

## Falkirk Council

### Annual Governance Statement – 2009/2010

#### Introduction

1. Falkirk Council has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure best value and ensure continuous improvement in the Services it delivers. The Council must ensure that public money is used economically, efficiently, and effectively, and that this responsibility is undertaken with due regard to the achievement of sustainability.
2. To help ensure that these responsibilities are met, the Council must put in place comprehensive and robust governance arrangements, and must ensure that these arrangements are properly applied. This must be done within the context of the Single Outcome Agreement 2009-11 which sets out the improvements the Council, its Community Planning Partners, and the Scottish Government want to make in the Falkirk Council area.
3. Responsibility for ensuring good governance is shared by all Falkirk Council employees and elected Members, and must be part of the culture of the organisation. To demonstrate Falkirk Council's commitment to ensuring good governance, this Statement has been prepared on the basis of the principles set out in the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'* to highlight established and developing good practice as well as areas for further improvement. It should be noted that any review of governance arrangements can provide reasonable but not absolute assurance that policies, aims, and objectives are being applied and implemented as intended.
4. The CIPFA/SOLACE Framework defines governance as being the arrangements that ensure Authorities are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In practice, this comprises the systems, processes, cultures and values by which the Council is directed and controlled and through which it engages with the community.
5. Preparation of this Annual Governance Statement meets the requirements of Chapter 8 of the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

#### Falkirk Council's Governance Framework

6. The following sections summarise the key elements of Falkirk Council's governance framework, set out within the context of the six Principles of Good Governance defined within the CIPFA/SOLACE Framework.

#### **Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community, and creating and implementing a vision for the local area.**

7. This principle is about developing and communicating the Council's vision, purpose, and intended outcomes for citizens and service users.
8. The Council has a well established business planning process, with clear links between the Single Outcome Agreement 2009-11, Community / Corporate Plans, and operational priorities set out in Service Plans. Performance at all levels is subject to rigorous Officer and Member review via, for example, Single Outcome Agreement Monitoring Statement scrutiny by Council and regular Service performance reporting to the Best Value Forum. The Council has implemented an electronic performance management system to allow the timely and reliable recording and reporting of performance related information.
9. Service Performance continues to be made publicly available via the 'Performance Zone' area of the Council's website. This includes performance against targets set out in Service Plans, as well as against the Accounts Commission's suite of Statutory Performance Indicators.
10. The Business Improvement Team was set up in May 2008 to lead on projects designed to improve the efficiency and effectiveness of systems and processes. A key element of the Business Improvement Team's

## Appendix 1

work relates to the implementation of the Public Sector Improvement Framework (PSIF) / REFLECT initiative within Falkirk Council, and an initial programme of self assessment reviews using this methodology has been agreed and is underway.

11. Feedback from stakeholders on the delivery of services is sought through a variety of means, for example customer surveys, and a Customer First Team (contact centre) and formal complaints procedure have been established.

### **Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.**

12. This principle is about ensuring effective leadership and that roles and responsibilities are clear and consistent.

13. The Council has well established Standing Orders that regulate the operation of Council Committee meetings. These Standing Orders, which were reviewed and updated during 2009/10, are supported by a Scheme of Delegation to Committees, Contract Standing Orders, and Financial Regulations. A review of the Council's Financial Regulations was also undertaken during 2009/10, with an updated version approved by Council in December 2009.

14. The Chief Executive, Directors, Heads of Service and all other Council employees have job descriptions, and the roll-out of a formal Achievement and Personal Development Scheme is well underway. In addition, a Continuing Professional Development Framework, incorporating Personal Development Plans, has been developed and rolled out to elected Members on a pilot basis.

15. In February 2010, a revised Service Structure was agreed by Council, and the implementation of agreed changes is currently underway. Working arrangements and job descriptions will be kept under review within the context of these changes.

### **Principle 3 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

16. All Members and Officers are expected to demonstrate leadership through high standards of conduct and behaviour. The Council has a Code of Conduct for Members and Officers. This provides guidance on how high ethical standards are to be maintained and includes Protocols for Member / Officer Relations and Officer / Convener Relationships.

17. In addition, all Services are required to comply with the Council's Guidelines on Extra-Mural Employment, and registers of gifts and hospitality are maintained. Guidance on Extra-Mural Employment and Gifts and Hospitality is included in the Employee Handbook, available to all staff on the Council's Intranet and provided to staff as part of the induction process.

18. During 2009/10, the Council's Corporate Risk Management Group commenced and progressed an exercise to establish and maintain a corporate record of Officers who have responsibilities with external organisations. This record will be used to ensure that Officers with such responsibilities receive the appropriate training to allow them to properly discharge their role with the external organisation, and that all have been made fully aware of their legal obligations.

19. The Council has a Confidential Reporting Policy and Procedure, supported by an Anti-Fraud and Corruption Strategy.

### **Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

20. The decision making and scrutiny framework within Falkirk Council encompasses self evaluation as well as internal and external inspection.

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21. As mentioned above, the Council has a Business Improvement Team with lead responsibility for implementing the PSIF / REFLECT initiative within Falkirk Council. As well as forming the basis for service specific reviews, the PSIF framework was used by Corporate Management Team to undertake a corporate self assessment. As a result of this self assessment, an improvement plan has been put in place to allow implementation of actions arising from this exercise to be managed and monitored.

22. Corporate Management Team also rely on advice and guidance from Officer led groups responsible for the consideration of, for example, sustainability, best value, ICT Strategy, and risk management, to drive and direct the decision making process.

23. Risk management arrangements were further developed during 2009/10, with a revised risk register presented to, and approved by, the Audit Committee in November. The Corporate Risk Management Group continues to have responsibility for overseeing the implementation of the Council's Risk Management Policy and Strategy, with reporting lines to both Corporate Management Team and the Audit Committee.

24. The Audit Committee itself is now well established, and a programme of training has been put in place to ensure that Members remain well versed in their role and the role of the Committee.

### **Principle 5 - Developing the capacity and capability of Officers and Members to be effective.**

25. This principle is about ensuring that Officers and Members have the appropriate knowledge and skills to allow them to effectively fulfil their roles and responsibilities.

26. Falkirk Council has adopted a corporate induction process which is presented on-line. All new employees are required to undertake this induction. Arrangements for local induction are put in place and delivered by individual Services. A Member induction process is also in place.

27. The Council remains committed to developing its workforce through the provision of a corporate 'Learning Zone' and through the support of individual Services towards achieving Investors in People status. The Achievement and Personal Development Scheme for Officers and Personal Development Plans for Members help ensure that training and development needs are documented and managed in a structured and planned way.

### **Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.**

28. The Council interacts and engages with stakeholders on a number of levels.

29. Publication of annual accounts and statutory performance information, as well as Service performance information and the results of customer surveys, is done via the 'Performance Zone' on the Council's website. The Council's Customer Service Charter is also available by accessing the 'Performance Zone'.

30. In addition, communications are maintained through the local press, the publication of Falkirk Council News, and through Officer and / or Member representation at public meetings.

31. The Council remains committed to developing systems to allow stakeholders to engage electronically. Contact can also be made through the Customer First Team, by email, or at contact points such as One Stop Shops.

32. Meetings of Falkirk Council and its Committees are open to the public, and agendas and papers are published on the Council's internet site.

33. The Council continues to review its approach to community engagement, and a formal Community Engagement Strategy is in preparation which will be subject to Member consideration and approval during 2010/11. Robust community engagement is, however, already embedded practice, for example in relation to the Council's Parks Strategy, school catchment areas, and the accessibility / content of the Council's website.

34. Arrangements and protocols have been established to meet requests under the Freedom of Information Act within the required timescales.

### **Monitoring and Review of Governance Arrangements**

35. Falkirk Council's governance arrangements are formally monitored via:

- the Council's established Committee framework, including the Audit Committee;
- the Best Value Forum and Best Value Working Group;
- Corporate Management Team;
- Internal and external audit work; and
- the work of Falkirk Council's Best Value 2 Local Area Network, which includes Audit Scotland, Her Majesty's Inspectorate of Education, the Care Commission, Social Work Inspection Agency, and the Scottish Housing Regulator.

36. This monitoring is done within the context of the Delivering Good Governance guidance, the Council's Corporate Plan, local Community Plan, agreed Single Outcome Agreement, and the fundamental statutory requirement to demonstrate and achieve best value.

37. The Council has a Strategic Planning and Management Framework (SPMF) which brings each of these strands together. The SPMF sets a common operational framework linking all activities to the Council's strategic priorities and service delivery objectives. This framework facilitates the monitoring and management of performance and quality, and provides for demonstrable consistency between strategic and operational aims and objectives.

### **System of Internal Financial Control**

38. This section of the Annual Governance Statement relates to the systems of internal financial control of Falkirk Council and of the consolidated entries in the Council's group accounts for the year to 31 March 2010. It incorporates assurance on the systems of internal financial controls in place within each of these entities.

39. Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Director of Finance. It should be noted that the system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

40. The system of internal financial control is based on a framework of risk management, robust management information, application of comprehensive financial regulations, administrative procedures including management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers, and includes:

- arrangements for the identification and management of risks;
- comprehensive budgeting systems;
- the preparation and regular review of periodic and annual financial reports which indicate actual expenditure and financial performance against forecasts;
- setting targets to measure financial and other performance;
- clear capital expenditure guidelines; and
- formal project management arrangements.

41. The Council's Internal Audit Section provides an independent assessment of arrangements for risk management, governance and control. The Section undertakes an annual programme of work approved by the Chief Executive, Director of Finance, and Audit Committee. This work is planned taking account of the outcomes of the Council's risk management arrangements and Internal Audit's own assessment of risk.

42. The Council's appointed external auditors have concluded that the Internal Audit Section operates in

accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

43. All Internal Audit reports are brought to the attention of management and include recommendations and agreed action plans where scope for improvement has been identified. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken to address recommendations. Significant matters, including non-compliance with recommendations arising from Internal Audit work, are reported periodically to the Council's Audit Committee.

44. The Audit Committee, which was set up on the basis of a decision by Council in June 2008, operates in accordance with guidance entitled 'Audit Committee Principles in Local Authorities in Scotland' (CIPFA, 2004) and 'Audit Committees: Practical Guidance for Local Authorities' (CIPFA, 2005), and has a remit to provide:

- independent scrutiny on the adequacy of the risk management framework and associated control environment;
- independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects risk exposure and weakens the control environment; and
- assurance that any issues arising from the process of drawing up, auditing and certifying the Authority's annual accounts are properly dealt with.

45. Part of the role of the Committee is to consider the Annual Assurance Report provided by the Internal Audit Manager. This report provides an independent opinion on the adequacy and effectiveness of the Council's arrangements for risk management, governance and control, and is based on work undertaken during the year. In his Annual Assurance Report for 2009/10 the Internal Audit Manager concluded that he was able to provide substantial assurance on the Council's overall framework of control for the year to 31 March 2010.

46. The programme of Internal Audit work for 2009/10 was completed as planned, although there were, as expected, a number of alterations to the Plan as new risks emerged and demands on Internal Audit time changed as a result of, for example, requests for ad hoc and investigative work from Services. The breadth and depth of work undertaken was sufficient to allow the Internal Audit Manager to form a robust and balanced opinion based on the level of assurance provided in each individual Internal Audit report.

47. While, in overall terms, the Internal Audit Manager was able to provide substantial assurance in respect of the Council's control framework, there were areas where limited or no assurance was provided. It is part of the established Internal Audit process to carry out follow-up work to determine the extent to which recommendations have been implemented, and particular emphasis will be placed on recommendations made in these reviews. The outcomes of follow-up work will be reported to Members of the Audit Committee during 2010/11.

48. The Director of Finance is required to review the effectiveness of the Council's systems of internal financial control, taking account of:

- the work of managers within the Council;
- the work of Internal Audit (as described above); and
- the work of external audit.

49. Based on consideration of the above, the Director of Finance has concluded that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal financial control systems for the year to 31 March 2010.

50. In respect of other entities that fall within the Council's group boundary, the Director of Finance's review of their internal control systems is informed by:

- the Statements on the System of Internal Financial Control or, where available, the Annual Governance Statements, included within the respective financial statements of the Joint Boards;

- and
- the work of the relevant bodies' respective external auditors (and, where relevant, Internal Auditors) and other interim reports.

51. Based on consideration of the above, the Director of Finance has concluded that, on the whole, substantial assurance can be placed on the internal financial control systems of other bodies falling within the Council's group boundary.

52. Earlier in 2010, CIPFA issued its 'Statement on the Role of the Chief Financial Officer (CFO) in Local Government' (the Statement) and an associated 'Application Note to Delivering Good Governance in Local Government: A Framework' (the Application Note). The Statement sets out 5 principles defining the role of the CFO in Local Government, and the Application Note encourages self assessment against these principles with the outputs reported within the Annual Governance Statement.

53. An initial assessment against the principles has been undertaken, confirming broad compliance. A further, more detailed assessment will be undertaken during 2010/11.

### **Governance Arrangements – Areas for Improvement**

54. Falkirk Council is committed to ensuring that governance and internal financial control arrangements are robust, proportionate, and in line with best practice. The Council has a well established culture of improvement, and is thorough in addressing issues that emerge either through self assessment or as part of the external scrutiny process. The process of preparing this Statement has highlighted areas where further work is required, and these will be addressed within the context of the continuous improvement agenda:

- continue to undertake and complete PSIF / REFLECT reviews, and to identify and implement improvement action;
- complete roll-out of Achievement and Personal Development Scheme to all Council Officers;
- review working arrangements and job descriptions in light of Service restructure;
- use the Record of Responsibilities with External Organisations to ensure that Officers with such responsibilities receive the appropriate training and are fully advised of their legal obligations;
- implement action to address issues raised via the corporate self assessment undertaken by Corporate Management Team;
- continue to develop and embed risk management arrangements; and
- finalise and roll out a formal Community Engagement Strategy.

### **Conclusion**

55. This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for ensuring good governance and appropriate arrangements for internal financial control for 2009/10 and the period to date. It highlights areas of improvement that have been identified to enhance existing governance arrangements, and is consistent with the Council's established improvement agenda.

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**Councillor Craig Martin**  
**Leader of Falkirk Council**  
**31 May 2010**

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**Mary Pitcaithly**  
**Chief Executive**  
**31 May 2010**