
Report To:	Audit Committee	Date:	27 June 2024
Report By:	Head of Legal, Democratic, Digital & Customer Services	Report No:	FIN/36/24/APr/AP
Contact Officer:	Andi Priestman	Contact No:	712710
Subject:	REVIEW OF LOCAL CODE OF GOVERNANCE AND INTERIM ANNUAL GOVERNANCE STATEMENT 2023-24		

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 2023-24 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 2023-24 and approve the actions identified by management to improve the internal control environment.

Lynsey Brown
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 2023-24 is attached as an Appendix to this report for consideration by Members.
- 4.2 For 2023-24, the review identified the following governance issues:
 - Contract renewals and non-compliant spend analysis is an area of ongoing activity/improvement. Progress has been/continues to be impacted by staffing levels within the Procurement team.
 - Within Culture, Communities and Educational Resources (CCER) a Business Classification Framework has been developed and implementation is ongoing.
 - Within Physical Assets, a routine review of records is being addressed but requires more regular attention in some areas of the service.

4.3 In addition, some actions from the 2022-23 Annual Governance Statement were ongoing through 2023-24:

- 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.
- Work is ongoing to develop processes and guidance to support the updated Risk Management Strategy at an operational level.

4.4 Members are asked to consider the detail of the interim Annual Governance Statement for 2023-24 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
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 There are no financial implications arising directly from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend This Report	Virement From	Other Comments

Annually Recurring Costs/Savings

Cost Centre	Budget Heading	With Effect From	Annual Net Impact	Virement From (If Applicable)	Other Comments

5.3 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.

5.4 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 2023-24.

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 2024 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 the Committee and Service Delivery Improvement Plans. 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 was completed by officers to assess the level of ongoing compliance with the CIPFA Financial Management Code reported to the Policy and Resources Committee in January 2023 and all improvement actions identified have been completed.
- 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 2023-24 assessments and to identify actions they proposed to take during 2024-25 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.

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, 2022-23 and 2023-24. 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 was due to be considered by Inverclyde Council on 13 June 2024 but has been deferred following a request from the Health Board because of an issue in another IJB.

There were no 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 2022-2023. 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 2023-24 and the Certificates of Assurance from 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 2023-24 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 2024-25.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
B/F 1	Some service workforce and succession plans 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. For some	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.	Actions will be included in relevant Service Plans to improve workforce and succession planning and the skills gaps arising from an ageing workforce.	Directors 31 December 2024

Appendix 1

	services, a review of training requirements is also required.			
B/F 2	<p>All service risk registers were reviewed and updated during 2023-24. Minor housekeeping issues were identified for some service risk registers in relation to the re-assessment of risks in line with expected review dates.</p> <p>The new process for managing risk registers through Pentana/Ideagen will include reminders for ongoing assessment and monitoring of risks and actions in line with committee reporting timetables. This will require training for risk owners on the new process to update risks on Pentana/Ideagen and generate relevant reports.</p>	Risk Management Strategy is supported by operational guidance and risk owners are trained in the new process with regular reporting to relevant committees.	<p>Operational guidance and procedures will be reviewed and updated to reflect the Council's revised approach to risk management assessment and reporting via Pentana/Ideagen.</p> <p>Training will be provided to risk owners on the new process.</p>	<p>Head of Legal, Democratic, Digital and Customer Services</p> <p>30 November 2024</p>
NEW 3	<p>Contract renewals and non-compliant spend analysis is an area of ongoing activity/improvement. Progress has been/continues to be impacted by service staffing levels/resource issues in the Procurement team.</p>	Contract renewals and compliant spend analysis is an embedded service activity.	Actions to improve procurement activity in relation to contract renewals and non-compliant spend analysis will be included within the Physical Assets Service	<p>Head of Physical Assets</p> <p>30 September 2024</p>
NEW 4	<p>Within Culture, Communities and Educational Resources (CCER) a Business Classification Framework has been developed and implementation is ongoing.</p>	Business Classification Framework is implemented across all service areas within CCER.	Action to implement the Business Classification Framework within CCER will be included within relevant Committee Delivery and Improvement Plan	<p>Head of Culture, Communities and Education Resources</p> <p>31 December 2024</p>
NEW 5	<p>Within Physical Assets, a routine review of records is being addressed but requires more regular attention in some service areas.</p> <p>Training in areas of Information Assets and Cyber</p>	Service areas within Physical Assets demonstrate compliance with key aspects of the information governance and	Improvement actions will be included in Physical Assets Service Plan and monitored accordingly.	<p>Head of Physical Assets</p> <p>31 October 2024</p>

Appendix 1

	Security requires a general refresh.	management framework.		
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In addition, the status of improvement actions from 2022-23 Annual Governance Statement (AGS) is set out in the undernoted table:

	Agreed Action	Status at 31/3/24	Further Action	Who is responsible?
1	BCS framework has been developed and is being implemented within all Education establishments. A solutions using the M365 platform is being deployed.	Completed.	N/A	N/A
2	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.	Ongoing.	Links to 2023-24 improvement action number 1.	Directors 31 December 2024
3	<p>The risk management strategy will be reviewed and updated to reflect the Council's revised approach to strategic planning and performance management.</p> <p>Operational guidance will also be updated to reflect the revised approach.</p> <p>A corporate group will be established to oversee the risk management strategy and process.</p>	<p>Ongoing.</p> <p>The risk management strategy was reviewed and approved by Audit Committee in November 2023.</p> <p>A Corporate Risk Management Group has been established and meets on a regular basis.</p> <p>The Corporate Risk Register has been reported to Audit Committee and Policy & Resources Committee and will be subject to regular</p>	Links to 2023-24 improvement action number 2.	Head of Legal, Democratic, Digital and Customer Services 30 November 2024

		reporting going forward.		
4	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.	Complete.	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 2023-24 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.

Cllr Stephen McCabe
Leader of the Council

Louise Long
Chief Executive