

## Draft Annual Governance Statement 2021/22

### Report by Chief Executive

### Report for Decision

## 1 Recommendations

The Audit Committee is asked to:

- a) Consider the details of the draft Annual Governance Statement 2021/22 at Appendix 1 to ensure it reflects the risk environment and governance in place to achieve objectives, and acknowledge the actions identified by Management to improve internal controls and governance arrangements; and
- b) Approve that it be published in the Council's Statement of Accounts 2021/22, noting the requirement for the final Annual Governance Statement to be signed by the Chief Executive and Leader of the Council at the conclusion of the external audit process.

## 2 Purpose of Report/Executive Summary

The purpose of this report is to propose that the Audit Committee considers and approves the draft Annual Governance Statement that will be published in the Council's Statement of Accounts 2021/22.

Midlothian 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.

The Council's Local Code of Corporate Governance that was approved by Council on 23 March 2021 was used to assist with the annual assurance process 2021/22.

The draft Annual Governance Statement 2021/22, which is appended to this report as Appendix 1 for consideration, is the output from the annual assurance process and review against the updated Local Code.

**Date 21 June 2022**

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### **3      Background**

- 3.1** Midlothian 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.
- 3.2** Fundamentally Corporate Governance is about openness, integrity and accountability. It comprises the systems and processes, and cultures and values by which the authority is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.

### **4      Annual Assurance Process 2021/22**

- 4.1** The CIPFA/SOLACE Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement and report compliance on an annual basis.
- 4.2** The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.<sup>1</sup> Its Terms of Reference includes 'To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances'.
- 4.3** The Internal Audit function undertook an assessment of the Local Code of Corporate Governance and identified areas of further improvement to enhance the effectiveness of internal control and governance arrangements and compliance against the Local Code.
- 4.4** Progress with implementation of actions regarding previously identified improvement areas of governance has also been evaluated.
- 4.5** The draft Annual Governance Statement 2021/22 at Appendix 1, in compliance with the CIPFA/SOLACE Framework, provides details of the Council's Governance Framework, the annual Review of Framework undertaken, Improvement Areas of Governance, and Overall Opinion.
- 4.6** It is the Chief Executive's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Midlothian Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in most respects to meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

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<sup>1</sup> CIPFA guidance note for local authorities 'Audit Committees' (2018)

- 4.7** The draft Annual Governance Statement 2021/22 is informed by the assessment of compliance against the Local Code, written assurance statements from the Executive Directors, Internal Audit annual opinion and findings and recommendations, and comments and recommendations made by External Auditor and other external scrutiny bodies and inspection agencies.

## **5 Report Implications (Resource, Digital, Risk and Equalities)**

### **5.1 Resource**

The overall aim of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’ (2016), on which Midlothian Council’s Local Code of Corporate Governance is framed, 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.

Core principle of good governance “E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it” is included within the CIPFA/SOLACE Framework. Workforce and elected member development are a key part of the good governance framework within the Council’s Local Code of Corporate Governance.

### **5.2 Digital**

There are no digital implications arising from this report.

### **5.3 Risk**

The review and update of the Local Code of Corporate Governance during 2021/22 ensures that internal controls, risk management and other governance arrangements reflect the arrangements in place on an evidence-basis. The draft Annual Governance Statement 2021/22 details areas where additional work would further enhance the internal control environment, or improve risk management and corporate governance arrangements.

Core principle of good governance “F. Managing risks and performance through robust internal control and strong public financial management” is included within the CIPFA/SOLACE Framework. Midlothian Council’s Local Code of Corporate Governance sets out evidence of systems, processes and documentation to demonstrate local compliance with this core principle of good governance.

### **5.4 Ensuring Equalities**

This report does not relate to a new or revised policy, service or budget change, which affects people (the public or staff), so an Integrated Impact Assessment (IIA) is not an applicable consideration.

The application of equalities legislation within practices is set out in Midlothian Council's Local Code of Corporate Governance to demonstrate compliance of core principle of good governance "A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law".

## **5.5 Additional Report Implications (See Appendix A)**

### **Appendices:-**

**Appendix A:** Additional Report Implications

**Appendix B:** Annual Governance Statement

## APPENDIX A – Additional Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

Good governance is important to enable Midlothian Council to deliver its key priorities in support of achieving the Council's objectives as set out in the Single Midlothian Plan (Reducing the gap in economic circumstances; Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the impact of climate change).

### A.2 Key Drivers for Change

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

Midlothian Council is committed to creating a great place to grow supported by the 9 drivers for change. Implementing the 9 drivers for change in practice is embedded in the Council's Local Code of Corporate Governance to assist the Council in achieving its objectives.

### A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious

### A.4 Delivering Best Value

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016), on which Midlothian Council's Local Code of Corporate Governance is framed, 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.

This will enable the Council to fulfil its obligations to provide best value service delivery to its citizens.

## A.5 Involving Communities and Other Stakeholders

Core principle of good governance “B. Ensuring openness and comprehensive stakeholder engagement” is included within the CIPFA/SOLACE Framework. Midlothian Council’s evidence of systems, processes and documentation to demonstrate local compliance with this core principle of good governance is set out in its Local Code of Corporate Governance.

The Council’s Corporate Management Team was engaged in the review and finalisation of the updated Local Code of Corporate Governance (approved by Council on 23 March 2021), and the update of the evidence to demonstrate good governance which reflects the current operating environment.

## A.6 Impact on Performance and Outcomes

The annual self-assessment and the identification of improvement actions as evidenced through the draft Annual Governance Statement 2021/22 are designed to enhance the internal control environment, and risk management and corporate governance arrangements.

This demonstrates the core principle of good governance “G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability” included within the CIPFA/SOLACE Framework.

## A.7 Adopting a Preventative Approach

Core principle of good governance “D. Determining the interventions necessary to optimise the achievement of the intended outcomes” is included within the CIPFA/SOLACE Framework. Prevention governance arrangements are a key part of the good governance framework within the Council’s Local Code of Corporate Governance.

## A.8 Supporting Sustainable Development

Core principle of good governance “C. Defining outcomes in terms of sustainable economic, social, and environmental benefits” is included within the CIPFA/SOLACE Framework. Midlothian Council’s evidence of systems, processes and documentation to demonstrate local compliance with this core principle of good governance is set out in its Local Code of Corporate Governance.