

**ITEM No ...5.....**

**REPORT TO: SCRUTINY COMMITTEE - 28 JUNE 2017**

**REPORT ON: ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31 MARCH 2017**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 221-2017**

**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 2017.

**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;
- iii instructs the Executive Director of Corporate Services to include the Annual Governance Statement in the Annual Accounts for the year to 31 March 2017; and
- iv notes that a copy of the approved Annual Governance Statement will be submitted to the Dundee Health and Social Care Partnership for assurance purposes.

**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* (2016) as set out in the CIPFA's *Delivering Good Governance in Local Government: Framework* (2016) 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 2017 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 Council Management Team was consulted in the preparation of this report.

## 7 **BACKGROUND PAPERS**

None.

**GREGORY COLGAN**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**22 JUNE 2017**

**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. In line with Accounts Commission guidance, including Following the Public Pound and Arm's Length External Organisations (ALEOs): are you getting it right?, part of that responsibility is about ensuring that public money is being used appropriately and achieving value for money.

**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.
- A newly created Integrity Group.
- 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 85% 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 54-point checklist covering seven key governance areas of Service Planning and Performance Management; Internal Control Environment; Fraud Prevention and Detection; Budgeting, Accounting and Financial Control; Risk Management and Business Continuity; Asset Management; and Partnerships. This again indicated a high level of compliance, with an overall score above 87%.

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.

## **Continuous Improvement Agenda**

The Council's Corporate Governance working group has identified the following areas for improvement, full details are included in the Council's Local Code of Corporate Governance, to be taken forward during 2017/18:

- Develop Ethical Values Framework
- Communication Strategy 2017 – 2020 to be launched
- Roll out Integrated Impact Assessment Tool
- Align quarterly performance reports with Services
- Develop medium-term financial forecasting
- Update Corporate Asset Management Strategy
- Re-launch Whistle-blowing Policy
- Develop Risk Management Framework
- Continue to develop Business Continuity Strategy
- Provide Performance Training for Elected Members

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:

- Continue to review approach to grant funding bids and claims;
- Continue to further improve financial systems controls;
- Further develop and enhance the use of the corporate Performance Management system;
- Enhance awareness of Health & Safety Risk Controls;
- Develop programme for consideration of the suitability of key Operational IT systems;
- Revisit and refresh Employee Performance and Development Review process;
- Re-launch Anti-Money Laundering Policy and Guidance; and
- Ensure key staff are aware of their responsibilities regarding the Risk Management Framework.

## **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 Council has made progress, alongside partner agencies, in the integration of health and social care in Dundee. The Dundee Integrated Joint Board (IJB) / Dundee Health and Social Care Partnership was formed in April 2016, by which time an approved Strategic and Commissioning Plan was in place and proper due diligence had been carried out in respect of the financial contributions transferred to the IJB at the outset. The Scottish Government, Integrated Resources Advisory Group, Finance Guidance includes a section on Following the Public Pound which details the requirement to put in place arrangements to maintain control and clear public accountability over public funds. More specifically, these arrangements should cover the resources delegated to the IJB by the Council and NHS Tayside as well as the resources allocated to the Council and NHS Tayside by the IJB to be used as directed and set out in the Strategic and Commissioning Plan. In terms of Council resources, projected outturns against budgets have been and will continue to be monitored and reviewed on a continuous basis with corresponding reports being presented to the IJB at regular intervals. In addition, the Council's Policy and Resources Committee is responsible for scrutiny of integrated health and social care. The S95 Officers from the Council and the IJB have worked, and will continue to work, together closely. Over time, the format and focus of monitoring will change as budgets and services become more integrated and aligned with the priorities set out in the Strategic and Commissioning Plan.

## **Conclusion**

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 2017/18 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Council's governance arrangements.

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**David R Martin**  
**Chief Executive, Dundee City Council**  
**27 September 2017**

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**John Alexander**  
**Leader of the Council**  
**27 September 2017**

