practitioners	30/09/18 31/12/18	
Organisational structure 1. Ensure that roles, responsibilities and lines of accountability are clear and realigned to take account of the new organisational service structure.	Executive Officer Team/ Head of Democratic Services	31/08/12	
Workforce Planning 1. Continue to refine and embed workforce planning into our business and financial management processes across the organisation.	Corporate Human Resources Manager	ongoing	
Health & wellbeing 1. Review our existing Health & Wellbeing Strategy to ensure that our procedures and approaches build organisational resilience, address mental health issues effectively and enhance productivity.	Corporate Human Resources Manager	31/12/18	
Service redesign and transformation 1. Carry out a strategic review of our current and planned transformation activity to ensure that projects and programmes are aligned to the priorities identified within our new Corporate Plan, make the most effective use of resources and deliver best value to the organisation.	Head of Strategic Commissioning & OD	31/12/18	
Procurement and Contract Management 1. Continue to monitor, review and improve processes and practices in respect of procurement, commissioning and contract management across the Council to deliver savings and efficiencies.	Corporate Procurement Manager	Ongoing	

<p>2. Undertake a review of our systems used to monitor third party spend in order to capture better quality performance data.</p> <p>3. Agree and document a clearly defined contract management cycle for each contract.</p>		<p>31/03/19</p> <p>31/03/19</p>	
<p>Scrutiny and Assurance -</p> <p>1. Monitor, review and refine the scrutiny and assurance functions in respect of the Council's relationship with:-</p> <ul style="list-style-type: none"> • ALEOs • Integrated Joint Board 	<p>Head of Legal & Governance Services/</p> <ul style="list-style-type: none"> • Head of PSR, Culture & Com Dev • IJB CO/CFO 	<p>31/03/19</p>	