
NORTH AYRSHIRE COUNCIL

30 May 2023

Audit and Scrutiny Committee

Title: Annual Governance Statement 2022/23

Purpose: To seek approval of the Council's Annual Governance Statement for 2022/23 which will be included within the draft Annual Accounts.

Recommendation: That the Committee approves the draft Annual Governance Statement which is attached at Appendix 1.

1. Executive Summary

- 1.1 The Council's Annual Governance Statement outlines the governance framework which is in place and changes which have been made to strengthen the framework during 2022/23.
- 1.2 Approval of the Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

2. Background

- 2.1 North Ayrshire 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 to achieve Best Value.
- 2.2 The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'.
- 2.4 The Local Authority Accounts (Scotland) Regulations 2014 require that local authorities prepare an Annual Governance Statement, in accordance with proper practices in relation to internal control, and that this Statement should be approved by the Audit Committee or equivalent.

- 2.5 Following approval of the Annual Governance Statement, it requires to be signed by the Leader of the Council and the Chief Executive prior to its inclusion within the Council's draft annual accounts.
- 2.6 The Annual Governance Statement, which is attached in full at Appendix 1 to this report, explains how the Council complies with the Code of Corporate Governance. It identifies the main components of the Corporate Governance Framework which are in place, including the system of internal control, and details the changes which have taken place to the framework during 2022/23.
- 2.7 The Statement also identifies improvement actions which are planned to the governance framework during 2023/24. It concludes with an assurance statement by the Leader of the Council and the Chief Executive.

3. Proposals

- 3.1 It is proposed that the Committee approves the draft Annual Governance Statement which is attached at Appendix 1.

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

- 4.3 Approval of the Annual Governance Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

Equality/Socio-economic

- 4.4 None.

Climate Change and Carbon

- 4.5 None.

Key Priorities

- 4.6 Good governance arrangements help to underpin the delivery of the Council's key priorities.

Community Wealth Building

- 4.7 None.

5. Consultation

- 5.1 No consultation has been required during the preparation of the Annual Governance Statement.

Mark Boyd
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

Background Papers

None.

Annual Governance Statement

Scope of Responsibility

North Ayrshire 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 to achieve Best Value.

The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). A copy of the local code is available on the Council's website, or a copy can be obtained from the Chief Executive's Service, North Ayrshire Council, Cunninghame House, Irvine KA12 8EE.

This statement explains how North Ayrshire Council complies with the Code of Corporate Governance and meets the requirements of the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.

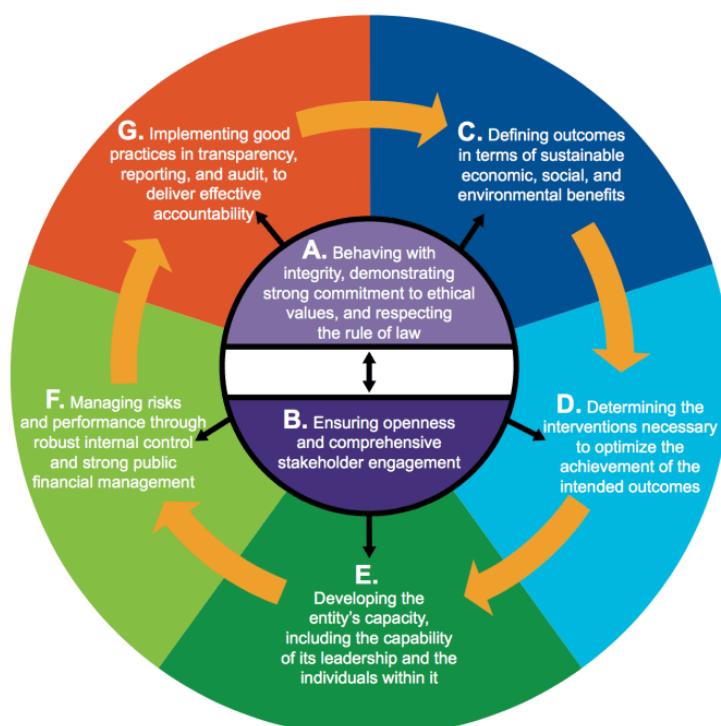
The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and the achievement of key outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. 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 objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.

The Governance Framework

The Council's Framework is built around the seven core principles and 21 sub-principles that set out the key building blocks of good governance.



The key features of the governance framework that were in place during 2022/23 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by the Depute Leader of an Opposition party, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies. A cross-party Policy Advisory Panel assists in the development of policy proposals for consideration and approval by Cabinet.
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council following the local government elections in May 2022.
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to consider the priorities for each area.
- The integrated Health and Social Care Partnership (HSCP) has established a governance framework and an integrated senior management structure to support delivery of its key objectives.
- The Council's mission, vision and key priorities are outlined in the Council Plan 2019-2024 which is underpinned by a delivery plan and a range of performance indicators. Regular interim reports are provided to both Cabinet and the Audit and Scrutiny Committee on progress towards meeting the Council Plan priorities.
- Progress with the Council's Change and Transformation programme continues to be governed and monitored through the Transformation Board which is chaired by the Chief Executive.
- A people strategy entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- The Performance Management Strategy 2021-24 demonstrates how the Council supports a culture of continuous improvement and how the work of every employee is crucial to the achievement of the overall vision of a North Ayrshire that is Fair For All. Regular reporting to Elected Members takes place, and a wide range of performance information is available on the North Ayrshire Performance Dashboard.
- The Council has adopted a 'Code of Conduct' for all its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place.
- The approach to risk management is set out in the Risk Management Policy and Strategy: "Risk Focus". The Council's strategic risk register is refreshed annually and for 2022/23 was approved by Cabinet in June 2022.
- Each Head of Service has a Workforce Plan in place for their portfolio of services which considers challenges and issues, the transformation agenda and to support career development and succession planning.
- The Council has in place a development programme for all Elected Members. Leadership and Development programmes are also established for strategic leaders and first line and middle managers across the Council, through the Leadership Academy approach. A full Member's induction programme took place during May 2022 for all recently Elected Members.
- The 'Our Time to Talk' approach is in place to ensure that managers and employees take time to discuss how each employee is getting on at work; this focusses on the employee's contribution to their team and the Council, their wellbeing, and any development needs that contribute towards meeting the team's objectives or the employee's career aspirations.
- The ICT Asset Management Approach 2021-2024 is linked to the ICT Technology Strategy and depicts the impact on hardware, software and application assets. The Council's approach to asset management planning is based on CIPFA guidance which covers six core classes of assets: property, open space, housing, roads, fleet, and ICT.

- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Head of Finance, is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by Service Project Boards.
- The Council has a long-term financial outlook, which covers the period 2021/22 to 2030/31. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council.
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority.
- An Information Governance framework is in place which complies with the General Data Protection Regulation (GDPR), supported by a central team of staff within Democratic Services. This is further supported through an Information Governance Procurement Framework. A corporate training module is in place to support ongoing training, development and awareness which is completed on an annual basis.
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation. This was updated in January 2023.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Work Officer.
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31st March 2023.

The System of Internal Financial Control

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by Chief Officers within the Council. In particular, the system includes:

- Financial regulations and codes of financial practice.
- Comprehensive budgeting systems.
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital expenditure guidelines.
- Formal project management disciplines.

The Council's financial management arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Chief Financial Officer in Local Government (2016)'.

Regarding the entities incorporated into the Group Accounts, the Council is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statements of Internal Financial Control where appropriate.

Review of Effectiveness of the Governance Framework

North Ayrshire 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 the effectiveness of the framework is informed by the work of the Executive Leadership Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (Audit, Fraud, Safety and Risk) and reports from the Council's external auditors, Audit Scotland, and other review agencies.

The Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Risk) is responsible for the management of the section and reports directly to the Section 95 Officer on all audit matters, with the right of access to the Chief

Executive and Chair of the Audit and Scrutiny Committee. The Internal Audit section is fully resourced to deliver its planned activity and complies with the Public Sector Internal Audit Standards (PSIAS) in conducting its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2022/23.

As detailed in the 'Internal Audit Charter', most recently approved by the Audit and Scrutiny Committee in March 2023, the Internal Audit function has independent responsibility for examining, evaluating, and reporting on the adequacy of internal control. The Senior Manager (Audit, Fraud, Safety and Risk) prepares an annual report, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks. This was reported to the Audit and Scrutiny Committee on 30 May 2023.

The Internal Audit Annual Report 2022/23 highlights a number of findings by the Council's Internal Audit section which indicate some weaknesses in the internal control environment. Action plans are put in place to address control weaknesses on conclusion of each audit and implementation of audit actions is tracked on a quarterly basis by the Council's Audit and Scrutiny Committee. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Audit, Fraud, Safety and Risk) that the Council's systems of internal control continue to provide reasonable assurance against loss.

The Council's internal audit arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Head of Internal Audit (2019)'.

Significant Governance Developments during 2022/23

The North Ayrshire (Electoral Arrangements) Regulations 2021 were agreed by Scottish Ministers in October 2021 and resulting in the election of 33 Elected Members across 9 Electoral Wards in May 2022. The election saw a Scottish National Party minority leadership of the Council, with the Scottish Conservative and Unionist Party forming the main opposition.

In June 2022, Council approved the hybrid approach to meetings of Council and Committees. Meetings are predominantly held on a physical basis but with provision for remote attendance by Elected Members. The Council has full openness and transparency and therefore meetings are filmed, recorded and live streamed to the Council's internet site and available for repeated viewing.

During Covid-19, in-person community engagement events were restricted. In May 2022, following the easing of restrictions, the Audit and Scrutiny Committee approved the recommended diverse range of engagement methods for use at future events.

In November 2022, Cabinet approved the establishment of a refreshed cross-party Policy Advisory Panel chaired by the Depute Leader of the Council. The aim of the Panel is to assist in the development of strategic policy proposals being prepared for consideration by Cabinet. The Policy Advisory will meet on a quarterly basis, with the ability to be flexible around timing depending on the level of substantive business.

A Long-Term Financial Outlook (covering the period 2021/22 to 2030/31) was approved by the Council in December 2020. This is underpinned by a Medium-term Financial Outlook (MTFO) which is updated annually. The most recent MTFO, covering 2023/24-2025/26, was approved by the Council in November 2022. These documents note the scale of the financial challenge which the Council faces and underpin the development of a balanced budget. The General Services Revenue Estimates 2023/24-2025/26 and Capital Investment Programme 2023/24-2030/31 were approved by Council in March 2023.

The Audit and Scrutiny Committee approved a revision to the Council's Counter Fraud and Corruption Strategy in September 2022. The strategy sets out the Council's zero tolerance approach to fraudulent or corrupt activity, and how the Council aims to address the fraud risk it faces.

A management restructure took place in January 2023 to align Growth and Investment with Economy and Regeneration, with those services being incorporated within the Place Directorate. This supports the vast amount of connected regeneration activity across the Council and provides better strategic alignment to the Council's political structure.

Plans were announced by the UK Government in April 2022 to replace European Union funding with the UK Shared Prosperity Fund (SPF). Cabinet has approved the North Ayrshire Shared Prosperity Fund Business Plan for 2022-25. The plan includes arrangements for good governance with lead officers identified for the four thematic groups of Community & Place, People & Skills, Supporting Local Business, and Multiply. The SPF Governance Group will meet on a monthly basis.

The Community Planning Partnership has recently developed a new Local Outcomes Improvement Plan (LOIP) 2022-30 focussed on three key themes of Wellbeing, Work and World. The plan sets out

a strategic plan of what the partners in North Ayrshire want to achieve when they work together. This also brings together key partnership plans and strategies including: community wealth building, child poverty duties, public health priorities, Caring for Ayrshire, The Promise, Islands Plans, Community Justice Ayrshire Outcomes Improvement Plan, and Safer North Ayrshire Strategy. An annual report is produced at the end of each year to show the progress towards achieving the outcomes.

Open, transparent, and participatory government is fundamental to democracy, and the Council is committed to involving local people and communities in taking decisions which affect their lives. The key democratic means for increasing the direct influence of local people in how they are governed is Locality Planning. In November 2022, Council approved the updated Terms of Reference and Standing Orders which regulate the operation of Locality Partnerships (LPs). In addition, enhanced guidance has been developed for chairs, vice-chairs and members of LPs to ensure that focus, intended impact and visibility of Locality Planning is clear and promoted within communities.

A need was identified nationally to better align and integrate an employability support system, and this was outlined in 'No One Left Behind'. As a result of this, Local Employability Partnerships (LEPs) were established with responsibility for integration and alignment of local services. The LEP has developed a delivery plan to deliver transformational changes which follow the national framework principles. The North Ayrshire No One Left Behind Delivery Plan 2022-26 was approved by Cabinet in June 2022. This includes partnership structures and governance arrangements which will deliver transparency and accountability.

In June 2022, Cabinet approved the North Ayrshire Child Poverty Report 2021/22 and Action Plan for 2022/23. This work also includes the development of strategy to tackle child poverty, covering the period 2023-26. This is underpinned by the introduction of a "Tackling Child Poverty" Board to agree, monitor and deliver the local strategy. North Ayrshire has also been proposed as a "Pathfinder" local authority in tackling child poverty, which will seek to commence work on a new phased approach to whole system change.

Planned Actions for 2023/24

The Council has a number of planned actions for 2023/24 which will help to further strengthen the governance framework:

- Development of the new Council Plan covering the period 2023 to 2028.
- Develop the Council's fourth Environmental Sustainability & Climate Change Strategy (ESCCS 4).
- Major review of the Council's 10 Year capital investment programme.
- Early progression of the Council's Medium Term Financial Plan covering the period 2024/25 to 2026/27 to address the significant financial challenges facing the Council. This includes the planned delivery of a major Workforce Planning programme as well as the identification of further Transformation and Change activity.
- Production of an updated Digital Strategy to reflect lessons learned from the pandemic.
- Working with the newly appointed external auditors (Audit Scotland) to support all Audit and Best Value work through the course of the year and beyond.
- Relaunch of the Council's Procurement Board to further strengthen procurement compliance arrangements across the Council and to deliver Best Value with procurement activity.

Assurance

Subject to the above, and based on the assurances provided, we consider the governance and internal control environment operating during 2022/23 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions 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.

Craig Hatton
Chief Executive
May 2023

Marie Burns
Leader of the Council
May 2023