

Annual Governance Statement 2019/20

Report by Chief Executive

1. Purpose of the Report

The purpose of this report is to propose that the Audit Committee considers and approves the Annual Governance Statement that will be published in the Council's Statement of Accounts 2019/20.

2. Background

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, 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 (2016), was approved by Council in December 2017.

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.

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.

The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.¹ 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'.

3. Annual Assurance Process 2019/20

In February and March 2020 the Internal Audit function has undertaken the annual self-assessment of the effectiveness of internal control and governance arrangements and compliance against the Local Code for the year ended 31 March 2020. The Chief Internal Auditor led on this process as part of HIA² role to be champion for sound governance.

¹ CIPFA guidance note for local authorities 'Audit Committees' (2018)

² CIPFA 'the role of the head of internal audit in public service organisations' (2019)

The Internal Audit function has considered examples of evidence such as systems, processes and documentation to demonstrate compliance with the Framework's seven core principles of good governance, supporting principles and a range of specific requirements as set out in the Local Code. A revised Local Code of Corporate Governance will be presented for approval in due course.

Progress with implementation of actions regarding previously identified improvement areas of governance has also been evaluated.

The Annual Governance Statement 2019/20 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.

It is the Chief Executive's opinion that, although there are areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council have improved during the year and are considered adequate.

The Annual Governance Statement 2019/20 is informed by the assessment of compliance against the Local Code, Internal Audit annual opinion and recommendations, comments and recommendations made by External Auditors and other external scrutiny bodies and inspection agencies, and findings and recommendations within the Accounts Commission's Best Value Assurance Report for Midlothian Council (published July 2019).

In light of the Covid-19 emergency response by the Council commencing in March 2020, the written assurance statements from the Directors and Chief Officers/Heads of Service were not obtained. The significant and recent change in the Senior Leadership structure was a factor in this decision as part of the annual assurance process. The intention is to issue the toolkits later in 2020 to be used for self-assessment of governance on a continuous basis for 2020/21 annual assurance process.

4. Report Implications

4.1 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.

4.2 Risk

The Annual Governance Statement 2019/20 details areas where additional work would further enhance the internal control environment, or improve risk management and corporate governance arrangements. The review and update of the Local Code of Corporate Governance will ensure that internal controls, risk management and other governance arrangements reflect the arrangements in place on an evidence-basis.

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 evidence of systems, processes and documentation to demonstrate local compliance with this core principle of good governance is set out in its updated Local Code of Corporate Governance.

4.3 Single Midlothian Plan

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

4.4 Key Priorities within the Single Midlothian Plan

Midlothian Council and its Community Planning Partners include the following areas as key priorities under the Single Midlothian Plan:

- Reducing the gap in learning outcomes
- Reducing the gap in health outcomes
- Reducing the gap in economic circumstances

4.5 Impact on Performance and Outcomes

The annual self-assessment and the identification of improvement actions as evidenced through the Annual Governance Statement 2019/20 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.

4.6 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 and detection internal controls and governance arrangements are a key part of the good governance framework within the Council’s Local Code of Corporate Governance.

4.7 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.

4.8 Ensuring Equalities

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” which is included within the CIPFA/SOLACE Framework.

4.9 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.

4.10 IT Issues

There are no IT issues with regard to this report.

5. Recommendations

The Audit Committee is therefore asked to:

- a) Consider the details of the Annual Governance Statement 2019/20 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 2019/20.

Date: 13 May 2020
Report Authors: Jill Stacey, Chief Internal Auditor
E-Mail: Jill.Stacey@midlothian.gov.uk