

**Falkirk Council**

**Annual Governance Statement – 2010/2011**

**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, ensuring that these arrangements are properly applied. This must be done within the context of the Single Outcome Agreement 2009-11 which sets out 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 Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

**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's well established Strategic Planning and Management Framework is fundamental to ensuring that the Council undertakes its business in a focussed, efficient, and effective way, particularly within the context of the particularly challenging economic conditions we continue to face.
9. Work on addressing the actions and realising the outcomes set out in the Council's Action Plan for the Economic Downturn was completed during 2010/11. In addition, Falkirk was named the most enterprising place in Scotland at the annual Enterprising Scotland Awards ceremony in November 2010, demonstrating our commitment to improvement and innovation.
10. Information on the performance of individual Council Services continues to be made available via the 'Performance Zone' area of the Council's website, with a review of non-statutory performance indicators on-going to ensure that these are properly targeted and outcome focussed.

11. In addition, a detailed Customer Survey was undertaken during 2010, with around 4,400 forms returned to the Council, providing a comprehensive and rounded picture of customers' perceptions of how the Council goes about delivering key services. The results of this Survey will be fully considered in determining future policy and priorities.

### **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 the clarity and consistency of roles and responsibilities.

13. The Council's Standing Orders Relating to Meetings and Scheme of Delegation to Committees are well embedded, with a review underway to ensure that these remain fit for purpose in light of changes that have taken place, or are yet to take place, in respect of the Council's organisational structure.

14. These are supported by Financial Regulations and Contract Standing Orders. While the former were reviewed and updated in 2009/10, consideration will be given to the latter to ensure that there is consistency with the Scottish Procurement Directorate's Procurement Journey guidance.

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

15. All elected Members and Officers are expected to demonstrate leadership and good governance by complying with the Council's established Code of Conduct for Members and Officers and the supporting Protocols for Member / Officer Relations and Officer / Convener Relationships.

16. Arrangements are also in place to document and record extra-mural employment (with an exercise to refresh these records undertaken during 2010/11), and registers of gifts and hospitality are maintained. All staff are made aware of these policies and arrangements at induction, and all are available via the Council's Intranet.

17. The Council has a Confidential Reporting Policy and Procedure and an Anti-Fraud and Corruption Strategy which provides a framework for encouraging a corporate culture of fraud deterrence and prevention.

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

18. Corporate Management Team has established a number of Officer led groups to consider matters such as IT strategy and security, sustainability, best value, and risk management.

19. Risk management arrangements remain in need of further development, both in terms of embedding the existing Policy and Strategy across all Services and in better linking risk management and business planning. Action is, however, being taken to address this, with an independent review of existing activities undertaken during 2010/11, and through plans to appoint a Corporate Risk Manager. In addition, the Audit Committee will continue to monitor progress with embedding risk management across the Council.

20. Related to that, Corporate Risk Management Group has, during 2010/11, agreed a process for building assurance around the proper premises management of the Council's operational estate, with the initial outputs arising from this process to be considered by the Group in May 2011. This is a positive development, as it provides a framework aimed at making Falkirk Council's operational buildings a safer and more secure environment for staff and visitors.

21. For the first time, an Annual Report and Accounts will require to be prepared for the Falkirk Council Pension Fund for 2010/11. The Annual Report will include a Governance Compliance Statement, and the Report and Accounts will be subject to a separate audit by Audit Scotland, the fund's appointed auditor. While this process places additional responsibilities on pension administration and investment staff, there are

clear benefits in improving and enhancing transparency and accountability, including scrutiny via the Council's Investment Committee.

22. The Audit Committee is now an established element of the Council's governance framework. At its June 2010 meeting, Council made a decision to appoint an external lay member to chair the Audit Committee. This appointment has now been made, with the March 2011 Audit Committee meeting the first to be chaired by the external lay member.

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

23. 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.

24. As mentioned above, the Audit Committee continues to develop in its role, and to facilitate this, training and development will continue to be made available to Members, including the external lay member Chair. The Committee will, at an appropriate point, undertake a review of its own effectiveness, as required by CIPFA Audit Committee guidance.

25. In addition, steps are being taken to ensure the timely adoption of the Improvement Service Continuing Professional Development approach to Member training, with a view to fully embedding this prior to the new intake of Councillors following the 2012 Scottish Local Government Elections. This will build on the existing Member training programme (which includes, for example, Treasury Management training to be delivered prior to the summer recess).

26. The Achievement and Personal Development Scheme for Officers continues to be rolled out, and the Council remains committed to the development of staff via, for example, the provision of induction programmes for new staff, a corporate 'Learning Zone' for existing staff, and the support of individual Services towards achieving and maintaining Investors in People status.

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

27. The Council engages with stakeholders in various ways and on a number of levels.

28. Meetings of Falkirk Council and its Committees are open to the public, with agendas and papers published on the Council's website. The website also includes a 'Performance Zone', where annual accounts and statutory and other performance information is made available.

29. Website accessibility continues to be improved, with a British Sign Language facility for the Deaf Community and compliance with W3C's Web Accessibility Initiative's (WAI) Guidelines.

30. A Citizens Panel has been set up, comprising more than 1,000 local people who have volunteered to respond to surveys and provide feedback on services. Surveys have been undertaken in August 2010 and January 2011, and the Council is committed to fully considering the results of these surveys in developing future policy and direction.

31. Various other initiatives and developments aimed at improving communication and engagement with stakeholders have become embedded over the course of 2010/11, including the roll out of Homespot, which is aimed at simplifying and making more transparent the housing allocations process, and the development of a Revenues Customer Charter, which sets out the minimum service standards to be expected in any interaction with the Council's Revenues section.

32. A draft Community Participation Strategy, entitled 'Have Your Say – A Plan for Local Involvement', was considered by the Council's Leisure, Tourism and Community Committee in November 2010 with a final version agreed in April 2011, taking account of feedback received from local stakeholder groups. This is supported by a Scheme of Decentralisation, demonstrating how the Council will continue to bring services and decision-making closer to local communities

**Monitoring and Review of Governance Arrangements**

33. 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.

34. 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.

35. 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**

36. 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 2011. It incorporates assurance on the systems of internal financial controls (and, where appropriate, governance arrangements) in place within each of these entities.

37. Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Council's Acting Chief Finance Officer. 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.

38. 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.

39. 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, Acting Chief Finance Officer, 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.

## Appendix 1

40. 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, and formally place reliance on work undertaken by the Section.

41. 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 then management's responsibility to ensure that proper consideration is given to these 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.

42. 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). As noted at paragraph 22 above, the Committee is chaired by an external lay member, 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.

43. 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 2010/11 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 2011.

44. The programme of Internal Audit work for 2010/11 was completed as planned, and 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.

45. 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 assurance was provided. It is part of the 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 2011/12.

46. The Acting Chief Finance Officer 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.

47. Based on consideration of the above, the Acting Chief Finance Officer 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 2011.

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

- the Annual Governance Statement included within the Annual Accounts of Central Scotland Joint Fire and Rescue Board;

- the Statements on the System of Internal Financial Control included within the Annual Accounts of Central Scotland Joint Police Board and Central Scotland Valuation Joint Board; and
- the work of these bodies' respective external auditors (and, where relevant, Internal Auditors) and other interim reports.

49. Based on consideration of the above, the Acting Chief Finance Officer has concluded that, on the whole, substantial assurance can be placed on the internal financial control systems (and, where available, governance arrangements) of other bodies falling within the Council's group boundary.

50. As part of the Council's 2009/10 annual Governance statement, a commitment was made to undertake an assessment of the Council's compliance with the principles set out in the 2010 CIPFA 'Statement on the Role of the Chief Financial Officer (CFO) in Local Government' and associated 'Application Note to Delivering Good Governance in Local Government: A Framework'.

51. Due to the retirement of the Council's previous Director of Finance, and the on-going process of making a permanent appointment to the new Chief Finance Officer post, this assessment has not been undertaken. A full assessment will, however, be undertaken once a permanent appointment to the post of Chief Finance Officer has been made.

52. Related to that, during 2010 CIPFA published a 'Statement on the Role of the Head of Internal Audit in Public Service Organisations'. Arrangements have been put in place with West Lothian Council for the coming year to facilitate a reciprocal peer review of each Councils' Internal Audit Section against this Statement and against the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The results of this exercise will be reported to the Audit Committee in due course.

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

53. Falkirk Council continues to be committed to ensuring that governance and internal financial control arrangements are robust, proportionate, and in line with best practice. The process of preparing this Statement has, however, highlighted areas where further work is required, and these will be addressed within the context of the Council's continuous improvement agenda:

- Contract Standing Orders will be reviewed and updated to ensure that they fully reflect relevant national guidance;
- risk management arrangements will continue to be enhanced and improved, with consideration given to ensuring clear linkage between risk management and business planning;
- the Premises Management Statement of Assurance process will be fully embedded across all Council Services;
- the Audit Committee will undertake a formal review of its effectiveness;
- the Improvement Service Continuing Professional Development approach for elected Members will be fully adopted ahead of the 2012 Local Government elections;
- the Community Participation Strategy will be fully implemented; and
- assessments of compliance with the CIPFA Statements on the Roles of the Chief Financial Officer and Head of Internal Audit will be undertaken.

**Conclusion**

54. 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 2010/11 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**  
**16 May 2011**

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**Mary Pitcaithly**  
**Chief Executive**  
**16 May 2011**