

REPORT TO: SCRUTINY COMMITTEE - 27 JUNE 2018

REPORT ON: ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31 MARCH 2018

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 214-2018

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 2018.

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 2018; 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 2018 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 have been consulted in the preparation of this report.

7 **BACKGROUND PAPERS**

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

14 JUNE 2018

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 Local Outcomes Improvement Plan (City Plan).
- 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 and individual Service Committees.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- An Integrity Group.
- A Serious Organised Crime Group.
- Senior officer Resilience Group.
- Council Management Team and each Service's Senior Management Teams.
- 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.

- A Capital Governance Group consisting of senior officers from across Council services and chaired by the Executive Director of Corporate Services is in place.
- The Council, together with NHS Tayside have established an Integrated Health and Social Care Partnership (HSCP). The HSCP has established a governance structure and an integrated senior management structure to support delivery of its key objectives.
- A People Strategy is in place to support the delivery of the Council Plan and its strategic priorities.
- The assurances provided by internal audit through their independent review work of the Council's governance, risk management and control framework.

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 94% (2016/2017: 85%) compliant with guidelines.

In addition Executive Directors from each service have made a self-assessment, in conjunction with their senior management teams, of their own governance, risk management and internal control 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% (2016/2017: 87%).

The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards and reports functionally to the Scrutiny Committee. Conformance with the PSIAS has been confirmed independently, through the completion of a formal External Quality Assurance process. 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 Council's governance, risk management and control framework. The overall audit opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and 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 progress against the Continuous Improvement Agenda items for 2017/2018 are detailed in tables 1 and 2 at Appendix 1. Several items are still in progress and have been carried forward to be actioned in 2018/2019. Additional areas for improvement have also been identified by the Council's Corporate Governance Assurance working group and these are included, along with the areas for improvement carried forward, on Appendix 2 and form the Continuous Improvement Action Plan for 2018/2019. These were identified by Executive Directors and Heads of Services in the self-assessment checklists that were completed as part of the Council's assurance gathering process. The Council's Governance structure is shown in Appendix 3.

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 governance, risk management and control framework 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 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 2018/2019 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
26 September 2018

John Alexander
Leader of the Council
26 September 2018

CONTINUOUS IMPROVEMENT AGENDA FOR 2017/2018 – WITH PROGRESS UPDATES

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 (www.dundee.gov.uk/reports/reports/223-2017.pdf) to be taken forward during 2017/18:

Table 1:

ORIGINAL IMPROVEMENT AGENDA ON P&R REPORT					PROGRESS UPDATES	
Improvement	Principle	Code Reference	Responsible Officer	Target Completion Date	Comments	Actual Completion Date
1 Develop Ethical Values Framework	1	2.1-2.4	Head of Democratic and Legal Services	31/3/18	In Progress. Draft report has been circulated to CMT.	Carried Forward to 2018/2019.
2 Communication Strategy 2017-2020 to be launched	2	2.1, 3.2 to 3.4	Service Manager Communications	31/12/17	In Progress. Approved by P&R Committee on 23 April 2018.	Carried Forward to 2018/2019.
3 Roll Out Integrated Impact Assessment Tool	3	1.2	Service Manager Transformation and Performance.	30/9/17	Rollout commenced 1 st Aug 2017. Phased approach to implementation to ensure that it is fully utilised by all Services.	Carried Forward to 2018/2019.
4 Align quarterly performance reports with services	4	2.4	Service Manager Transformation and Performance	31/12/17	Reports are aligned with restructured Council Services but new data and system being developed around new City and Council Plan. Update reported to CMT on 3 April 2018. There will be a range of Performance Reports staggered over the year rather than quarterly reports all at once. This process will begin after the summer recess.	Carried Forward to 2018/2019.
5 Develop medium-term financial forecasting	4	2.7, 3.1 to 3.3	Executive Director of Corporate Services	31/3/18	A 3 year revenue budget was presented to P&R Committee in February 2018.	Completed 22/2/18.
6 Update Corporate Asset Management Strategy	5	1.1	Executive Director of City Development	31/3/18	Strategy currently being updated with input from CIPFA.	Carried Forward to 2018/2019.
7 Re-launch Whistleblowing Policy	5	2.7	Head of Human Resources and Business Support	31/12/17	Cascaded to employees via email. Also on August 2017 payslip, advertised on Intranet and Internet, and posters throughout council premises.	Completed 24/8/17.

8	Implement new Internet System	6	2.6	Head of Customer Services and IT	31/10/17	Launched in 2017.	Completed 20/10/17.
9	Develop Risk Management Framework	6	1.1-1.2	Executive Director of Corporate Services	30/9/17	Corporate Risk Register approved at P&R on 23 April 2018, including a Formal Risk Management Improvement Plan.	Carried Forward to 2018/2019.
10	Continue to develop Business Continuity Strategy	6	1.3	Service Manager Community Safety and Resilience	31/12/17	Senior Officer Resilience Group established in January 2018. Representation on group from Heads of Service or above. Training workshops being organised. The workshop provider has produced a programme and is awaiting confirmation of availability for holding workshops. Completion target date of 31/12/18.	Carried Forward to 2018/2019.
11	Provide Performance Training for Elected Members	7	2.2	Service Manager Transformation and Performance	31/3/18	In progress.	Carried Forward to 2018/2019.

In addition, the following areas for improvement were identified in 2017/2018 by Executive Directors in the self-assessment checklists (SACs) completed as part of the Council's assurance gathering process where further improvement could be made:

Table 2:

ORIGINAL IMPROVEMENT AGENDA ON SCRUTINY REPORT					PROGRESS UPDATES	
Improvement	Governance Area	SAC Reference	Responsible Officer	Target Completion Date	Comments	Actual Completion Date
1 Continue to review approach to grant funding bids and claims	Budgeting, Accounting & Financial Controls	4.1 to 4.5	Head of Corporate Finance	31/3/18	A Corporate Policy document has been drafted and is being discussed at CMT on 15/5/18.	Carried Forward to 2018/2019.
2 Continue to further improve financial systems controls	Budgeting, Accounting & Financial Controls	4.1 to 4.5	Head of Corporate Finance	31/3/18	Reconciliation Framework in place for 2017/18 year-end. Completion target date of 30/4/18.	Carried Forward to 2018/2019.
3 Further develop and enhance the use of the corporate Performance Management system	Service Planning & Performance Management.	1.4 to 1.6	Service Manager Transformation and Performance	31/3/18	In progress. Performance Indicators are being developed (See Table 1, Improvement number 4). From Scrutiny Committee in April 2018 all new Internal Audit report recommendations are being recorded on Pentana. Service level Risk Registers will be developed to follow on from the Corporate Risk Register. New Corporate Risk Management Co-Ordinator will have responsibility for ensuring these are kept up-to-date by Services.	Carried Forward to 2018/2019.
4 Enhance awareness of Health & Safety Risk controls	Internal Control Environment	2.2 (b & c)	CMT / Health & Safety Co-ordinator	31/12/17	In progress. Health & Safety Co-ordinator gathering information on current arrangements within Services.	Carried Forward to 2018/2019.
5 Develop programme for consideration of the suitability of key Operational IT systems	Internal Control Environment	2.5	Head of IT & Customer Services	31/3/18	In progress. Five year IT Strategy still to be finalised. Will be implemented in 2018/19.	Carried Forward to 2018/2019.

6	Revisit and refresh Employee Performance and Development Review process	Internal Control Environment	2.9	Head of HR and Business Support	31/12/17	Progressing. In People Strategy update. A new flexible EPDR process has been developed and implemented and is currently being rolled out.	Carried Forward to 2018/2019.
7	Re-launch Anti-Money Laundering Policy and Guidance	Fraud Prevention & Detection	3.6	Financial Services & Investment Manager	31/12/17	Report with revised policy and guidance was presented to P&R Committee on 12 February 2018. Requires to be communicated to employees.	Carried Forward to 2018/2019.
8	Ensure key staff are aware of their responsibilities regarding the Risk Management Framework	Risk Management & Business Continuity	5.3	CMT	30/9/17	Reports to CMT in January, February and March. Linked to Risk Management Implementation Plan (see Table 1, Improvement number 9).	Carried Forward to 2018/2019.

IMPROVEMENT AGENDA FOR 2018/2019:

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 2018/19:

Table 1:

Improvement	Principle	Code Reference	Responsible Officer	Target Completion Date
1 Develop Ethical Values Framework	1	2.1-2.4	Head of Democratic and Legal Services	31/7/18
2 Communication Strategy 2017-2020 to be launched	2	2.1, 3.2 to 3.4	Service Manager Communications	31/7/18
3 Roll Out Integrated Impact Assessment Tool	3	1.2	Service Manager Transformation and Performance	31/7/18
4 Align quarterly performance reports with services	4	2.4	Service Manager Transformation and Performance	31/7/18
5 Update Corporate Asset Management Strategy	5	1.1	Executive Director of City Development	31/8/18
6 Develop Risk Management Framework	6	1.1-1.2	Executive Director of Corporate Services	30/6/18
7 Continue to develop Business Continuity Strategy	6	1.3	Service Manager - Community Safety and Resilience	31/12/18
8 Provide Performance Training for Elected Members	7	2.2	Transformation and Performance Manager	31/7/18
9 Develop Governance Arrangements to support the revised Risk Management arrangements	6	1.1 – 1.2	Head of Corporate Finance / Corporate Risk Management Co-ordinator	30/6/18
10 Review and revise the Council's Risk Management Strategy	6	1.1 – 1.2	Head of Corporate Finance / Corporate Risk Management Co-ordinator	30/9/18
11 Launch a new Social Media Policy	2	3.2	Service Manager Communications	31/10/18
12 Develop & implement a comprehensive contingency plan / strategy for the possible impact of Brexit	4	1.1	Head of Chief Executive's Services	31/3/19

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

Table 2:

Improvement	Governance Area	SAC Reference	Responsible Officer	Target Completion Date
1 Continue to review approach to grant funding bids and claims	Budgeting, Accounting & Financial Controls	4.1 to 4.5	Head of Corporate Finance	31/7/18
2 Continue to further improve financial systems controls	Budgeting, Accounting & Financial Controls	4.1 to 4.5	Head of Corporate Finance	30/6/18
3 Further develop and enhance the use of the corporate Performance Management system	Service Planning & Performance Management	1.4 to 1.6	Transformation and Performance Manager	31/8/18
4 Enhance awareness of Health & Safety Risk controls	Internal Control Environment	2.2 (b & c)	CMT / Health & Safety Co-ordinator	31/8/18
5 Develop programme for consideration of the suitability of key Operational IT systems	Internal Control Environment	2.5	Head of IT & Customer Services	31/12/18
6 Revisit and refresh Employee Performance and Development Review process	Internal Control Environment	2.9	Head of HR and Business Support	31/8/18
7 Re-launch Anti-Money Laundering Policy and Guidance	Fraud Prevention & Detection	3.6	Financial Services & Investment Manager	31/7/18
8 Ensure key staff are aware of their responsibilities regarding the Risk Management Framework	Risk Management & Business Continuity	5.3	CMT	31/8/18
9 Develop Service level Risk Registers	Risk Management & Business Continuity	5.1 to 5.3	CMT	31/3/19

Dundee City Council's Governance Structure



