

Annual Governance Statement 2017/18

Introduction

Angus 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. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Angus Council's affairs and facilitating the exercise of its functions. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively and ensuring that appropriate arrangements are in place for the management of risk.

To this end, the Council has approved and adopted a Local Code of Corporate Governance (the Local Code) which is consistent with the principles and recommendations of the CIPFA/SOLACE framework Delivering Good Governance in Local Government and the supporting guidance notes for Scottish authorities. The Local Code sets out the core principles of good governance and the key policies, procedures and structures which demonstrate Angus Council's compliance. It is also applicable in general terms to elected members and officers on external bodies.

The Local Code was reviewed and updated in 2018 to ensure that it remains up to date and that it complies with the revised Delivering Good Governance Framework and Scottish Guidance Notes published in 2016. A copy of our [Local Code of Corporate Governance](#) is available on the Council's website at www.angus.gov.uk

This annual governance statement explains how the Council has complied with the terms of the local code for the year ended 31 March 2018. It also meets the requirements of the Local Authority Accounts (Scotland) Regulations 2014, which require all relevant bodies to prepare an annual governance statement. The statement covers relevant governance issues as they affect those entities included as part of the Council's Group Accounts, reliance having been based on their respective governance statements.

The Governance Framework

The governing body of Angus Council is the full Council. Some functions, including setting the annual budget and council tax, can only be discharged by the full Council. The following Standing Committees were in place during 2017/18:

- Children and Learning
- Civic Licensing
- Communities
- Development Standards
- Policy and Resources
- Scrutiny and Audit

The processes which govern the conduct of the Council's business and the roles and responsibilities of elected members and officers are defined in [Standing Orders and Related Documents](#) and in [Financial Regulations](#). These are reviewed regularly and revised where appropriate.

The Council's Chief Executive is responsible and accountable for all aspects of executive management. Margo Williamson took up her post as Chief Executive on 1 June 2017, following the retirement of the previous Chief Executive. From 1 June 2017, the number of Strategic Directors reduced from three to two.

In 2017/18, the corporate management structure was led by the Executive Management Team (EMT) and the Council Management Team (CMT). From 1 June 2017, EMT comprised the Chief Executive, two Strategic Directors, the Chief Officer Integration and the statutory officers (Monitoring Officer, Section 95 Officer and Chief Social Work Officer). The EMT members plus 6 Heads of Service formed the CMT.

In March 2017, Council agreed that a review of the management structure should be undertaken with a view to streamlining arrangements in line with the Council's ambition to be a better, stronger, more sustainable and smaller organisation. The outcomes of the review were reported to the Policy & Resources Committee in November 2017 (R418/17). The review resulted in a reduction of managers' posts from 207 to 165, including a reduction from 9 to 7 Head of Service posts and the new structure has been in place since 1 April 2018. Since 1 April, the corporate management structure is led by the Corporate Leadership Team, comprising the Chief Executive, two Strategic Directors, seven Heads of Service and the Service Leader-Legal & Democratic (Monitoring Officer). The Chief Officer Integration is part of Angus Council's Corporate Leadership Team and leads the Health & Social Care partnership for Angus.

The Council operates an internal audit service reporting directly to the Chief Executive. It operates in accordance with the Public Sector Internal Audit

Standards. The service undertakes an annual risk-based programme of work approved by the Scrutiny & Audit Committee.

Since 2013, the Audit Manager role has been provided on a part-time basis through the internal audit co-source contract. The Audit Manager has open access to elected members and the Chief Executive. The Audit Manager reports on a functional basis to the Scrutiny & Audit Committee and on a contract management basis to the Service Manager - Governance & Consultancy. The Audit Manager reports in her own name, retains final edit rights over all audit reports and provides to members an annual report on governance, risk and internal control.

The internal audit co-source contract came to an end on 30 April 2018. The new management structure, in place from 1 April 2018, includes a full time Service Leader Internal Audit post. The recruitment process has been completed and it is planned that the new post-holder, who was previously the co-source Audit Manager, will be in post from mid-July.

The Counter-Fraud Team is a specialist resource which reported to the Service Manager Governance & Consultancy during 2017/18. From mid-July, the team will report to the Service Leader Internal Audit. The team has overall responsibility for assessing and investigating allegations of fraud and corruption and for reporting findings. None of the investigations concluded in 2017/18 had a material impact on the Council's financial standing.

Within the Council's overall governance framework specific arrangements are in place as part of the system of internal financial control. This system is intended to ensure that reasonable assurance can be given 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.

The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council.

In relation to the systems of financial control of the Council's associated companies, reliance is placed on the Governance Statement prepared by the officers responsible for the proper administration of the financial affairs of those associated companies.

As a result of changes in management structures the Council's financial management arrangements now comply in all material respects with the governance requirements of the CIPFA Statement on the Role of the Chief

Financial Officer in Local Government (2016). The Head of Finance & Legal, as Chief Financial Officer for the Council, is line managed by the Strategic Director of Place but reports directly to the Chief Executive on all matters concerning his statutory role. The Head of Finance & Legal is the Council's most senior adviser on all financial matters, is involved in the development of all strategic and financial policy matters and has direct access all elected members. For the year under review the Chief Financial Officer was able to fulfil the requirements of the role through the arrangements which existed.

The Service Leader Legal & Democratic is the Council's Monitoring Officer, responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

From 1 April 2016, adult social work services are delivered under the direction of the Angus Health & Social Care Partnership, established under the provisions of the Public Bodies (Joint Working) (Scotland) Act 2014. The work of the partnership is overseen by the Integration Joint Board (IJB), which was established with effect from 3 October 2015. Agendas, reports and minutes of the IJB are published on the Council website. The Chief Officer Integration is a member of the Council's Corporate Leadership Team.

The Council's Chief Social Work Officer (CSWO) has a responsibility to ensure the provision of effective professional advice to elected members and officers in the authority's provision of statutory social work duties and to provide professional governance and leadership in the delivery of social work and social care services. The role of CSWO complies with revised guidance issued by Scottish Ministers in July 2016. The CSWO's annual report details the arrangements that are in place within Angus to allow the CSWO to fulfil this role and provides assurance to elected members as to the governance of statutory social work services in Angus. The CSWO assurances cover all social work services, including those that come under the responsibility of the IJB.

Further details of the governance framework, including developments which have taken place during the current year, can be found in the Local Code of Corporate Governance 2018, which can be accessed from the Council website. The governance framework has been in place for the year ended 31 March 2018 and up to the date of approval of the Council's Annual Accounts.

Annual Review of the Governance Framework

The Council conducts an annual review of the effectiveness of its overall governance framework. The review is undertaken on behalf of the Chief Executive by the Corporate Governance Officers Group. This group has responsibility for monitoring compliance with the principles of good governance and making recommendations for additions and/or improvements to the

governance framework to reflect any changes in the way the Council does business and any new legislation affecting the Council's governance arrangements.

The annual review of the governance framework is informed by:

- annual assurances from Strategic Directors who have responsibility for the development and maintenance of the governance environment within their Directorate and who in turn identify actions to improve governance at a directorate level
- annual assurances from the S95 Officer, Monitoring Officer and Chief Social Work Officer
- the Audit Manager's independent review of the Council's risk management processes, systems of internal control and corporate governance processes
- consideration of governance issues by the Scrutiny & Audit committee, including internal and external audit reports, counter-fraud updates, corporate risk register updates and complaints summary reports
- reports from other scrutiny bodies and inspectorates.

The conclusion from the review activity outlined above is that in 2017/18 the Council continued to demonstrate that the governance arrangements and framework within which the Council operates are sound and operating effectively.

Improvement Areas

The review process identified the following areas where improvements have been made during 2017/18, or where further improvements are planned for 2018/9 to enhance the Council's governance framework. An update on the improvement actions identified in the 2016/17 Annual Governance Statement was reported to the Scrutiny & Audit Committee in June 2018 (R206/18 Appendix 1). The action plan from this year's statement was also submitted (R206/18 appendix 2)). Progress will be monitored through the Pentana performance management system and reported to the committee.

- The Council's Change Programme is directly aligned with the Local Outcomes Improvement Plan, Locality Plans and Council Plan. The programme is critical to delivering the realignment of resources and substantial budget savings projected to be required over the next few years. Change Programme governance arrangements were set out in report 278/17 to Council. Information on the Change Programme was included with the budget-setting reports considered by Council in February 2018 (R59/18) and updates have been reported to Policy & Resources (R94/18) and Scrutiny & Audit (R136/18).

- Following the recent management review, operational schemes of delegation across the Council will be further reviewed and updated during 2018. (**Action Plan 1**)
- As part of the Cyber Resilience Strategy for Scotland the Scottish Government has directed that all Scottish Local Authorities should be Cyber Essentials accredited by October 2018. Angus Council achieved this compliance in April 2018.
- The Health and Safety Executive served an enforcement notice on Angus Council in relation to the Control of Substances Hazardous to Health within secondary schools. The Council had until 31 March 2018 to comply with the notice and the work is now complete. A review is currently in progress which will determine the future location and management arrangements for the Health & Safety Team.
- A small number of data protection breaches were reported to the Information Commissioner's Office (ICO). No formal action was taken by the ICO, but a number of recommendations were made to improve practices.
- Internal Audit completed a review of the user account and access management controls within the Council's Integra finance system. A recent payments fraud in another local authority had highlighted the importance of adequate controls in this area.

The audit sought to provide assurance that appropriate controls are in place to ensure the confidentiality, integrity and availability of the Integra finance system data. The review considered the adequacy of user access controls to ensure effective segregation of duties. The weaknesses identified as enabling fraudulent activity in another local authority, as mentioned above, were considered as part of the review.

4 of the 5 control objectives were assessed as inadequate or ineffective and the overall conclusion of the review was that "limited assurance" could be provided, meaning that although some satisfactory elements are evident within the control framework, some significant weaknesses have been identified.

Internal audit made 8 recommendations, which included 2 priority 1 control design recommendations to:

- reduce the number of administrator access accounts and
- ensure no one has end to end processing rights in the purchase cycle

Both of these were actioned immediately. Progress will be monitored by Internal Audit and reported to the Scrutiny & Audit committee.

- The Scrutiny & Audit committee undertook a self-assessment against the Good Practice and Evaluating the Effectiveness checklists in the Cipfa Audit Committee guidance. A summary of the outcome is included in the annual report from the committee to full Council (Report 207/18 to the June 2018 meeting of the Scrutiny & Audit committee)
- The counter-fraud team undertook a self-assessment against the Cipfa Code of Practice on Managing the Risk of Fraud and Corruption. The outcome was reported to the Scrutiny & Audit committee in June 2018 (report 202/18). The self-assessment confirms that the Council has adopted a response that is appropriate for its fraud and corruption risks.

Strategic Directors have identified improvements to governance arrangements within their own Directorates but these are not considered material enough to affect the overall assessment of the Council being generally compliant with the requirements of our Local Code of Corporate Governance.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Angus Council’s systems of governance and that the annual review demonstrates compliance with the core principles of good governance.

Margo Williamson		Councillor Bob Myles
Chief Executive		Leader of the Council