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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 19 JUNE 2019**

**SUBJECT: ANNUAL GOVERNANCE STATEMENT**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 The report provides Committee with a copy of the council's Annual Governance statement for 2018/19 for information/review.
- 1.2 This report is submitted to Committee in terms of Section III (I) (2) and (7) of the Council's Scheme of Administration relating to consideration of reports from the council's Internal Auditor.

**2. RECOMMENDATION**

- 2.1 **That Committee considers this report and notes the contents of the Annual Governance Statement provided as Appendix 1.**

**3. REPORT**

- 3.1 The function of good governance in the public sector is to ensure entities act in the public interest at all times. Governance comprises the arrangements put in place to ensure intended outcomes are defined and achieved.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), building on work undertaken by the International Federation of Accountants, has published a guidance framework on good governance in local government.
- 3.3 The Local Authority Accounts (Scotland) Regulations 2014 require the council to publish an annual governance statement with its annual accounts. The statement is based around the guidance and summarises practice across the seven principles within the framework, considers the roles of those who oversee the development and effectiveness of such practice, summarises how challenges identified in the prior year have been taken forward, and identifies issues to be addressed in the current year.

- 3.4 There is combined ownership of the statement by the Leader of the Council and the Head of Paid Service, both of whom are required to sign the statement.
- 3.5 The Accounts Commission report considered earlier in this agenda advocates a role for the audit committee to be 'satisfied that the annual governance statement properly reflects the risk environment and any actions required to improve it, and demonstrates how governance helps achieve the council's objectives'.
- 3.6 Hitherto, this role has been with the Council when considering the draft annual accounts or with Policy and Resources Committee. The statement is subject to review by external audit, and the external auditor is required to report on anything believed to be inconsistent with any other findings disclosed from the audit work. This has not happened to date.
- 3.7 The management review and related review of governance structures being taken forward at the present time as part of the Modernisation and Improvement Programme will need to give consideration as to the appropriate committee or committees for the governance statement to be presented to in future years.

#### **4. SUMMARY OF IMPLICATIONS**

##### **(a) Corporate Plan and 10 Year Plan (Local Outcome Improvement Plan (LOIP))**

No direct implications.

##### **(b) Policy and Legal**

The annual governance statement forms part of the annual financial statements the council is required to prepare under statute.

##### **(c) Financial Implications**

No direct implications.

##### **(d) Risk Implications**

The governance statement touches on the importance of risk management and the challenges 'looking forward' will require to be evaluated having regard to full consideration of likely risks arising and how these can be mitigated.

##### **(e) Staffing Implications**

Senior management and internal audit resources are used to inform and develop the governance statement which takes time but has the effect of producing a statement which it is considered fairly reflects where the council is in terms of its governance arrangements.

**(f) Property**

No implications.

**(g) Equalities/ Socio Economic Impacts**

An Equality Impact Assessment is not needed because the report refers to the regulatory framework of the Council.

**(h) Consultations**

The Chief Executive, the Corporate Director (Corporate Services), the Head of Financial Services and the Monitoring Officer were consulted and have contributed to the content of this report. In addition the Council Leader, as a signatory to the annual governance statement, has been consulted in regard to the content of the statement given as Appendix 1 and his comments incorporated therein.

**5. CONCLUSION**

**5.1 This report provides Committee with a copy of the annual governance statement for its interests.**

Author of Report:	Atholl Scott
Background Papers:	Committee papers/assurance statements
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