



Supplementary Agenda

Special Meeting of Audit Committee

Date: Thursday, 8 June 2023

Time: 10:00

Venue: Civic Space, 16 Church Street, Dumbarton, G82 1QL

Contact: Ashley MacIntyre, Committee Officer
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Dear Member

ITEM TO FOLLOW

I refer to the agenda for the above meeting that was issued on 1 June 2023 and now enclose a copy of Item 7 – Code of Good Governance and Annual Governance Statement 2022/23 which was not available for issue at that time.

Yours faithfully

PETER HESSETT

Chief Executive

Note referred to:

7 CODE OF GOOD GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2022/23

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Submit report by the Chief Officer – Resources advising of the outcome of the annual self-evaluation undertaken of the Council’s compliance with its Code of Good Governance and inviting consideration of the Annual Governance Statement that will be published in the Council’s Abstract of Accounts.

Distribution:-

Councillor Karen Conaghan (Chair)
Councillor Ian Dickson
Councillor Jonathan McColl (Vice Chair)
Councillor James McElhill
Councillor Michelle McGinty
Councillor John Millar
Councillor Martin Rooney
Councillor Hazel Sorrell
Mr C Johnstone

All other Councillors for information

Chief Executive
Chief Officers

Date of issue: 2 June 2023

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer - Resources****Audit Committee: 8 June 2023**

**Subject: Code of Good Governance and Annual Governance Statement
2022/23**

1. Purpose

1.1 The purpose of this report is to:

- Advise Committee of the outcome of the annual self-evaluation undertaken of the Council's compliance with its Code of Good Governance; and
- Invite Committee to consider the Annual Governance Statement that will be published in the Council's Abstract of Accounts.

2. Recommendations

2.1 The Committee is asked to:

- i) Note the outcome of the recent self-evaluation process in considering how the Council currently meets the agreed Code of Good Governance, together with the issues identified and improvement actions; and
- ii) Consider the detail of the Annual Governance Statement and approve the actions identified by management to improve the internal control environment.

3. Background

3.1 *Delivering Good Governance in Local Government: Framework*, published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remained 'fit for purpose' and published a revised edition in spring 2016. The current *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) has applied to annual governance statements prepared for the financial year 2016/17 onwards.

3.2 The concept underpinning the revised Framework is that it assists local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. This Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities;
 - there is sound and inclusive decision making; and
 - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 3.3** In order to demonstrate a commitment to sound governance, local authorities are encouraged to publish a governance statement on an annual basis.
- 3.4** The annual governance statement is the formal statement that recognises, records and publishes a Council's governance arrangements as defined in the CIPFA/SOLACE Framework. The statement requires to be signed off by the most senior officer [Chief Executive] and the most senior member [Council Leader]. Clearly the signatories must be satisfied that the document is supported by reliable evidence.
- 3.5** Following the review of the Audit Committee, carried out in accordance with the contents of the CIPFA publication "*Audit Committees: Practical Guidance for Local Authorities and Police*" (2018 Edition)" a report was submitted to the Audit Committee meeting on 12 December 2018. One of the actions arising was to submit the draft Annual Governance Statement to the Audit Committee as a stand-alone document for consideration.
- 4. Main Issues**
- 4.1** A revised local code was developed for the Council and agreed at the Audit and Performance Review Committee on 8 March 2017.
- 4.2** A Governance Report is produced annually and is based on an annual self-evaluation of compliance against the Council's Code of Good Governance.
- 4.3** The annual self-evaluation review for 2022/23 has been carried out and has identified that current practice is mainly compliant against our revised Code of Governance, whilst identifying some areas for improvement. There were no significant governance issues identified and areas for improvement are detailed within the draft Annual Governance Statement at Appendix 1.
- 4.4** The draft Annual Governance Statement details the key elements of the Council's governance framework, annual review process, improvement areas and overall opinion.
- 4.5** In terms of the Council's overall corporate governance arrangements, it is considered that, although there are some areas of work to be completed to ensure full compliance with the Local Code of Good Governance, the overall governance arrangements of the Council are considered to be sound. The Annual Governance Statement 2022/23 is informed by the self-assessment of compliance against the Local Code of Good Governance and related Certificates of Assurance from Chief Officers, the work of Internal Audit, External Audit and external inspection agencies.

- 4.6** The significant incident in late March 2020 and the Council's management as a Category 1 responder during the COVID-19 pandemic has continued to test how well the risk management, governance and internal controls framework operated. The longevity of the Covid-19 pandemic and its extension from 2020/21 into 2021/22 meant that the effect on the Council's businesses, residents and workforce remained an area of concern in 2022/23.
- 4.7** The Council's response to the pandemic and the mobilisation of its staff continued to show the benefits of an agile and proactive workforce using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings and secure remote access to systems to allow remote/home working for a significant number of employees within the Council.
- 4.8** The Covid-19 pandemic and its aftermath is likely to have a lasting impact on income levels, resulting from fundamental changes in social movements, behaviours and preferences.
- 4.9** The Council's Annual Governance Statement will be published within the Annual Accounts for the year ended 31 March 2023.

5. People Implications

- 5.1** There are no personnel issues.

6. Financial and Procurement Implications

- 6.1** There are no direct financial or procurement implications arising from this report as all improvement actions will be managed from within existing resources.

7. Risk Analysis

- 7.1** There is a risk that a failure to maintain a local code and develop a framework to support the gathering and updating of the necessary evidence will leave the Council unable to produce a Governance Statement. The current approach to ongoing annual assessment of compliance and reporting to this Committee ensures that the Council can produce a meaningful Governance Statement.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no issues identified.

9. Consultation

- 9.1** This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

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Laurence Slavin
Chief Officer - Resources
Date: 01 June 2023

Person to Contact: Andi Priestman, Shared Service Manager – Audit & Fraud
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Appendices: 1 – Draft Annual Governance Statement

Background Papers: Report to Audit and Performance Review Committee (8 March 2017) – Revised Local Code of Good Governance; and

Wards Affected: All Wards

Annual Governance Statement

The Annual Governance Statement explains the Council's governance arrangements as it meets the requirements of the "Code of Practice for Local Authority Accounting in the UK" (the Code) and reports on the effectiveness of its system of internal control, including the reliance placed on the governance frameworks of our partners. It is included within the Council's Financial Statements to assure stakeholders on how the Council directs and controls its functions and how it relates to communities in order to enhance transparency and scrutiny of the Council's activities.

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Council's Elected Members and Corporate Management Team (CMT) are responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council has established an arms-length external organisation: West Dunbartonshire Leisure Trust – to deliver leisure services more effectively on the Council's behalf, which reports regularly to Elected Members. From 1 July 2015 the West Dunbartonshire Health and Social Care Partnership was established to continue the development of the integration of social care and health services between the Council and NHS Greater Glasgow and Clyde.

The Council has approved and adopted a Local Code of Corporate Governance ("the Local Code"), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: "*Delivering Good Governance in Local Government*". The Local Code evidences the Council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. A copy of this Code is available from the Council website at:

<http://www.west-dunbarton.gov.uk/media/4312582/wdc-local-code.pdf>

This statement explains how the Council expects to comply with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirements for the Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises: the systems and processes; and culture and values - by which the Council is directed and controlled and through which it accounts to and engages with communities. It enables the Council to monitor the achievement of the strategic objectives set out in the Strategic Plan. It enables the Council to consider whether those objectives have led to the delivery of appropriate and value for money services.

The Council has put in place a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of the approval of the Statement of Accounts.

The Governance Framework

The main features of our governance arrangements are described in the Local Code but are summarised below:

- The overarching strategic vision and objectives of the Council are detailed in the Strategic Plan 2022/27, which sets out the key priorities of the Council and key outcomes the Council is committed to delivering with its partners, as set out in the Local Outcome Improvement Plan;
- Services are able to demonstrate how their own activities link to the Council's vision and priorities through their Delivery Plans. Performance management and monitoring of service delivery is reported through service committees regularly. The CMT monitors performance information regularly. The Council regularly publishes information about its performance;
- The West Dunbartonshire Community Alliance, which supports Community Planning West Dunbartonshire, represents the views of community organisations, communities of interest and geographical communities. In addition the Council has an Engaging Communities Framework in place which sets out our approach to engaging with citizens, community organisations and stakeholders. Consultation on the future vision and activities of the partnership is undertaken in a range of ways, including seeking the views of the Alliance and through specific service consultations and the Council actively engages with its partners through community planning arrangements;
- The Council has adopted a Code of Conduct and associated employment policies for its employees. Elected members adhere to the nationally prescribed Code of Conduct for Members in a localised format. In addition, the Council has in place a protocol on member/officer relations and an inter-party protocol;
- The Council operates within an established procedural framework which incorporates a Scheme of Delegation, Standing Orders and Financial Regulations. These describe the roles and responsibilities of Elected Members and officers and are subject to regular review. The Council facilitates policy and decision making through the agreed committee structure;
- Responsibility for maintaining and operating an effective system of internal financial control rests with the Council's Chief Officer Resources as Section 95 Officer. The system of internal financial control is based on a framework of regular management information, the Financial Regulations, administrative procedures (including separation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council;
- The functions of the Audit Committee are undertaken as identified in CIPFA Guidance - Audit Committees: Practical Guidance for Local Authorities;
- The Council's approach to risk management is set out in the Risk Management Framework. A strategic risk register is in place and an update report on this is regularly submitted to the Corporate Services Committee and Audit Committee. The approach is embedded within the Council's strategic planning and performance management framework with regular reporting of risk management arrangements to service committees;
- Comprehensive arrangements are in place to ensure Elected Members and officers are supported by appropriate training and development.
- The Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption.
- The Council continues to assess and monitor ongoing compliance with the CIPFA Financial Management Code.

Review of Effectiveness

The Council has a responsibility to review, at least annually, the effectiveness of its governance framework including the system of internal financial control. The review of effectiveness of the framework is informed by the work of the CMT which has responsibility for the development, implementation and maintenance of the governance environment, the Chief Internal Auditor's annual report; and reports from the external auditors and other review agencies and inspectorates.

The Council's current Code of Good Governance was approved at the Audit & Performance Review Committee on 8 March 2017. An assessment of the Council's compliance with the Code of Good Governance is supported by a process of self-assessment and assurance certification by Chief Officers and the outcome of this assessment was reported to the Audit Committee on 8 June 2023.

Each Chief Officer was presented with a self-assessment checklist to complete and return as evidence of review of seven key areas of the Council's governance framework and provided a certificate of assurance for their service areas.

The Audit Committee performs a scrutiny role in relation to the application of the Code of Good Governance and regularly monitors the performance of the Council's Internal Audit service.

In relation to the effectiveness of governance arrangements and systems of internal control for the Council's group entities, the Council places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and reports to the Audit Committee. An annual programme of work is determined and undertaken by Internal Audit, approved by the Audit Committee, based upon an established risk based methodology. The Shared Service Manager – Audit & Fraud provides an independent opinion on the adequacy and effectiveness of the Council's System of Internal Financial Control.

The Audit Committee performs a scrutiny role in relation to the application of PSIAS and regularly monitors the performance of the Internal Audit service. The Council's Shared Service Manager – Audit & Fraud (the Council's Chief Internal Auditor) has responsibility for reviewing independently and reporting to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it.

It is our view that the Council has in place a sound system of internal financial control and that appropriate mechanisms are in place to identify areas of weakness. This is corroborated by an annual assurance statement prepared by the Shared Service Manager – Audit & Fraud stating that the overall control environment opinion was "Generally Satisfactory with some improvements needed" such that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control systems. There were two audits which received an overall opinion of "Requires Improvement", namely Occupational Therapy – Waiting Times and Fleet Management. Action plans are in place to address all issues identified in relation to both audits which will be monitored and reported to CMT and Audit Committee.

Due to the COVID-19 pandemic, some audits from 2021/22 could not be carried out and were completed in early 2022/23 which has impacted on the completion of the fieldwork for the 2022/23 audit plan. However the overall audit plan is set within the context of a multi-year approach to audit planning such that key risk areas are reviewed over a 5 year cycle.

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that the assets are safeguarded, the transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the Council's objectives have been mitigated.

Covid-19

The significant incident in late March 2020 and the Council's management as a Category 1 responder during the COVID-19 pandemic has continued to test how well the risk management, governance and internal controls framework operated. The longevity of the Covid-19 pandemic and its extension from 2020/21 into 2021/22 meant that the effect on the Council's businesses, residents and workforce remained an area of concern in 2022/23.

The Council's response to the pandemic and the mobilisation of its staff continued to show the benefits of an agile and proactive workforce using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings and secure remote access to systems to allow remote/home working for a significant number of employees within the Council.

The Covid-19 pandemic and its aftermath is likely to have a lasting impact on income levels, resulting from fundamental changes in social movements, behaviours and preferences.

Governance Issues and Planned Actions

The following main issues and areas for improvement during 2022/23 have been identified through the self-assessment exercise carried out by Chief Officers against key aspects of the Code of Good Governance. These will be monitored as part of the next annual review in 2023/24.

Improvement Area identified by 2022/23 Exercise	Responsible Officer
Embedding Be the Best Conversations within all service teams.	Chief Officer, Citizen, Culture and Facilities
Work is required in some services to review and update business continuity planning documentation.	Chief Officer, Housing and Employability
Business Classification Scheme will be rolled out to relevant service areas.	Chief Officer, People and Technology Chief Officer, Resources Chief Officer, Education, Learning and Attainment
Evaluation processes are built into some key projects but not all. The HSCP would benefit from a consistent planning approach in this respect and this has been highlighted via external inspection activity.	Chief Officer, HSCP
In relation to self-evaluation, work is ongoing to review complaints and consider how all feedback can be captured and used to inform service improvement across HSCP.	Chief Officer, HSCP
Work is ongoing to implement the Council's information classification policy and procedure as part of the Microsoft Office 365 project.	Data Protection/Information Governance Officer
A review of Learning Disability Service is underway to improve on ways of working to ensure the service is fit for future demands. Full review to be picked up as part of renewal and recovery work. Internal Audit support will be provided to the project.	Head of Mental Health, Addictions & Learning Disabilities
There is currently a resourcing issue in terms of community engagement and participation and although the HSCP Board have adopted a strategy this will be reviewed in 2023/24.	Chief Officer, HSCP
Process for reporting on the status of external audit actions regularly to Audit Committee will be developed and implemented.	Chief Officer, Resources
Arrangements for Procurement and Commissioning arrangements remains an area of high risk for the HSCP. Additional resource is now in place to provide focus in this area and address actions arising from a recent Internal Audit review.	Chief Officer, HSCP
The HSCP employ a small number of consultants through relevant procurement processes. A review of current appointments was undertaken in early 2023 utilising the manager's guidance and the HMRC website to ensure invoices were being treated appropriately. The HSCP Head of HR and the CFO will support Heads of Service in any new contract arrangements that must comply with off payroll working guidance.	Chief Officer, HSCP

The 2021/22 Annual Governance Statement highlighted a range of areas for improvement during 2022/23. The following table provides an update on progress with these with a number having been completed or are areas which continue to have an ongoing focus:

Improvement Area identified by 2021/22 Exercise	Status
Embedding Be the Best Conversations within all service teams.	Ongoing. There is improvement to be made to ensure all employees have regular 121s.
Work is required in some services to review and update business continuity planning documentation.	Ongoing.

Business Classification Scheme will be rolled out to relevant service areas.	Ongoing.
Due to ongoing COVID-19 restrictions during 2021/22, some services have been unable to access offices and therefore physical access to hard copy files for destruction has not been possible. This will be resumed in line with easing of restrictions.	Complete.
Appropriate and proportionate assurances will be sought from key partners and suppliers in relation to business continuity arrangements in place for managing key risks.	Complete.
Although improvement activity stimulated by external inspection and internal improvement activity is monitored by HSCP Board and relevant Projects, it is recognised that HSCP would benefit from establishing arrangements to ensure consistency in monitoring processes.	Ongoing.
Staff training and development has been identified as an area for improvement and resources have been identified and agreed to ensure co-ordination of approach to training and development across the HSCP.	Complete.
An integrated workforce plan is being developed for HSCP for approval by HSCP Board during 2022/23. Succession planning has been identified as an area for improvement for the HSCP and work is ongoing in this regard.	Complete.
In relation to self-evaluation, work is ongoing to review complaints and consider how all feedback can be captured and used to inform service improvement across HSCP.	Ongoing.
Work is ongoing to implement the Council's information classification policy and procedure as part of the Microsoft Office 365 project.	Ongoing.
Review of Learning Disability Service to improve on ways of working to ensure the service is fit for the future demands. Service Improvement lead aligned to service. Full review to be picked up as part of renewal and recovery work.	Ongoing.
A Project Overview document has been developed and approved by the Integrated Housing Project Board in relation to the IHMS. This document is being utilised to manage all remaining Phase 2 implementation items.	Complete.

Best Value Assurance Report

Audit Scotland reported a Best Value Assurance Report on West Dunbartonshire Council to the Accounts Commission on 28 June 2018 which contained five recommendations, all of which are complete.

Health and Social Care Integration

The Council, as the funder of the Social Care services within the West Dunbartonshire Health and Social Care Partnership (HSCP) has an interest in the governance arrangements within the HSCP Board. Internal Audit arrangements for the HSCP is provided jointly by the Council's Internal Audit service and the Health Board's Internal Audit Service, with the Council's Internal Audit service providing audit arrangements for social care services and the general oversight of the HSCP Board's governance arrangements.

The HSCP Board has arrangements in place to review its own ongoing compliance with the revised Code of Governance. Due to the Council's role as social care service provider Internal Audit's process outcomes on such services are reported to the Council's Audit Committee as well as that of the HSCP Board. The Chief Social Worker provides the Council with an annual report on the performance of the HSCP.

The financial arrangements for the Council's funding to the HSCP Board are aligned and budget processes run parallel to ensure that appropriate budgets for the HSCP Board are aligned with Council policy and budgeting approaches. On an ongoing basis the Council continues to receive budgetary control information in relation to HSCP Board services funded by the Council.

Compliance with Best Practice

Statement on the role of the Chief Financial Officer in local government

The Council complies with the requirements of the CIPFA Statement on “*The Role of the Chief Financial Officer in Local Government 2010*”. The Council’s Chief Financial Officer (Section 95 Officer) has overall responsibility for the Council’s financial arrangements, and is professionally qualified and suitably experienced to lead the Council’s finance function and to direct finance staff.

Statement on the role of the Head of Internal Audit in Public Service Organisations

The Council complies with the requirements of the CIPFA Statement on “*The Role of the Head of Internal Audit in Public Service Organisations 2019*”. The Council’s Chief Internal Auditor has responsibility for the Council’s Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council’s Internal Audit staff. The Internal Audit service generally operates in accordance with the CIPFA “*Public Sector Internal Audit Standards 2017*”.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2022/23 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principle objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment with plans in place to address improvement areas.

Martin Rooney
Leader of the Council
Date:

Peter Hessett
Chief Executive
Date:

Laurence Slavin
Chief Officer – Resources
Date: