

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 13 JUNE 2016

REPORT ON: ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31 MARCH 2016

REPORT BY: TREASURER

REPORT NO: TVJB 11-2016

1 PURPOSE OF REPORT

To present to the Board the Annual Governance Statement for approval and inclusion in the unaudited Annual Accounts for the year ended 31 March 2016 which is also being submitted to the Board.

2 RECOMMENDATIONS

It is recommended that the Board:

- i notes the contents of this covering report;
- ii approves the Annual Governance Statement which is included as an Appendix to this report; and
- iii instructs the Treasurer to include the Annual Governance Statement in the Annual Accounts for the year to 31 March 2016.

3 FINANCIAL IMPLICATIONS

None.

4 BACKGROUND

4.1 The relevant statutory provisions regarding the preparation of the Board's Accounts are contained in the Local Authority Accounts (Scotland) Amendment Regulations 2014. Section 5 of these regulations require that "...the local authority must conduct a review at least once in each financial year of the effectiveness of its system of internal control. The findings of the review... must be considered at a meeting of the local authority... (and) following consideration of the findings of the review... that authority must approve an annual governance statement." There is no requirement to have separate meetings for the consideration of the findings and then the approval of the annual governance statement. Both may be undertaken at the same meeting.

4.2 As in previous years the Annual Accounts (including the Annual Governance Statement) have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) which stipulates that the following information should be included in the Annual Governance Statement:

- i. An acknowledgement of responsibility for ensuring there is a sound system of governance;
- ii. An indication of the level of assurance that the systems and processes that comprise the board's governance arrangements can provide;
- iii. A brief description of the key elements of the governance framework;
- iv. A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of the board, internal audit and other explicit reviews/assurance mechanisms;

- v. An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan; and
- vi. A specific statement on whether the Board's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the CIPFA's *Application Note to Delivering Good Governance in Local Government: Framework*; and where they do not, an explanation of how they deliver the same impact.

4.3 The Annual Governance Statement for the year ended 31 March 2016 is included on Appendix A.

5 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environment Assessment, Anti-Poverty and Equality Impact Assessment and Risk Management. There are no major issues identified.

6 **CONSULTATIONS**

The Assessor and Clerk to the Board have been consulted on the content of this report and are in agreement with the contents.

7 **BACKGROUND PAPERS**

CIPFA: Code of Practice on Local Authority Accounting in the UK 2015/2016;
The Local Authority Accounts (Scotland) Regulations 2014;
CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010); and
CIPFA's Application Note to Delivering Good Governance in Local Government: Framework.

MARJORY M STEWART
TREASURER

25 MAY 2016

TAYSIDE VALUATION JOINT BOARD
ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Tayside Valuation Joint Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. This is to ensure that public funds and assets at its disposal are safeguarded, properly accounted for and used economically, efficiently and effectively. The Board also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these responsibilities elected members and senior officers are responsible for implementing effective arrangements for governing the Board's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end the Board has approved and adopted a local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. This statement explains how Tayside Valuation Joint Board delivers good governance and reviews the effectiveness of these arrangements.

The Board's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Board is directed and controlled. It also describes the way it engages with its stakeholders. It enables the Board to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance. These are as follows:

- focusing on the purpose of the Board and on outcomes for the community and creating and implementing a vision for the local area;
- members and officers working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the Board and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capabilities of members and officers to be effective; and
- engaging with local people and other stakeholders to ensure robust public accountability.

The overall control arrangements include:

- identifying the Board's objectives in the Service Plan.
- monitoring of objectives by the Board and senior officers.
- reporting performance regularly to Board meetings.
- clearly defined Standing Orders, Financial Regulations, Tender Procedures and Delegation of Powers.
- approved anti-fraud and corruption strategies including "whistle-blowing" arrangements.
- setting targets to measure financial and service performance.
- formal revenue and capital budgetary control systems and procedures.

Additionally, in order to support Chief Financial Officers in the fulfilment of their duties and to ensure that local authority organisations have access to effective financial advice of the highest level, CIPFA's *Role of the Chief Financial Officer* has introduced a "comply or explain" requirement in the Annual Accounts.

Review of Effectiveness

Members and officers of the Board are committed to the concept of sound governance and the effective delivery of Board services and take into account comments made by internal and external auditors.

In addition the Board have made a self-assessment of their own arrangements. This involved the completion of a 31-point checklist by the Assessor, covering four key governance areas of Service Planning and Performance Management, Internal Control Environment, Budgeting, Accounting and Financial Control and Risk Management and Business Continuity. This indicates that the Board are fully compliant in the four key governance areas covered.

The Board's Internal Audit Service provider conforms with the Public Sector Internal Audit Standards (PSIAS), and reports to the Board. Internal Audit undertakes an annual programme of work, which is reported to the Board. The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

The Treasurer complies with the principles set out in CIPFA's *Role of the Chief Financial Officer*.

Continuous Improvement Agenda

The self-assessment checklist completed by the Assessor as part of the Board's assurance gathering process highlights that the Board is fully compliant in the four key governance areas covered.

During 2014/2015, Internal Audit have conducted their programme of audits, including reviews of Non Domestic Rates, Risk Management and Business Continuity, Procurement and Creditors/Purchasing and IT Network arrangements. There were no significant issues identifying major internal control weaknesses. In general, procedures operate adequately in the areas selected.

During 2015/16, Internal Audit have conducted audits in the areas of Budget setting and Control and Corporate Planning. No weaknesses were identified and no action points noted. Overall, the level of assurance was concluded to be good and the systems meet their control objectives. The report on the Follow Up Reviews conducted in 2015/16 reported good progress with 15 of 22 recommendations noted as being fully implemented, 3 were recorded as "no project trigger action" and the remaining 4 as "partially implemented". The Internal Audit Annual Report 2015/16 concludes that in the opinion of the Internal Auditor, the Joint Board operates adequate and effective control systems as defined in the Audit Needs Assessment.

The current contract for the provision of Internal Audit Services reached the end of its current three year period. Following a competitive process, Henderson Loggie were successfully reappointed as provider of internal audit services for the three year period to 31st March 2019. The work conducted during 2016/17 will address the area's identified in the Initial Audit Needs Assessment

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Board complies with the Local Code of Corporate Governance in all significant respects. Future actions will be taken as necessary to maintain and further enhance the Boards governance arrangements.

Councillor Elspeth Maclachlan
Convener
Tayside Valuation Joint Board
25 May 2016

Alastair Kirkwood BSc, MRICS, IRRV, AEA
Assessor
Tayside Valuation Joint Board
25 May 2016