

**To: Audit, Risk and Scrutiny Board**

**On: 24 May 2021**

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**Report by: Director of Finance and Resources**

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**Heading: Unaudited Annual Governance Statement 2020 - 2021**

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**1. Summary**

- 1.1 The Local Authority Accounting Regulations require that an Annual Governance Statement is prepared and included in the Annual Accounts for the council. The Annual Governance Statement should be prepared in accordance with the CIPFA / Solace guidance "Delivering good governance in Local Government".
- 1.2 The Annual Governance Statement for 2020-21 is attached and has been prepared in accordance with the relevant regulation and guidance taking account of the Internal Audit Annual Report and Director's evaluation of the operation of the governance arrangements within each service area.
- 1.3 The Governance Statement is subject to statutory audit by the Council's External Auditors as part of their review of the annual accounts.
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**2. Recommendations**

- 2.1 Members are invited to note the Annual Governance Statement will be included in the Unaudited Accounts for 2020/21.
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## Implications of the Report

1. **Financial** - None
2. **HR & Organisational Development** - None
3. **Community Planning** – The application of sound governance arrangements supports the Council to deliver on its key objectives and priorities.
4. **Legal** - subject to approval by Council, the Accounts will be released for audit by the statutory deadline of 30 June 2021.
5. **Property/Assets** - None
6. **Information Technology** - None
7. **Equality & Human Rights** - None
8. **Health & Safety** – None
9. **Procurement** - None
10. **Risk** – Specific risks identified from the Chief Auditor's Annual Report and the assessments of service Directors are disclosed in the statement.
11. **Privacy Impact** – None
12. **COSLA Implications** – None
13. **Climate Risk** - None

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# Annual Governance Statement

## Scope of responsibility

Renfrewshire 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. The Council also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Council's members and the corporate management team are responsible for putting in place proper arrangements for 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 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) framework; Delivering Good Governance in Local Government. A copy of the Local Code is available on our website [www.renfrewshire.gov.uk](http://www.renfrewshire.gov.uk).

This statement explains how Renfrewshire 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.

## The purpose of the governance framework

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, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives set out in the Council plan.

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.

## The governance framework

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

The overarching strategic priorities and vision of the Council are set out in the Council Plan 2017-2022 and the Renfrewshire Community Plan 2017-2027. The Council Plan is aligned to the Community Plan and sets out 5 strategic outcomes that the organisation will work to achieve over a 5-year period with specific priorities relating to tackling inequality, promoting economic and cultural regeneration, attainment and sustainability. Renfrewshire's Community Plan (which also acts as Renfrewshire's Local Outcome Improvement Plan as required by the Community Empowerment (Scotland) Act 2015) details how community planning partners will work together to achieve the key priorities identified for Renfrewshire.

- The key outcomes the Council is committed to delivering with its partners, are set out in the Community Plan;
- The Council operates within an established governance framework which incorporates a scheme of delegated functions, financial regulations, standing orders relating to contracts and procedural standing orders. These elements of the framework are kept under regular review by the Council;
- The Council facilitates policy and decision making through a policy board structure;
- Services are able to demonstrate how their own activities link to the Council's vision and priorities through their service improvement plans. performance management and monitoring of service delivery is reported through policy boards regularly including six monthly updates to the Leadership Board on progress against the implementation of the Council Plan;
- The Corporate Management Team monitors a quarterly scorecard of performance information. The Council regularly publishes information about its performance, e.g. "It's all about you", a publication

outlining the performance of the Council published annually. An annual benchmarking report on the performance of the Council is submitted to the Audit, Risk and Scrutiny Board;

- The Council has adopted a code of conduct for its employees. Elected members adhere to the nationally prescribed Code of Conduct for Members. In addition, the Council has in place a protocol for Relationships between Political Groups, Elected Members and Officers;
- The Council's approach to risk management is set out in the risk management strategy and is well embedded. Risks are reported regularly to the Audit, Risk and Scrutiny Board;
- The Director of Finance and Resources is the Council's Senior Information Risk Owner and information risk is monitored through the Information Management and Governance Group and its sub-groups. The Managing Solicitor, Information Governance is the statutory Data Protection Officer;
- Comprehensive arrangements are in place to ensure members and officers are supported by appropriate training and development;
- Registers of interests for elected members and senior officers are maintained and published on the Council's website;
- The Council's arrangements for fraud prevention, detection and investigation are managed through the corporate counter fraud service;
- The Council's approach to 'whistleblowing' is outlined in the policy for expressing concerns outwith line management;
- There are adequate cyber security controls in place including a dedicated cyber security officer and conformance to industry cyber security standards such as Public Services Network (PSN), Payment Card Industry (PCI) and Cyber Essentials;
- Clear and independent governance arrangements are in place with Renfrewshire Leisure Ltd and the Renfrewshire Health and Social Care Partnership with oversight from the Council's Leadership Board.
- Seven Local Partnerships have been established and have identified initial local priorities. Decision making including that relating to relevant grants is delegated to each Local Partnership through a Lead Officer appointed by the Council.

This governance framework has been in place at Renfrewshire Council for the year ended 31 March 2021, subject to the impact of the Covid-19 pandemic as disclosed in the section on review of effectiveness and continuous improvement below.

Within the 2019/20 report, Audit Scotland concluded that "The Council has appropriate governance arrangements in place. We recognise that in responding to the Covid-19 pandemic the Council revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability."

#### **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 and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. The system includes:

- Guidance on financial management supported by comprehensive financial regulations and codes;
- Comprehensive budgeting systems, and detailed guidance for budget holders;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports that indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines;
- As appropriate, formal project management principles;
- The Chief Finance Officer is the Director of Finance and Resources who complies with the CIPFA Statement on the Role of The CFO in Public Services.

#### **The role and responsibilities of the Audit Committee and the Chief Auditor**

The role of the audit committee is under the remit of the Audit, Risk and Scrutiny Board which is chaired by a member of the opposition; its role includes:

- to approve the internal audit charter and annual internal audit plans;
- to review internal and external audit reports and the main issues arising, including those relating to the annual accounts and seek assurance that action has been taken and make recommendations to the Council where appropriate;
- to receive and consider the Chief Auditor's annual report, summarising internal audit activity and the level of assurance this provides over the arrangements for internal control, risk management and governance within the Council;
- monitor the performance of internal audit;
- to consider the annual review of the Local Code of Corporate Governance.

The internal audit service operates in accordance with the Public Sector Internal Audit Standards and reports to the Audit, Risk and Scrutiny Board. Internal audit undertakes an annual programme of work, approved by the Board, based on a strategic risk assessment. The Council's Chief Auditor provides an independent opinion on the adequacy and effectiveness of the governance framework, risk management and internal control. The Council conforms to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).

Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Council's Chief Auditor has responsibility to review independently and report to the Audit, Risk and Scrutiny Board annually, to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it. The Audit, Risk and Scrutiny Board performs a scrutiny role in relation to the application of the Local Code of Corporate Governance and regularly monitors the performance of the Council's internal audit service.

Internal Audit reporting arrangements include communication of finalised audit engagements, monitoring the progress of agreed management actions and communication of any unacceptable risk identified to the Board.

#### **Review of effectiveness and continuous improvement**

Renfrewshire 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 Auditor's annual report, and reports from the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework is reviewed annually by the Corporate Management Team, including the use of an annually updated self-assessment tool covering six key areas of governance (this year including the impact on governance of the coronavirus pandemic), as follows:

- Business Planning and Performance Management
- Internal Control Environment
- Budgeting, Accounting and Financial Control
- Risk Management and Business Continuity
- Conflicts of Interest, Whistleblowing and Gifts and Hospitality
- Impact of coronavirus (COVID-19).

This self-assessment indicated the governance framework is being complied with in all material respects. In addition, the review of the effectiveness of the 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 Council has a well embedded approach to continuous improvement through self-assessment. Registered services within education, social care and housing undertake regular self-assessment as part of the delivery of their services, including aspects such as multi agency file reading and practice and improvement groups in place. Staff from across services are also invited to participate in improvement sessions linked to the service improvement plans on an annual basis, or in relation to specific exercises such as the "Our Values" staff engagement process in 2019. The Council previously utilised the Public Services Improvement Framework and is now piloting a streamlined version of this model with Renfrewshire Community Planning Executive Group. The

first stage of this has been completed, with the consensus session to agree improvement actions delayed due to the Coronavirus crisis.

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. Plans to adopt the CIPFA financial management code over the course of 2020/21 were unfortunately impacted by demands related to the COVID19 pandemic, and a revised timescale for adoption by 30 June 2021 has been developed.

There have been unprecedented challenges facing the Council in responding to the ongoing COVID19 pandemic which has significantly altered the way in which the organisation operates, with new services being provided in response to the pandemic and significant changes to the delivery of existing services. Reduced capacity and competing priorities continue to be actively managed on a daily basis. The following should be specifically noted:

- the temporary emergency governance arrangements that were put in place in March 2020 remained in operation throughout 2020/21, with the exception that Board cycles recommenced in August 2020, which allowed the role of the Emergencies Board to be scaled back and the emergency delegations given to the Chief Executive came to an end. The Emergencies Board last met in September 2020. There continues to be weekly Emergency Management Team meetings and the Corporate Management Team also meet weekly with a specific focus on recovery. A cross party briefing meeting is scheduled fortnightly with group leaders to provide ongoing updates on the COVID response.
- the Council has developed economic and social renewal and recovery plans in recent months, which set out how the Council will work with partners to respond to the COVID 19 pandemic over the short to medium term.
- regular performance reports have been prepared for policy boards throughout the period of the pandemic in the form of service update reports. Each service has developed a Service Delivery Plan for 2021/22 in place of the usual service improvement plans, in order to focus on activities linked to recovery over the next 12 months in particular.
- the Right for Renfrewshire programme was placed on-hold in April 2020 in order for the Council to focus resources on the Coronavirus response and recovery. However, some elements within the programme of work has continued where necessary or where useful to expedite work planned under Right for Renfrewshire as a key element of the Council's Covid response. Other project activities are progressing only where there is employee capacity and a business need. The Council's Financial Strategy will inform the scope, timelines, and savings targets for future stages of the programme. It is anticipated that the programme will formally restart later in 2021.
- financial management across the council has remained strong, with additional reporting put in place to clearly distinguish Covid19 related costs and income losses from core operating costs. Over the course of the year significant amounts of additional non-recurring income has been secured from the Scottish Government in order to ensure local government continues to provide support to local communities and businesses. Funding has been provided both to support council expenditure, but also on an "agency" basis whereby the Council administers grant schemes designed by the Scottish Government. Ensuring compliance with the various grant conditions has entailed considerable work by council officers, and this will likely continue into 2021/22.
- All essential services have continued to be delivered throughout the pandemic and business continuity arrangements are in place and operating highly effectively. There have been no significant changes to internal controls although new and amended processes have been put in place to allow the Council to appropriately respond to the pandemic and support local communities and businesses.
- The Council commenced planning for Brexit during 2019/20 and has implemented a specific Brexit risk register which is monitored by the Corporate Management Team. The specific risks associated with Brexit have not all materialised so far and relevant mitigation measures have enabled services to continue following the exit from the European Union in January 2021 without significant immediate adverse impact. However, a number of significant areas of risk remain for the organisation and for communities that have been deferred due to a combination of COVID-19 impacts, particularly in relation to employment constraints related to closure of hospitality and retail masking the impact of the end of freedom of movement and the deferral of the introduction of required import checks and restrictions which when introduced will lead to increased restrictions, delays and cost increases on products and services from the European Union and a significant and ongoing regulatory burden for

Environmental Health Officers and Trading Standards Officers.

Regular reviews of the Council's arrangements are undertaken by internal audit and overall, the Council's internal financial control, arrangements to be sound.

As part of the ongoing relationship which is in place under the new best value methodology, Audit Scotland continuously engage with the Council in relation to the improvement plan, regularly attending Council and board meetings and reviewing information provided. Each year Audit Scotland provide an assessment of the ongoing position in relation to best value, within the Annual Audit Report. The Annual Audit Report for 2019/20 was published in November 2020 noted that the Council continues to make positive progress in implementing the recommendations from the 2016/17 Best Value and Assurance Report.

Audit Scotland provided an unqualified but modified audit opinion on the 2019/20 annual accounts, noting an emphasis of matter, drawing attention to the disclosure in the financial statements relating to material uncertainties, caused by Covid-19, as declared in the valuation reports for property valuations. This emphasis of matter issue was common to many public bodies.

The programme of work undertaken by internal audit identified 2 occasions where a limited assurance level was given in relation to the internal control, risk management and governance objectives for the specific areas of each audit review. The following areas are those identified as requiring improvement:

- Catering income collected through the online payment system was reviewed and improvements were required in relation to recording and reconciling income collected. Although these areas require to be addressed there is no significant impact on the council's overall system of internal control. Implementation of the recommendations will be monitored through the internal audit follow up process.
- A review of the Community Empowerment (Scotland) Act 2015, specifically the provisions relating to community asset transfers identified that the current processes do not fully comply with all aspects of the Act. Management agreed to implement the improvement actions required and this will be monitored through the internal audit follow up process.

Internal audit undertakes an annual exercise to ensure that recommendations arising from internal audit engagements have been implemented by service management and the results are reported to the Audit, Risk and Scrutiny Board (ARSB). This work highlighted that 76% of recommendations were implemented by the due date. The remaining 24% had passed their original due date and revised implementation dates have now been set. Of the 14 recommendations followed up which were deemed to be critical, 11 have been fully implemented and three have been partially implemented. Revised implementation dates have been agreed for each of these recommendations.

It is our view that the Council has in place a sound system of governance, risk management and internal control and that appropriate mechanisms are in place to identify any areas of weakness. This is corroborated by an Annual Assurance Statement prepared by the Council's Chief Auditor stating that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's governance, risk management and internal control framework.

#### **Action Plan**

Following consideration of the review of adequacy and effectiveness the following action plan has been agreed to ensure continual improvement of the Council's governance.

<b>Agreed action</b>	<b>Responsible person</b>	<b>Date</b>
Review and refresh the Council Plan.	Head of Policy and Commissioning	30 September 2022

The agreed actions will be subject to review to identify the progress being made in implementing these actions.

#### **Update on the 2019/2020 Action Plan**

The 2019/20 Governance Statement identified areas of continuous improvement activities to be taken forward to improve the overall governance, risk management and internal control environment. Progress over the last 12 months against the agreed action plan is detailed below.

Agreed action	Progress Update	Responsible person	Date	Revised Date
<b>Complete Actions</b>				
Review of creditor and debtor balances, improved reconciliation process and production of audited annual accounts within statutory timescales	Accounts completed within statutory timescales. Reconciliation processes improved but further efficiencies may be possible and will be incorporated into business as usual activities	Head of Finance	30 November 2020	N/A
Review the arrangements for revenue budget monitoring within Environment & Infrastructure to ensure that they are fit for purpose and there is clarity of roles and responsibilities.	Complete	Head of Finance	30 September 2020	N/A
<b>Ongoing Actions</b>				
Review and update where necessary the policy for expressing concerns outwith line management 'whistleblowing' for approval by Board.	The review has been delayed into the new audit year.	Chief Auditor	September 2020	30 September 2021

### Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2020-2021 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.