
Report To:	Audit Committee	Date: 29 June 2023
Report By:	Head of Legal, Democratic, Digital & Customer Services	Report No: AC/17/23/IS/APr
Contact Officer:	Andi Priestman	Contact No: 01475 712251
Subject:	REVIEW OF LOCAL CODE OF GOVERNANCE AND INTERIM ANNUAL GOVERNANCE STATEMENT 2022-23	

1.0 PURPOSE

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to:

- Advise Members of the outcome of the annual self-evaluation exercise undertaken of the Council's compliance with its Local Code of Governance; and
- Invite Members to consider the interim Annual Governance Statement that will be included in the 2022-2023 Unaudited Accounts.

2.0 RECOMMENDATIONS

2.1 The Committee is asked to:

- Note the outcome of the recent self-evaluation exercise in considering how the Council currently meets the agreed Local Code of Governance, together with the issues identified and improvement actions; and
- Consider the detail of the interim Annual Governance Statement for 2022-23 and approve the actions identified by management to improve the internal control environment.

Iain Strachan
Head of Legal, Democratic, Digital & Customer Services

3.0 BACKGROUND AND CONTEXT

- 3.1 Inverclyde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure Best Value, which is defined as continuous improvement in the performance of the Council's functions.
- 3.2 In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including the arrangements for the management of risk.
- 3.3 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.
- 3.4 The Council has adopted a Local Code of Governance ("the Local Code") consistent with the seven principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework, "Delivering Good Governance in Local Government" (2016).
- 3.5 Inverclyde Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and publish an Annual Governance Statement.
- 3.6 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" (2022 Edition)", a report was submitted to the Audit Committee meeting on 25 April 2023. One of the actions arising was to submit the draft Annual Governance Statement to the Audit Committee as a stand-alone document for consideration.

4.0 PROPOSALS

- 4.1 The interim Annual Governance Statement for 2022-23 is attached as an Appendix to this report for consideration by Members.
- 4.2 For 2022-2023, the review identified the following governance issues:

A review and refresh of the governance of external organisations process requires to be undertaken to ensure required monitoring processes are undertaken and confirmed through annual reporting to Committee.

- 4.3 In addition, some actions from the 2021-2022 Annual Governance Statement were ongoing through 2022-2023:
 - Business Classification Scheme framework has been developed and is being implemented within all Education establishments. A solution using the M365 platform is being deployed.
 - Workforce planning arrangements require to be refreshed in a number of services in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.
 - The new process for managing risk registers through Pentana is under development and will align with the new strategic planning and performance management framework being implemented from 1 April 2023. This will require training for risk owners on the new process to update risks on Pentana and generate relevant reports. This action will be revised to 30 September 2023 to allow for the update of the risk management strategy and operational guidance and the establishment of a corporate group to oversee the strategy and process.

- 4.4 Members are asked to consider the detail of the Interim Annual Governance Statement for 2022-23 and approve the actions identified by management to improve the internal control environment.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk	X		
Human Resources		X	
Strategic (LOIP/Corporate Plan)	X		
Equalities & Fairer Scotland Duty			X
Children & Young People's Rights & Wellbeing			X
Environmental & Sustainability			X
Data Protection			X

5.2 Legal/Risk

There is a risk that a failure to maintain a local code of governance 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 and the agreed actions will improve compliance requirements on various aspects of key Council policies and procedures, and in turn mitigate against legal and other risks arising.

5.3 Human Resources

There are no human resources implications arising directly from this report.

5.4 Strategic

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATIONS

- 6.1 Relevant officers have been consulted in the self-assessment process, including HR, Legal, Finance and Performance Management.
- 6.2 The CMT has considered and agreed the Interim Annual Governance Statement for 2022-23.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 CIPFA: Delivering Good Governance in Local Government Guidance (2016). Copy available from Andi Priestman, Chief Internal Auditor.

1. Scope of Responsibility

Inverclyde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure best value, which is defined as continuous improvement in the performance of the Council's functions.

In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including the arrangements for the management of risk. The Council has established two Arms-Length External Organisations – Inverclyde Leisure and Riverside Inverclyde – to deliver services more effectively on the Council's behalf, and which report regularly to Elected Members. From 1 April 2016, the Inverclyde Integration Joint Board was established for the formal integration of health and care services between Inverclyde Council and the NHS Greater Glasgow and Clyde.

The Council has adopted a Local Code of Corporate Governance ("the Local Code") consistent with the seven principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework, "Delivering Good Governance in Local Government Framework (2016)". A copy of the Local Code can be obtained from the Corporate Policy Unit, Municipal Buildings, Greenock, PA15 1LY.

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

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, 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 its key corporate priorities and strategic objectives set out in the Council's Corporate Plan. It enables the Council to consider whether those objectives have led to the delivery of appropriate value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Internal control cannot eliminate all 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.

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

3. The Governance Framework

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

- The overarching strategic vision of the Council is detailed in the Council's Plan which sets out the key outcomes the Council is committed to delivering with its partners, as set out in the Inverclyde Local Outcomes Improvement Plan. Services are able to demonstrate how their own activities link to the Council's vision and outcomes through their Corporate Directorate Improvement Plans. These were reviewed and updated during 2022/2023 and will be replaced by Committee Delivery and Improvement Plans from 2023-24 onwards. Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees on a regular basis. The Corporate Management Team monitors performance information. The Council publishes information about its performance regularly as part of its public performance reporting requirements at <http://www.inverclyde.gov.uk/council-and-government/performance/>.
- The Inverclyde Alliance Partnership Plan sets out the Alliance's approach for engaging with stakeholders. Consultation on the future vision and activities of the Council is undertaken through the Inverclyde Alliance, and through service specific consultations and the Council actively engages the Council's partners through existing community planning networks.

- Effective scrutiny and service improvement activities are supported by the formal submission of reports, findings and recommendations from Audit Scotland, the external auditor, Inspectorates and the Internal Audit section to the Corporate Management Team, the relevant service Committee of the Council and, where appropriate, the Audit Committee.
- The Council operates within an established procedural framework. The roles and responsibilities of Elected Members and officers are defined within the Council's Standing Orders and Scheme of Administration, Contract Standing Orders, Scheme of Delegation and Financial Regulations; these are subject to regular review. The Council facilitates policy and decision making through a thematic Committee structure.
- Responsibility for maintaining and operating an effective system of internal financial control rests with the Council's Chief Financial Officer as Section 95 Officer. The system of internal financial control is based on a framework of regular management information, Financial Regulations, administrative procedures (including segregation 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 Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities and has robust financial control and financial planning processes in place. A self-assessment exercise has been undertaken by officers to assess the level of ongoing compliance with the CIPFA Financial Management Code and reported to Policy and Resources Committee in January 2023.
- The Council's approach to risk management is set out in the risk management strategy and is embedded within the Council's Strategic Planning and Performance Management Framework. Reporting on risk management is undertaken and reported annually to the Audit Committee.
- The Council has adopted a code of conduct for its employees. Elected Members observe and comply with terms of the Councillors' Code of Conduct.
- Comprehensive arrangements are in place to ensure Members and officers are supported by appropriate learning and development.
- In line with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

4. Review of Effectiveness

Inverclyde Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness of the framework is informed by the work of the Corporate Management Team who have responsibility for the development 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 review of the Council's governance framework is supported by a process of self-assessment and assurance certification by Heads of Service. Heads of Service were provided with a Self-assessment Checklist to complete and return as evidence of review of seven key areas of the Council's governance framework. As part of this process, Heads of Service were asked to identify their progress on implementing improvement actions identified as part of their 2022-2023 assessments and to identify actions they proposed to take during 2023-2024 to address service governance arrangements. The Corporate and Service Directors then considered the completed evaluations and provided a Certificate of Assurance for their Directorate. In addition, the review of the effectiveness of governance arrangements and the systems of internal control within the group entities places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

Significant Events

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.

The Inverclyde IJB was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. The Integration Scheme was reviewed during 2019-20 and an updated version of the Scheme was prepared but the Covid-19 pandemic led to this being delayed and the existing scheme rolled on into 2020-21 and continued into 2021-22. The Scottish Government have confirmed that IJBs will be required to review their current integration schemes rather than complete a new scheme. The integration scheme is currently being reviewed by the 6 Greater Glasgow and Clyde IJB's and the aim to seek approval from the Inverclyde IJB by May 2023. The timeline for the completion of this task has slipped due to the scale of the work required for its completion and the requirement for consultation with the Health Board and each Local Authority and a revised timescale requires to be set.

During 2022-23, the Equalities and Human Rights Commission advised the Inverclyde IJB that it considers it to have failed to comply with its Public Sector Equality Duties under the Equality Act 2010 and associated regulations. A number of immediate actions have been taken to remedy the points raised by the EHRC and an Improvement Plan has been developed with clear timescales and responsibilities.

There were no other significant governance issues identified by the review but a number of issues worthy of noting were identified and are detailed in Section 7 together with progress made in implementing improvement actions identified during 2021-2022. We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvement which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

5. Roles and Responsibilities of the Audit Committee and the Chief Internal Auditor

Elected Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Council's Audit Committee operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities.

The Audit Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2017 (PSIAS) and regularly monitors the performance of the Council's Internal Audit service. The Council's Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS.

The Internal Audit service undertakes an annual programme of work, approved by the Audit Committee, based on a strategic risk assessment. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

The Chief Internal Auditor has conducted a review of all Internal Audit reports issued in 2022-2023 and the Certificates of Assurance from Corporate and Interim Directors. In conclusion, although no systems of internal control can provide absolute assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2022-2023 financial year, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the Council.

6. Compliance with Best Practice

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.

The Council complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Service Organisations 2010". 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".

7. Governance Issues and Planned Actions

The Council continues to recognise the need to exercise strong management arrangements to manage the financial pressures common to all Local Authorities. Regular reviews of the Council's arrangements are undertaken by Internal Audit and overall the Council's arrangements are generally satisfactory. The table below sets out the improvement actions to the governance framework which were identified from the Council's ongoing review and monitoring of the effectiveness of its governance arrangements. These represent corporate initiatives that will be further progressed during 2023-2024.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
B/F 1	BCS framework has been developed and is being implemented within all Education establishments. A solution using the M365 platform is being deployed.	Business Classification Scheme is fully implemented within all Education establishments.	An update was provided to the April 2023 meeting of the Audit Committee as this is an outstanding audit action. A solution using the M365 platform has been identified which will be fully implemented by 30 June 2023.	Corporate Director, Education, Communities and Organisational Development 30 June 2023
B/F 2	Some service workforce plans within Environment and Regeneration require to be refreshed in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.	Workforce plans are in place which determine future workforce needs and implement solutions to ensure that organisational needs are aligned with the Council's people strategy.	E&R Committee Delivery and Improvement Plan for 2023-24 includes a specific action to improve workforce and succession planning and the skills gaps arising from an ageing workforce.	Director, Environment and Regeneration 31 March 2024
B/F 3	All service risk registers were reviewed and updated during 2022-23. The new process for managing risk registers through Pentana is under development and will align with the new strategic planning and performance management framework being implemented from 1 April 2023. This will require training for risk owners on the new process to update risks	Risk management strategy and underlying operational guidance aligns to the Council's strategic planning and performance management framework.	The risk management strategy and guidance will be reviewed and updated to reflect the Council's revised approach to strategic planning and performance management. The risk management strategy and operational guidance will also be updated to reflect the revised approach. A corporate group will be established to oversee the	Chief Internal Auditor 30 September 2023

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	on Pentana and generate relevant reports.		risk management strategy and process.	
NEW 4	A review and refresh of the governance of external organisations process requires to be undertaken to ensure required monitoring processes are undertaken and confirmed through annual reporting to Committee.	The Council maintains strong governance of external organisations.	The governance of external organisations process will be reviewed and refreshed to ensure required monitoring processes are undertaken and confirmed through annual reporting on key partnerships to Committee.	Chief Financial Officer 30 November 2023

In addition, the status of action plans from 2021-2022 Annual Governance Statement (AGS) is set out in the undernoted table:

	Agreed Action	Status at 31/3/23	Further Action	Who is responsible?
1	Workforce planning arrangements require to be refreshed in a number of services in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.	A refresh of workforce plans is outstanding for some services within Environment and Regeneration.	Links to 2022-23 action plan number 2	Director, Environment and Regeneration 31 March 2024
2	Discussions are ongoing with key suppliers in some services to determine business continuity arrangements for cyber security risks.	Business continuity arrangements with key suppliers fully consider cyber security risks. Complete	N/A	N/A
3	Current service review guidance documentation is being reviewed to ensure this remains fit for purpose in order to improve the Council's efficiency and effectiveness and assist in addressing financial sustainability.	Service review guidance documentation was reviewed and updated during 2022-2023 to reflect best practice guidance for services undertaking service reviews. Complete	N/A	N/A

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4	Processes for document retention and disposal of records are currently being reviewed by the Council's Information Governance Steering Group to ensure the use of EDRMS is maximised within Services.	Included in Digital Modernisation update to P&R on 21 March 2023. Complete	N/A	N/A
5	Some service risk registers were not reviewed on a regular basis during 2021-22 due to other work priorities as a result of Covid. A new process is being developed to incorporate service risk registers within the Pentana system. This will include an automated reminder for risk owners to carry out a review of service risk registers to ensure risk assessments are maintained up to date and there is regular reporting to directorate and corporate management teams on the status of key risks.	Service risk registers were reviewed during 2022-2023. The risk management strategy and guidance will be reviewed and updated to reflect the Council's revised approach to strategic planning and performance management. The risk management strategy and operational guidance will also be updated to reflect the revised approach.	Links to 2022-23 action plan number 3	Chief Internal Auditor 30 September 2023

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6	BCS framework has been developed and is being implemented within all Education establishments as part of the move over to the corporate network. The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19.	<p>An update was provided to the April 2023 meeting of the Audit Committee as this is an outstanding audit action.</p> <p>A solution using the M365 platform has been deployed. Education are finalising the structure and user permissions for the business classification scheme which will then be implemented by ICT.</p> <p>Secure email accounts have now been created for relevant Education Services staff and ICT are carrying out some final data cleansing prior to going live.</p>	(see action point 1 on 2022-2023)	<p>Corporate Director, Education, Communities and Organisational Development</p> <p>30 June 2023</p>
7	An assessment has been undertaken by officers of compliance with the CIPFA Financial Management Code which confirms that the Council is compliant with the main aspects of the Code. This needs to be formally adopted by the Council.	<p>The Council has formally adopted the CIPFA Financial Management Code. Included in Finance Update report to Policy and Resources Committee on 31 January 2023.</p> <p>Complete</p>	N/A	N/A

8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2022-2023 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal 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 and action plans are in place to address identified areas for improvement.

CIlr Stephen McCabe
Leader of the Council

Louise Long
Chief Executive