

REPORT TO: SCRUTINY COMMITTEE - 29 JUNE 2016

REPORT ON: ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31 MARCH 2016

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 239-2016

1 PURPOSE OF REPORT

To present the Annual Governance Statement for approval and inclusion into the unaudited Annual Accounts for the year ended 31 March 2016.

2 RECOMMENDATIONS

It is recommended that the Committee:

- i notes the contents of this covering report;
- ii approves the Annual Governance Statement which is included as an Appendix to this report; and
- iii instructs the Executive Director of Corporate Services to include the Annual Governance Statement in the Annual Accounts for the year to 31 March 2016.

3 FINANCIAL IMPLICATIONS

None.

4 BACKGROUND

4.1 The relevant statutory provisions regarding the preparation of the Council's Accounts are contained in the Local Authority Accounts (Scotland) Amendment Regulations 2014. Section 5 of these regulations require "...an annual review of the effectiveness of a local authority's system of internal control. The findings of that review are to be considered at a meeting of elected members, and following that review, members must approve an annual governance statement. There is no requirement to have separate meetings for the consideration of the findings and then the approval of the annual governance statement. Both may be undertaken at the same meeting."

4.2 As in previous years the Annual Accounts (including the Annual Governance Statement) will be prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) which stipulates that the following information should be included in the Annual Governance Statement:

- i. An acknowledgement of responsibility for ensuring there is a sound system of governance;
- ii. An indication of the level of assurance that the systems and processes that comprise the board's governance arrangements can provide;
- iii. A brief description of the key elements of the governance framework;
- iv. A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of the Council, internal audit and other explicit reviews/assurance mechanisms;

- v. An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan; and
- vi. A specific statement on whether the Council's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the CIPFA's *Application Note to Delivering Good Governance in Local Government: Framework*; and where they do not, an explanation of how they deliver the same impact.

4.3 The Annual Governance Statement for the year ended 31 March 2016 is included on Appendix A.

5 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environment Assessment, Anti-Poverty and Equality Impact Assessment and Risk Management. There are no major issues identified.

6 **CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services have been consulted.

7 **BACKGROUND PAPERS**

None

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

27 JUNE 2016

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Dundee City Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. This is to ensure that public funds and assets at its disposal are safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these responsibilities elected members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end the Council has approved and adopted a local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. This statement explains how Dundee City Council delivers good governance and reviews the effectiveness of these arrangements.

In addition the Council is responsible for confirming effective corporate governance arrangements exist within its other group entities.

The Council's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled. It also describes the way it engages with, accounts to and leads the local community. It enables the Council to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Local Code of Corporate Governance is supported by detailed evidence of compliance which is regularly reviewed by a working group of senior officers.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The overall control arrangements include:

- Identifying the Council's objectives in the Council Plan, Community Plan and Single Outcome Agreement.
- Monitoring of objectives by the Council and senior officers.
- A systematic approach to monitoring service performance at elected member, senior officer and project level.
- Reporting performance regularly to Council committees.
- Clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers.
- A Monitoring Officer to ensure compliance with laws and regulations.
- A Scrutiny Committee.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- Participating in National Fraud Initiative strategy for sharing and cross-matching data.
- Formal project appraisal techniques and project management disciplines.
- Setting targets to measure financial and service performance.
- Formal revenue and capital budgetary control systems and procedures.
- Clearly defined capital expenditure guidelines.
- The assurances provided by internal audit through their independent review work of the Council's internal control systems.

Review of Effectiveness

Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services and take into account comments made by external and internal auditors and other review agencies and inspectorates and prepare actions plans as appropriate.

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. Their regular review of the Local Code of Corporate Governance has identified the Council as being 90% compliant with guidelines.

In addition Chief Officers from each service have made a self-assessment of their own arrangements. This involved the completion of a 31-point checklist covering four key governance areas of Service Planning and Performance Management, Internal Control Environment, Budgeting, Accounting and Financial Control and Risk Management and Business Continuity. This again indicated a high level of compliance, with an overall score above 92%.

The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards and reports to the Scrutiny Committee. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control.

The Executive Director of Corporate Services complied fully with the five principles of the role of the Chief Financial Officer, as set out in CIPFA guidance.

The Council in partnership with NHS Tayside continued to progress towards the establishment of an integrated Health and Social Care Partnership. During 2015/16, the shadow partnership established its senior management structure and approved the Integration Joint Board was formally established on 1 April 2016. The Council is satisfied that proper due diligence has been carried out in respect of funds delegated to the Health and Social Care Partnership Integration Joint Board. The use of these funds will be monitored on an ongoing basis.

Continuous Improvement Agenda

The Council's Corporate Governance working group has identified the following areas for improvement, to be taken forward during 2016/17:

- Align Quarterly Performance Reports with services
- Revamp the Performance Survey
- Roll out Integrated Impact Assessment Tool
- Continue to develop Business Continuity Strategy
- Re-launch Whistle-Blowing Policy
- Provide Performance Training for Elected Members
- Implement new Intranet system
- Implement new Internet system
- Continue to develop and embed Risk Management

In addition, the following areas were identified by Chief Officers in the self-assessment checklists completed as part of the Council's assurance gathering process where further improvement could be made:

- Revisit and refresh Risk Registers
- Further embed the revised delivery mechanism and prioritisation for software applications.
- Further develop business continuity plans and consider their testing.
- Review approach to grant funding bids and claims
- Further improvement of financial systems controls

Group Entities

In respect of the Joint Boards, Joint Committee, Charities and Companies that fall within the Council's group boundary, the review of their internal financial control systems is informed by:

- Annual Governance Statements included in the respective financial statements of the Joint Boards and Tayside Contracts Joint Committee.

- Assurances from company directors and/or the other senior company officials.
- The work of the relevant bodies respective external auditors (and where relevant internal audit function) and other interim reports.
- Completion of self-assessment checklists.

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Council complies with the Local Code of Corporate Governance in all significant respects. It is proposed over 2016/17 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Council's governance arrangements.

David R Martin
Chief Executive, Dundee City Council
28 September 2016

Ken Guild
Leader of the Council
28 September 2016