

## West Lothian Integration Joint Board Audit Risk and Governance Committee

Date: 27 May  
2020

Agenda Item: 9

### **ANNUAL GOVERNANCE STATEMENT 2019/20**

#### **REPORT BY STANDARDS OFFICER**

##### **A PURPOSE OF REPORT**

To present the draft annual governance statement for consideration and approval.

##### **B RECOMMENDATIONS**

1. To consider the draft annual governance statement in the appendix and its conclusion that the Board and the West Lothian community can be assured that the Board's corporate governance standards have been substantially met in 2019./20
2. To approve the draft annual governance statement in the appendix for signature on behalf of the Board
3. To note that the statement will form part of the Board's unaudited accounts to be considered by the Board and submitted to the external auditors before the end of June 2020
4. To authorise the Standards Officer to make any minor changes to the statement deemed reasonable and necessary before finalisation of the accounts for Board approval

##### **C SUMMARY OF IMPLICATIONS**

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|-----------|--|---|
| <b>C1</b> | <b>Directions to NHS Lothian and/or West Lothian Council</b> | A direction is not required.  |
| <b>C2</b> | <b>Resource/ Finance</b>                                     | None  |
| <b>C3</b> | <b>Policy/Legal</b>  | Legislation requires an annual governance statement to be approved and to form part of the unaudited accounts for submission and public inspection. The Board has adopted a Local Code of Corporate Governance. |



|            |   |  |
|------------|---|--|
| <b>C4</b>  | <b>Risk</b>                                   | Risk IJB001: Governance Failure  |
| <b>C5</b>  | <b>Equality/Health</b>                        | The report has little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, an equality impact assessment has not been conducted. |
| <b>C6</b>  | <b>Environment and Sustainability</b>         | None   |
| <b>C7</b>  | <b>National Health and Wellbeing Outcomes</b> | Good governance leads to good decision-making and improved outcomes and will assist in delivering health and wellbeing outcomes                                      |
| <b>C8</b>  | <b>Strategic Plan Outcomes</b>                | Good governance leads to good decision-making and improved outcomes and will assist in delivering the Board's Strategic Plan and priorities                          |
| <b>C9</b>  | <b>Single Outcome Agreement</b>               | The delivery of the Board's Strategic Plan and good standards of governance will assist in meeting targets set out in the Single Outcome Agreement                   |
| <b>C10</b> | <b>Impact on other Lothian IJBs</b>           | None   |

## **D TERMS OF REPORT**

### **1 Background**

1.1 The following process has been adopted by the Board to secure compliance with the statutory rules for submission and approval of the Board's accounts and financial statements:-

- The Internal Auditor carries out an annual review of the Board's system of internal control which is considered in June by the committee as part of his Internal Audit Annual Report
- The Standards Officer prepares a draft annual governance statement which is approved by the committee in June
- The annual governance statement is signed by the Chief Officer and the Chair and is then included in the Board's unaudited annual accounts
- The unaudited accounts are considered by the Board prior to their submission for audit
- The accounts are signed and submitted for audit and public notice by the Chief Financial Officer on or before 30 June

- The audited accounts and the external auditors' report are considered by the committee in September, for scrutiny, and to consider recommendations to be made to the Board
  - The audited accounts, the auditors' report and the committee's recommendations are considered by the Board for approval of the audited accounts for signature before 30 September each year
- 1.2 Other reports are on the agenda for this meeting and have been taken into account in the preparation of the statement. They are the Internal Audit Annual Report, including the findings of the review of the system of internal control; the Chief Financial Officer's Best Value Framework Compliance Statement; an update by the Standards Officer on progress with and the current status of governance issues; and the completed Local Code of Corporate Governance for the year.

## **2 Annual governance statement – form and content**

- 2.1 The draft annual governance statement for 2018/19 is in the appendix. It has been prepared in accordance with the 2016 CIPFA/SOLACE Framework and accompanying Guidance which apply to the Board in relation to its governance standards. It is based on the key elements in the Board's corporate governance arrangements. It reports on governance issues addressed during the year. Those are made up of issues identified in last year's statement and issues arising in the course of the year. It notes additional areas of concern to be addressed in the coming year.
- 2.2 The statement includes an additional section relating to the COVID-19 emergency. Like all public bodies the Board was faced with significant and unanticipated challenges to the performance of its statutory functions. Its governance arrangements were also affected and tested by the urgent measures needed to ensure an agile and effective reaction by the Board whilst continuing to comply with its established standards of good governance. CIPFA recommended in April 2020 that annual governance statements should cover COVID-19 related issues. They suggest some added commentary on the impact on business as usual in the delivery of services; new areas of activity as part of the national response; funding and logistical consequences; changes to meetings and decision-making arrangements; assessment of the longer term disruption and consequences.
- 2.3 The advice is Anglo-centric to some extent: it assumes that statements will be prepared much later in the year than normal as a result of the relaxation of statutory timescales that has not been matched in Scotland. It is also focussed on local authority functions, and although the Board operates under the local authority accounts regime its operations and funding and functions are considerably different.
- 2.4 Given the deadline in Scotland for approval of the statement, it is too early to say much about most of the COVID-19 issues suggested by CIPFA. The section that has been added therefore centres on governance arrangements and decision-making. Information on the financial and service aspects will be provided to future committee and Board meetings. However, a COVID-19 debrief has been added to the list of governance issues in the running log considered elsewhere by committee today.

## **3 Characteristics of annual governance statements**

3.1 Some of the characteristics of the annual statement drawn from the CIPFA/SOLACE Framework are:-

- It enables the Board to explain governance arrangements and controls
- It should provide a meaningful but brief communication regarding the review of governance
- It should be high level, strategic and written in an open and readable style
- It should provide an assessment of the effectiveness of the Board's governance arrangements in supporting the planned outcomes
- It should contain an acknowledgement of responsibility for ensuring that there is a sound system of governance
- It should make reference to an assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment
- It should give an opinion on the level of assurance that the governance arrangements can provide
- Actions taken, or proposed to be taken, to deal with significant governance issues, should be mentioned
- There should be information as to how issues raised in the previous year's annual governance statement have been resolved
- There should be a conclusion and commitment to monitoring implementation

3.2 The Framework and Guidance contain a summary of the key elements and structures and processes that should comprise the Board's governance arrangements. These are all taken into account in the Board's Local Code of Corporate Governance and so they are not described in detail in the annual statement.

**4 Relevant factors in considering the statement**

4.1 The Guidance to the CIPFA/SOLACE Framework lists things for members to keep in mind when considering the adequacy of governance arrangements:-

- How is governance perceived in the Board? Is it regarded as an enabler in terms of innovation or a barrier to it?
- How has the Board tried to embed good governance in its culture? Has this been successful?

- Are the benefits of good governance transparent in the Board? For example: better informed and improved decision making; clear demonstration of integrity and probity; clear focus on outcomes; developing a risk management culture
- How are the benefits of good governance communicated to those who may not be aware of them including some members and senior officers?
- How does the Board engage its members on governance issues? How might this be improved?
- Do officers feel free to raise any concerns that they might have?
- Are the Board's Code and its governance arrangements easy to understand?
- How are good governance principles communicated to partners? How effective is that communication?
- How is the importance of maintaining standards communicated? Is it successful?
- Is appropriate induction and training available to those who need it?
- Does the concept of good governance have support from the top – the Chief Officer and Chair? How do they demonstrate this?
- How does the Board ensure that governance structures continue to be up to date and relevant? For example, decision making frameworks, roles and responsibilities and schemes of delegation
- What is the role of the Internal Auditor, the Standards Officer and other officers in enabling and facilitating good governance?

4.2 Members may wish to have regard to those factors when considering the statement for approval.

## **5 Delegated authority**

5.1 Authority is sought to allow minor changes to be made by officers after committee approval and prior to submission and approval of the annual accounts. Without that, no changes can be made to the version approved by the committee. That flexibility will allow minor changes to be made should they be felt to be reasonable and necessary to reflect changed or new circumstances after discussion with the Board's auditors and consideration by the Board. It will also allow for the inclusion of some up-to-date information regarding COVID-19.

5.2 Any such additions will be discussed first with the Chief Officer and the Chairs and Vice-Chairs of the Board and the committee.

## **E CONSULTATION**



The governance issues identified in last year's statement and the issues arising during the year have been on the agenda at senior management team meetings throughout the year, although recent consideration was postponed due to the COVID-19 emergency. Progress has been monitored and officers have been able to feed information in to assist in populating the Code of Corporate Governance.

The Internal Auditor has had sight of the draft statement. His review of the system of internal control has been taken into account in the statement. The Chief Financial Officer has also had sight of it and his Best Value Compliance Statement has informed the contents of the statement as well.

An update report on governance issues was considered by the committee in March this year and the progress in addressing issues from last year's statement was noted.

## **F REFERENCES/BACKGROUND**

The Local Authority Accounts (Scotland) Regulations 2014 and related non-statutory guidance

"Delivering Good Governance", Framework and Guidance issued by CIPFA and SOLACE (2016)

Integration Joint Board, 10 September 2019

Audit Risk & Governance Committee, 5 June and 11 December 2019

The Annual Governance Statement for 2019/20: Matters to consider as a result of the coronavirus pandemic - Briefing from the CIPFA Better Governance Forum (7 April 2020)

## **G APPENDICES**

Appendix – Annual Governance Statement 2019/20

## **H CONTACT**

James Millar, Standards Officer, 01506 281613, [james.millar@westlothian.gov.uk](mailto:james.millar@westlothian.gov.uk)

27 May 2020

## APPENDIX

### ANNUAL GOVERNANCE STATEMENT 2019/20

#### **1 Corporate Governance**

- 1.1 Corporate governance is comprised of the systems, processes, culture and values by which the Board is directed and controlled, and the activities through which it is accountable to, engages with and leads the West Lothian community in relation to its statutory functions. It is the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The Board, Board members and individuals working for and supporting them must try to achieve the Board's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.
- 1.2 The Board and its members, voting and non-voting, have overall responsibility for good governance arrangements – for establishing the Board's values, principles and culture, for ensuring the existence and review of an effective governance framework, and for putting in place monitoring and reporting arrangements. Corporate governance is an essential back-office corporate service necessary to assist the effectiveness of setting, monitoring, achieving and reporting on priorities and outcomes, both national and local.
- 1.3 Whilst retaining its responsibility and overview of those arrangements, the Board has entrusted the delivery of some of those tasks to committees (especially its Audit, Risk & Governance Committee) and to its Chief Officer and to officers employed by West Lothian Council and NHS Lothian who serve and support the Board. That delegation does not remove or negate the responsibility of all the Board's members for governance.
- 1.4 The statutory relationship amongst the Board, the council and the health board is a complex one. The Integration Scheme contains the agreement reached between the council and the health board in seeking to have the Board established. It cannot be changed without going through a formal statutory review process. The Board's governance arrangements provide the additional guidance and control necessary to make that relationship work for the benefit of service users and other stakeholders. The governance framework is made up of corporate documents, policies and procedures which are designed to guide and assist the Board in doing its business in accordance with the law and with proper standards and principles, so ensuring that public money is safeguarded and used economically, efficiently and effectively, and fulfilling the statutory duty to secure best value.

#### **2 Structure and powers**

- 2.1 The Board is a statutory body established by the Scottish Parliament. It is responsible for the integrated functions delegated to it by the council and the health board. It makes a strategic plan for delivery of the health and social care services which go along with the integrated functions. It receives financial contributions from the council and health board, and to a small extent directly from the Scottish Government. It then directs the council and the health board in how





they should deliver the integrated functions on its behalf and allocates financial resources to allow them to do so. The Board has responsibility for adult and older people's health and social care services. Those for children and young persons and criminal justice services, are delivered directly by the council and the health board through separate voluntary partnership working arrangements.

2.2 Legislation requires that the Integration Scheme is reviewed by the council and the health board at least every five years. That review ought to have been concluded by June 2020. The process was started and a timetable was agreed with the Board being a formal consultee. Due to the intervention of the COVID-19 emergency the process could not be progressed and it has been formally abandoned. The current Integration Scheme will remain in place and the operation of the Board will not be affected. The review will be revisited in autumn 2020.

2.3 The Board has delegated some of its responsibilities to other internal bodies:-

- It established an Appointments Committee to fill the posts of Director, Chief Financial Officer, Internal Auditor and Standards Officer. It met in 2019 to secure the replacement of the retiring Director. A successful process was followed in partnership with the council and the health board and the new Chief Officer took up his position in September 2019
- It established an Audit Risk & Governance Committee with scrutiny powers in relation to risk management, corporate governance and internal and external audit reports. It meets quarterly and the public has access to its meetings and meeting papers
- It established the Strategic Planning Group in accordance with legislation and guidance in relation to development, review and progressing the strategic plan
- It established a Health and Clinical Care Governance Group, chaired by a Board member, to provide a focus for clinical and social care issues and concerns and to advise the Board where appropriate
- In April 2019 the Board approved a revised strategic planning structure. It is designed around Planning & Commissioning Boards with remits designed to ensure delivery of the revised Strategic Plan 2019/23

2.4 The remits, powers, operating arrangements and reporting structures of all of these internal bodies were reviewed in 2019/20 and changes were approved by the Board after considering officers' recommendations. The Board decided to amalgamate the Locality Groups into the Strategic Planning Group. It also decided that the Strategic Planning group meetings should not have to take place in public to enable them to become less bound by procedural formalities and to assist the exchange and expression of views. There is though wide stakeholder representation and the minutes of the meetings are however still reported to the Board in public.

2.5 All of the Board's activities are carried out within the terms of relevant legislation, guidance and the statutory Integration Scheme. Its decision-making is carried out



under Standing Orders and other internal rules and procedures which are reviewed on a three-year cycle. They are principally made up of:-

- Standing Orders, governing the way Board and committee meetings are conducted
- Remits and procedural rules for committees, working groups and the new Planning & Commissioning Boards
- Scheme of Delegation to Officers setting out the responsibilities and powers allocated to senior officers
- Financial Regulations which set the rules and procedures for financial, budget and treasury management
- Strategic Plan and its accompanying Annual Financial Statement

2.6 Standing Orders, the Scheme of Delegations, Financial Regulations, committee remits were all reviewed with recommended changes approved by the Board. A new Strategic Plan was also approved in the current reporting year.

2.7 The Board must publish a statutory performance report within 4 months of the end of any financial year. It requires information from the council and the health board in relation to their performance of the integrated functions which have been specified in Directions issued by the Board. That also means that regular and periodic information is required to allow service performance to be assessed continuously and to inform the annual report. That information is provided with reference to a list of agreed indicators and from that the Board maintains its own performance records against the commitments and outcomes given in its Strategic Plan. Those reports are considered at Board meetings and so all members are aware of performance information and concerns. Performance management and reporting arrangements have been under review during the year. All of the Board's statutory annual performance reports are available on its website.

2.8 The Board's Financial Regulations call for quarterly budget monitoring reports to be presented to the Board. They also call for regular periodic budget and financial assurance reports to the Board to enable it to proceed with the budgetary process, the publication of its annual financial statement and issuing Directions to the council and health board. These reports have been and will continue to be made as required.

2.9 The Board has adopted a Risk Management Strategy. Risks and the developing Risk Register are periodically reported to and were considered at the Board, the Strategic Planning Group and Audit Risk & Governance Committee meetings.

### **3 The Board**

3.1 The Board's membership and operating arrangements are controlled by statute. Board decisions are made by eight voting members, four from each of the council and the health board. It also has non-voting members who are senior council or health board professionals or are representatives of the users and providers of

health and social care services. A full review of membership of the Board was carried out and renewed during the year.

- 3.2 There have been some changes to the Board's voting members during the year but fewer than in the preceding year. Induction and development sessions have taken place. In accordance with the Integration Scheme, the Chair was taken by a council member in September 2019 with a health board member taking the position of Vice-Chair. At the same time the position of Chair and Vice-Chair of the Audit Risk & Governance Committee switched between the council and the health board.
- 3.3 The Board continues to meet approximately every six weeks. It maintains a Work Plan which is reviewed at every meeting. That is now accompanied at every meeting by an annual calendar of reporting and review deadlines. The Board's work has been assisted by a series of Board development sessions outside the constraints of a formal meeting when discussions could take place about issues of growing or particular concern and the long-term plans for the Board and its work. The Board deals with significant strategic and financial decisions and monitors and oversees financial and service performance and risk monitoring arrangements. It meets in public except in very strictly defined circumstances. All of its meetings in the year were open to the public apart from meetings of the Appointments Committee.
- 3.4 The Board has developed its participation in the West Lothian Community Planning Partnership. The Board is a statutory community planning partner and is represented on the Community Planning Partnership Board by the Chief Officer. Periodic reports are brought to the Board to inform Board members of developments within the Partnership.
- 3.5 The Board now also participates in the Strategic Planning Forum, a strategic partnership forum amongst the health board and the integration joint boards within the health board area. It aims to increase cooperation amongst the bodies involved and secure and promote efficient planning where there are common themes and pressures shared by all concerned.
- 3.6 Chief Officer reports are now standing items on the agendas for Board meeting and those enable things like the community planning activities to be brought to the attention of the Board and the public.

#### **4 Management**

- 4.1 Under the terms of the governing legislation the Board only has one member of staff – its Chief Officer. Allister Short was appointed to that post in September 2019 after the retirement of the Director who had held the post since the inception of the Board. He heads the joint management team and staff responsible for delivering the integrated services in accordance with Board directions. He is accountable to the Board, but also to the Chief Executives of the council and the health board. His place and responsibilities are set out in the Board's Scheme of Delegations. The Chief Officer is a non-voting Board member.
- 4.2 The legislation which applies to the Board in relation to accounting and finance matters requires the Board to appoint a Chief Financial Officer. That role is to be

performed in accordance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). It sets out the requirement for the Chief Financial Officer to be professionally qualified and sets out the criteria for that qualification. The Board has appointed its Chief Financial Officer who fulfils these criteria and operates in accordance with the Board's Financial Regulations, reporting regularly to the Board on budgetary performance and compliance and on financial assurance. The Chief Financial Officer produces the Board's annual financial statement. The role is undertaken in accordance with the relevant statutory rules, guidance and standards. The Chief Financial Officer is a non-voting Board member. His place and responsibilities are set out in the Board's Scheme of Delegations. In accordance with its Best Value Framework adopted during the year, the Chief Financial Officer reports each year on the extent of the Board's delivery of its statutory best value duty. That informs both the Internal Auditor's review of the system of internal control and this annual governance statement.

- 4.3 The Board is required to operate a professional and objective internal audit service. The council's Audit Risk & Counter Fraud Manager is appointed as the Board's Internal Auditor. Internal audit is an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the "Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector" (PSIAS). An annual audit plan is prepared based on an assessment of risk and is approved by the Audit Risk & Governance Committee. Internal audit reports are issued to the committee in relation to the outcome of all work. There is annual reporting to the committee of internal audit activities and to give assurance about the independence, effectiveness and soundness of the service.
- 4.4 Risk management is supervised on the officer side of the Board by the Internal Auditor. Risk management is also embedded at a service level in the senior management team which is responsible for the delivery of the Board's integrated functions. The management team monitors, assesses and mitigates risk at service level as a matter of routine at their management team meetings. That process continues at lower levels in the integrated management structure.
- 4.5 The Board requires to appoint a Standards Officer. The Standards Officer is responsible for ensuring the Board and its members meet their obligations under ethical standards legislation and the Board's Code of Conduct. The Board has appointed a Standards Officer who maintains the Board members' Register of Interest and advises on Code of Conduct issues and concerns. His appointment was approved by the Scottish Ministers in 2016. He plays a wider role in supporting the Board in meeting its expected and adopted standards of good corporate governance. He prepares this annual governance statement and reports to the Board when required on governance matters, including compliance with the Board's adopted Local Code of Corporate Governance.
- 4.6 The council has to appoint a senior officer with social work qualifications and experience to the statutory role of Chief Social Work Officer. The post carries the significant responsibility for statutory delivery of social care services and the right to have direct access to the council and its elected members. The Chief Social Work Officer is a non-voting member of the Board and the Board's Standing Orders ensure a similar right of access to the Board and Board members in

relation to areas of professional concern. The health board has appointed an officer to a similar post in relation to health care. The holder of that post is also a non-voting member of the Board. The Board's Standing Orders give the same right of access to the Board and Board members as the Chief Social Work Officer has. Each delivers a formal annual report to the Board in connection with the discharge of their duties in relation to health and social care governance and statutory compliance.

## **5 Audit Risk & Governance Committee**

- 5.1 The Audit Risk & Governance Committee monitors the independence and effectiveness of the Internal Audit service provided by the council and its Audit, Risk and Counter Fraud Manager. To ensure the required degree of independence it is given periodic assurance in relation to non-internal audit functions (risk management) through the internal audit manager of Falkirk Council. The committee approves an annual audit plan and receives reports about its completion. It considers reports brought forward in relation to the work, both programmed and reactive work. It approves the annual governance statement on behalf of the Board before the Board considers it as part of its unaudited accounts and financial and other statements. Its remit and powers were reviewed during the year and minor changes were approved by the Board.
- 5.2 Internal Audit reports are presented to committee for information and scrutiny. They contain a finding as to the soundness of control based on the audit carried out and whether controls are satisfactory or require improvements. They set out improvement actions which have been agreed with officers. Implementation of actions and any other committee recommendations are the responsibility of the Chief Officer.
- 5.3 The committee also receives the external auditors' Annual Plan. Its remit enables it to consider the external audit annual report and audited accounts prior to their consideration and approval by the Board itself.
- 5.4 The committee also receives reports in relation to governance matters, principally reports issued by the Accounts Commission and/or Audit Scotland in relation to the Board or the health and care sector as a whole. The committee also receives the annual report on corporate governance and the annual governance statement. In 2019/20 it also received reports on progress against the governance issues identified for attention in previous annual governance statements.
- 5.5 Formal arrangements have been made and approved for liaison and information sharing with the Internal Auditors for the health board, the council and the other IJBs in the health board area. The Risk Management Annual Reports for council and health board were reported to the committee in 2018/19. No issues of concern arose and committee did not determine that it was necessary that the reports for 2019/20 be presented.
- 5.6 The Internal Audit Annual Report in June 2020 for 2019/20 provides details of the risk based audits undertaken for the Board, and the conclusions arising from that work. Those reports had all been submitted to the committee in the course of the year. No areas of concern or where control was found to require improvement were identified for 2019/20.

## **6 System of internal control**

- 6.1 A significant part of the Board's governance framework is its system of internal control (financial and other). It is an ongoing process designed to identify risks to the achievement of the Board's objectives; to evaluate the likelihood of those risks occurring; to consider the potential impact of the risks; and to manage them effectively. Those controls can never eliminate risk or failure to achieve objectives entirely – they can only provide reasonable and not absolute assurance. The design, development and management of the system of internal control are undertaken by officers who support the Board and approved where required by the Board or its Audit, Risk & Governance Committee.
- 6.2 The system of internal financial control is designed to provide assurance on the effectiveness and efficiency of operations and the reliability of financial reporting. It is based on a framework, which includes financial regulations and a system of management supervision, delegation and accountability, supported by regular management information, administrative procedures and segregation of duties. Its key elements include a documented internal control framework relating to financial processes, procedures and regulations; a comprehensive budgeting and monitoring framework; scrutiny of periodic and annual financial and operational performance reports; performance management information; and project management disciplines.
- 6.3 Reporting to the Board on the effectiveness of the system of internal control is a statutory requirement carried out by the Board's Internal Auditor. It is included in his Internal Audit Annual Report in June each year. Its consideration precedes and informs this statutory annual governance statement which requires approval by or for the Board and incorporation into the annual accounts and financial statements.
- 6.4 Based on internal audit work and reports throughout the year the Internal Auditor identifies areas where improvements are required and confirms that recommendations will be followed up and reported. The Audit, Risk & Governance Committee is informed of agreed actions and deadlines for completion. It seeks assurances from responsible officers on progress through follow-up reports where so advised.
- 6.5 Following the review for 2019/20 the Internal Auditor's conclusion, reported to committee in June 2020, is that the framework of governance, risk management and control is sound.

## **7 Code of Corporate Governance**

- 7.1 The Board's governance arrangements are assessed and reported in accordance with statutory requirements and under a Framework and accompanying Guidance for Scotland called "Delivering Good Governance in Local Government", produced by CIPFA/SOLACE in 2016. In 2017/18 a new Local Code of Corporate Governance was developed and adopted under that Framework and Guidance. The annual governance statement was produced under that Framework for 2017/18 and has been since.
- 7.2 The Code adopts the seven over-arching principles from the Framework which



are: behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law; ensuring openness and comprehensive stakeholder engagement; defining outcomes in terms of sustainable economic, social, and environmental benefits; determining the interventions necessary to optimise the achievement of the intended outcomes; developing the Board's capacity, including the capability of its leadership and the individuals within it; managing risks and performance through robust internal control and strong public financial management; and implementing good practices in transparency, reporting, and audit to deliver effective accountability.

- 7.3 Each of those principles is broken down into sub-principles and then separate elements to allow a more focused approach to the components of each. A list of sources of evidence is included and the Board's actions and performance over the year are assessed to determine where it exceeds, meets or fails to meet the required standards. Areas of concern are picked out and reported on through the annual reporting process. Actions are identified and allocated and progress monitored through reporting to Board and committee. The Code is used to inform the drafting and approval of the annual governance statement.
- 7.4 The Code was formally reviewed during the reporting year. Audit Risk & Governance Committee and then the Board considered recommendations concerning the standards and evidence included in the Code and the methods by which the Code is populated and monitored throughout the year. The recommendations were accepted and the Code has been produced this year in accordance with the newly-approved arrangements and with the amendments approved by the Board in September 2019.
- 7.5 Compliance with the Code's standards has improved significantly. This is the result of work in areas such as the review of Standing Orders and the Scheme of Delegations; the review of Financial Regulations; approval of the new Strategic Plan; approval of the Communication and Engagement Strategy; review of the Code of Conduct; concluding reporting on workforce planning; refreshment of the clinical and care governance arrangements; and the revised Strategic Planning Group structures. The most significant non-compliance is the outstanding work on compliance with the Data Protection Act 2018 and the appointment of a permanent Data Protection Officer.
- 7.6 The Chief Financial Officer has again prepared a best value framework annual statement. It is part of the framework approved by the Board in September 2018 to enable it to gain the assurance it requires on the extent of its compliance with its statutory best value duty. That statement will be reported to Audit Risk & Governance Committee in June 2020. Along with the Internal Auditor's review of the system of internal control and the Board's Code of Corporate governance it informs and underpins this annual governance statement. The Chief Financial Officer has concluded and has certified that the Board's best value duties were substantially complied with in 2019/20. He has commented on two areas for improvement (data protection compliance and succession planning) that require improvement. Those are highlighted elsewhere in this statement and in the Local Code of Corporate Governance.

## 8 Past and present governance issues



- 8.1 Governance reporting in previous years has identified areas of concern and issues to be addressed by officers and members. In reporting this year, the issues carried forward from previous years have been amalgamated with a view to demonstrating the continuous improvement in governance terms and showing how issues have been dealt with where they cross the ends of the reporting years. Those issues were reported regularly to the Chief Officer's senior management team throughout the year for monitoring. A report against progress was made to the Audit Risk & Governance Committee in December 2019. Progress made since then has been noted and considered at management team meetings. Issues have been added as they have arisen during this reporting year. Some of those have been pursued already, some are longer-term issues. These past and present matters of concern were reported in detail to the committee in June 2020 as part of the end of year governance cycle.
- 8.2 There was a substantial degree of progress in tackling the governance issues identified in last year's statement. That was the result of concerted efforts in relation to things such as the review of Standing Orders and the Scheme of Delegations; the review of Financial Regulations; approval of the new Strategic Plan; approval of the Communication and Engagement Strategy; review of the Code of Conduct; concluding reporting on workforce planning; refreshment of the clinical and care governance arrangements; and the revised Strategic Planning Group structures.
- 8.3 There were 24 issues identified for work in last year's statement arising from the last three reporting years. Of those, 11 had been completed and deleted after interim reporting to committee. Of the remaining 13, officers have recommended that 9 have now been completed and may be deleted. The other 4 have been carried forward and progress will be monitored and reported to Audit Risk & Governance Committee during the year and again at the year end.
- 8.4 The four issues carried forward are
- Ensuring full compliance with GDPR and the Data Protection Act 2018 including securing the appointment of a permanent Data Protection Officer
  - Arrangements for succession planning for members and officers
  - Continuing with actions agreed arising from consideration of a suite of external reports in 2018 and 2019 on local government, health service and integration joint boards
  - Reviewing the new structure of planning and commissioning boards put in place to support the Strategic Plan and the Strategic Planning Group
- 8.5 Of those, the most significant and the one presenting the most risk is the conclusion of work to ensure data protection compliance.

## **9 Matters to be considered in 2020/21**

- 9.1 Based on consideration of progress on the matters of governance concern set out in the appendix, the Internal Auditor's review of the system of internal control, the Chief Finance Officer's Best Value Compliance Statement and information noted



in the Code of Corporate Governance these are the issues of concern that the Board is recommended to address in 2019/20:-

- The four issues referred to in 8.4, above
- Ensuring Board awareness of the PREVENT agenda, based on UK guidance
- Educating Board members on the Standards Commission's Advice Note on the role of members of integration joint boards
- taking into account the Scottish Government's long-awaited guidance to integration joint boards, councils and health boards on Directions
- Considering the lessons to be learned from the Accounts Commission report in March 2020 on Fife Integration Joint Board
- Participating in the resumed review by the council and health board of the Integration Scheme
- Carrying out a review of the Board's reaction to the COVID-19 pandemic and the role it played in tackling the emergency
- Reviewing the role descriptions for Board members, due in February 2021
- Reviewing the template for officers' reports, due in February 2021
- Reviewing the Strategic Planning group structure, due in April 2021
- Receiving the first annual report of activity under the Communication and Engagement Strategy
- Ensuring compliance with the refreshed Clinical & Care Governance arrangements
- Returning to the risks posed by the departure of the UK from the European Union, likely to be completed at the end of the transition period in December 2020
- Review of the Best Value Framework as the external audit approach to best value in integration joint boards is developed

9.2 Progress will be tracked through senior management team meetings and interim reports to committee.

## **10 COVID-19**

10.1 The most significant COVID-19 risks and COVID-19 related work occurred after the end of the reporting year. However, the planning for COVID-19 started in early March 2020 and will be ongoing when this statement is approved and considered as part of the audited accounts.

10.2 The preparation of the annual accounts and this statement has continued in

accordance with the normal statutory timescales. Scottish councils and integration joint boards were not afforded the leeway given to English councils and other public bodies north and south of the border. Their production has not been materially affected by the emergency or the diversion of resources to other areas. Sufficient information has been available to inform this statement and it has not been considered that the assurances given in relation to corporate governance for 2019/20 require to be qualified or restricted at this date.

- 10.3 As stronger guidance and then statutory rules emerged from the UK and Scottish Governments and Parliaments about restrictions on movement, gatherings and business/premises operations a decision was taken to cancel the Board meeting scheduled for 21 April 2020 and all internal meetings until further notice. This decision was made in the context of existing provisions in the Standing Orders and the Scheme of Delegations conferring wide emergency powers on officers. No urgent or temporary changes were required to Standing Orders or the decision-making structure. A record has been kept of the use of those powers, relevant members have been consulted where required, and all actions taken will be reported to members and in public at the first available meeting. Board members have had updates sent to them by email to keep them informed of some of the more significant issues being addressed.
- 10.4 Emergency coronavirus legislation allowed public bodies such as integration joint boards to choose to postpone compliance with statutory duties to publish annual and other reports concerning its functions and services. That power has not yet been used. However, consideration is being given to recommending it be exercised in relation to publication of the statutory annual performance report, normally due by 31 August each year.
- 10.5 In accordance with guidance and then regulations, council and health board facilitated as far as possible working from home, requiring urgent investment by them in IT and temporary modification of HR policies and procedures.
- 10.6 Early information on the impact of COVID-19 on the Board will be reported to the Board at its scheduled meeting in June 2020. That will still be at an early stage in assessing the financial cost and impact of services delivered by council and health board. Ongoing costs and service consequences will be incorporated into the regular budget monitoring reports. Additional risks will be identified and the risk register revised and updated as required by the Board's risk management arrangements.
- 10.7 As is good practice after reacting to any form of business continuity event a debrief will be conducted of the council's reaction to the emergency and that will include consideration of the decision-making and other governance arrangements during the emergency.

## **11 Conclusion and assurance**

- 11.1 Based on the Board's governance framework described in this statement the Board and the West Lothian community can be assured that the Board's corporate governance standards have been substantially met in 2019/20.
- 11.2 There are however areas for improvement which should be addressed by officers



and referred to Audit Risk & Governance Committee for monitoring and control. Consideration should be given as to whether any of those issues and actions require formal recognition or reassessment in the Board's Risk Register.

