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**Report to Council**

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**Date of Meeting: 8 March 2012**

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**Subject: Governance Strategy and Local Code of Governance**

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**Report by: Governance Manager**

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**1.0 Purpose**

- 1.1. The purpose of the report is to present the Governance Strategy and Local Code of Governance to Council for formal approval.

**2.0 Recommendations**

- 2.1 The Council ;
- I. approves the Governance Strategy;
  - II. authorises the Governance Manager to establish the Governance Panel;
  - III. adopts the Local Code of Governance

**3.0 Considerations**

- 3.1 "Corporate Governance" is a term to describe the combined effectiveness of our people, systems, processes, tools, resources, structures, management and values in ensuring that as an organisation we are doing the right thing, for the right people, at the right time, in an open , honest and accountable manner.
- 3.2 The need for local authorities to have a robust and effective corporate governance framework in place is both well documented and accepted, not only as good practice but as crucial to the overall success of the organisation in meeting the needs of its community and achieving its corporate objectives. Over the last eighteen months this Council has been moving towards a more cohesive approach to securing effective governance arrangements. In November 2010 we appointed a Governance Manager, creating a new Governance Service comprising Law & Democracy, Human Resource Management, Procurement and Health & Safety.
- 3.3 The key objective for the new Governance Manager has been to develop an overarching strategy for ensuring effective governance and to produce a Local Code of Governance for Clackmannanshire Council. Whilst most local

authorities have a Local Code of Governance in place, few councils, if any, have a written strategy document.

- 3.4 The purpose of the Governance Strategy is to provide an overarching blueprint to further develop and enhance the Council's governance arrangements. It identifies and emphasises the importance of the role that Elected Members, Management and Staff all play in terms of effective corporate governance and in ensuring that the Council is indeed doing the right thing, for the right people, at the right time, in an open, honest and accountable way.
- 3.5 The strategy also establishes a Governance Panel which will provide support and guidance to Management and a quality assurance role in respect of the information provided to the Council Leader and Chief Executive to enable them to produce the Annual Governance Statement. It is also intended that an Annual Report will be produced for Council and the Scrutiny Committee to evaluate the effectiveness of our governance arrangements, any areas of weakness and the respective improvement plans on an ongoing basis.
- 3.6 In April last year, a joint report by the Service Managers for Revenues & Payments and Governance was submitted to the Scrutiny Committee giving an overview of the steps the Council would take to move from the Statement of Internal Financial Control to the Statement of Internal Control for 2011 as part of the wider process required to enable the Council to issue a formal Governance Statement in March 2012.
- 3.7 A Governance Strategy and Local Code of Governance was developed and the agreed period of consultation has now been completed.
- 3.8 The Governance Strategy (annexed and marked Appendix 1) has been developed focussing on the following key elements of good public sector governance:
- strong leadership and positive culture
  - good relationships with stakeholders
  - an effective risk management system and risk intelligence
  - appropriate and effective internal control and external compliance
  - sound strategic, financial and workforce planning,
  - good resource and information management
  - effective performance monitoring and culture of continuous improvement
  - regular evaluation and review
- 3.9 The Local Code of Governance (Appendix 2) articulates the vision, principles, objectives, actions and values which the Council will adhere to in order to ensure that we have a robust and effective governance framework in place and that the fundamental principles of good governance are embedded across the organisation at every level.

- 3.10 By improving the effectiveness of our governance arrangements we can provide better assurance to our stakeholders and partners that we are an effective, efficient and excellent Council.

#### **4.0 Consultation process**

- 4.1. Given the importance of an effective governance framework to the success of the Council, it is crucial that both Elected Members and staff understand the purpose and principles of our Governance Strategy and appreciate the need for these to shape and determine our everyday business activities.

- 4.2. The purpose of the consultation process was to :

- make Elected Members, staff and community partners aware of the fundamental elements of good governance as identified in our strategy
- illustrate the importance of embracing the principles of good governance in our business activities in order to secure better outcomes and performance
- secure Member and staff "buy-in" to our governance framework prior to implementation to ensure that we embed the principles of good governance across the organisation and develop a culture within the Council which is committed to good public sector governance.

- 4.3. The consultation process took place between October and February. Consultees included Elected Members, Corporate Management Team , Senior Management team , Equalities Advisor, Staff and our Community Planning Partners. The Scrutiny Committee were the first consultees given the particular importance of the role that the Scrutiny Committee has to play in ensuring the effectiveness our governance arrangements and embedding the framework going forward. The documentation was circulated to each service for discussion within their management teams and for dissemination to their staff. An overview of the principles and components of the strategy was also issued to all staff via Grapevine Magazine.

- 4.4 The draft Strategy and Local Code were received positively. Feedback from the Scrutiny Committee was constructive and in response to particular comments the role of the Governance Panel has been further clarified to ensure that Officers and Members are clear on the purpose of the Panel. Feedback from the Senior Management Team in the main focussed on the implementation of the Strategy and recognised the importance of strong leadership and the need for the principles to be embedded consistently across the entire organisation.

- 4.5 The consultation process been useful not only in shaping the final documents before Council for approval but it has also demonstrated that Elected Members and Officers recognise the importance and value of good governance. This gives a solid foundation upon which to build. Feedback from the Senior Management Team will be used to inform the implementation of the Strategy going forward.

## **5 Implementation Plan**

- 5.1 For the Governance Strategy to be effective in embedding the principles of good public sector governance throughout the organisation, it must be implemented in an appropriate manner. It is important that Members and staff appreciate and embrace the key elements of the strategy and incorporate these principles into their day to day working lives.
- 5.2 Elected Members have a crucial role to play in embedding an effective governance framework. Good governance comes from the top in any organisation and establishing a culture which is committed to good public sector governance, together with strong and effective leadership is the foundation of any good governance framework. Our Governance Strategy recognises the importance of this element and seeks to build upon this going forward.
- 5.3 The challenge for the organisation now is to make the strategy "real". We recognise the importance of supporting our Managers in embedding effective governance arrangements within their services. We also need to develop a mindset in all of our staff that appreciates the value of good governance in relation to their own roles as well as the Council as a whole. The desired level of improvement will not be achieved if this strategy is not seen and used as a living blueprint for our day to day business. We are a Council whose vision is to be seen as a Council growing in excellence. We already have a number of tools in place, such as the CIM, that we can build upon to improve the effectiveness of our governance framework going forward.
- 5.4 Now that the consultation process has been undertaken, if the Strategy is approved the next steps of the implementation plan will comprise:
- 1) CMT & SMF workshop sessions : "Health check"
  - 2) Establishment of Governance Panel
  - 3) Service specific workshop sessions
  - 4) Governance Panel meetings with Service SMTs
  - 5) Service Assurance questionnaires
  - 6) Evaluation & review

## **6.0 Measuring Performance and Effectiveness of Governance Arrangements**

- 6.1 Once the Governance Strategy and the Local Code are approved, a "health check" will be undertaken to identify areas of potential weakness or non compliance with the principles and actions identified in the Local Code.
- 6.2 Using Audit Scotland's Best Value toolkit for Governance and Accountability as a template, an improvement plan will be drawn up and implemented to address any areas of concern and improve performance and effectiveness.

- 6.3 The same Improvement Plan template will be used with individual Service Management Teams across the Council to address areas of concern or weakness identified as part of the Assurance process.
- 6.4 Progress against plans will be measured and these together with the Assurance Certificates will enable the Chief Executive and Leader of the Council to issue a Governance Statement.
- 6.5 The intention is that the Annual Governance Statement will be submitted in draft form for approval, to the Scrutiny Committee acting in its Audit capacity. The Scrutiny Committee will also receive a report from the Chair of the Governance Panel outlining key issues and highlighting specific areas where improvements are required and the action plan to address these on an annual basis.

**7.0 Sustainability Implications**

- 7.1 There are no sustainability implications arising directly from this report.

**8.0 Resource Implications**

- 8.1 There are no financial implications arising directly from this report.

**9.0 Exempt Reports**

- 9.1 Is this report exempt? Yes  (please detail the reasons for exemption below) No

**10.0 Declarations**

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities 2008 - 2011** (Please double click on the check box )

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

- (2) **Council Policies** (Please detail)

## 11.0 Equalities Impact

11.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

## 12.0 Legality

12.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 13.0 Appendices

13.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 : Governance Strategy

Appendix 2 : Local Code of Governance

## 14.0 Background Papers

14.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

### Author(s)

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### Approved by

NAME	DESIGNATION	SIGNATURE
Julie Burnett	Senior Support Services Manager	Signed: J Burnett
Nikki Bridle	Director Finance & Corporate Services	Signed: N Bridle

# GOVERNANCE STRATEGY

2011-2014

*ensuring good governance - securing better outcomes*



**Forward and Executive Summary**



Our vision is to be recognised as a Council that Grows in Excellence.

Despite the financial constraints and increasing demands placed on local government and the impact of the current recession on our communities, Clackmannanshire Council remains committed to broad and ambitious strategic objectives designed to facilitate the physical, social and economic regeneration of Clackmannanshire, and help reduce inequalities in the area.

The Council already has four corporate strategies, People, Financial, Customer Services and ICT in place to guide how we achieve our aims and objectives. They are intended to complement each other and promote integration across all of our activities.

The Governance Strategy is an overarching corporate strategy designed to ensure our people, finances, customer engagement, systems, processes, policies, rules, culture, values and leadership are aligned to secure the best possible outcomes for Clackmannanshire.

As the needs of our customers and the organisation change, our strategies need to evolve and adapt. The four corporate strategies mentioned above feed into and flow from the Governance Strategy which is in essence a blue print for ensuring that the Council is doing the right things, for the right people in the right way, at the right time in an open, honest and accountable way.

The Strategy identifies the key elements of good and effective governance;-

- leadership, values and culture
- engagement with stakeholders
- risk management
- planning and performance management
- internal and external compliance and accountability
- information and decision making
- evaluation and review

It also explains how these elements are interlinked and mutually supporting.

The purpose of the Strategy is two fold :-

1. To explain what governance is and its importance; and
2. To set out the specific actions which the Council shall take to establish, promote and maintain an effective governance framework, namely :-
  - a) develop a Local Code of Governance
  - b) embed a culture of good governance throughout the organisation
  - c) establish a Governance Panel comprising suitably qualified and experienced Officers to evaluate the assurances provided by

the Senior Management Team of each service in respect of their governance arrangements

- d) produce an Annual Governance Statement to provide a continuous review of the Council's Governance Framework so as to give assurance on its effectiveness and/or to produce a management action plan to address identified weaknesses.

By ensuring that our governance arrangements are robust and effective we are securing better outcomes for the Council and the people of Clackmannanshire

## **What do we mean by "Governance"?**

"Governance" as a concept is broad ranging. It includes how an organisation is managed, its structures and systems, its culture and values, its policies and strategies and how it engages with and accounts to its various stakeholders.

In essence, governance is about how we as a Council ensure that we are doing the right things, in the right way, for the right people, at the right time, in an inclusive, open, honest and accountable manner.

Good governance generally focuses on two main requirements :

- **Performance** - whereby the organisation uses its governance arrangements to contribute to and improve its overall performance and the delivery of its services
- **Conformance** - whereby the organisation uses its governance arrangements to ensure that it meets the requirements of law, regulations, standards and the expectations which the community has as regards probity, accountability, integrity and openness.

In the past public bodies have tended to focus on ensuring compliance and conformance however there is now a clear expectation that organisations within the public sector require to be more performance driven.

Clackmannanshire Council has a strong commitment to improving performance and service delivery, as evidenced by the extensive work being done through the Clackmannanshire Improvement Model and our participation in Customer Service Excellence and Investors in People accreditation programmes. Effective governance arrangements will ensure that Clackmannanshire Council meets the needs of its customers, performs well, manages risk effectively, complies with legislation and continues to grow in excellence.

## **Why is good governance important?**

Good governance is essential to the success of Clackmannanshire Council. It enables it to pursue its vision and corporate objectives, whilst underpinning these with robust mechanisms for managing and controlling risk and thereby enhancing public confidence in the Council, its decisions and its actions.

To be effective, governance must permeate all levels of the organisation. Whilst our leaders set the tone at the top, it must be owned by all Members, management and staff, thus forming the intrinsic core and culture of the Council.

## **Background**

The importance of good governance has grown increasingly over the years and given the current financial climate, the public sector is facing an unprecedented level of scrutiny to ensure that its business is being conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility the Council must have in place the proper systems and procedures for the governance of its affairs, the exercise and discharge of its functions and the effective management of risk.

Clackmannanshire Council has various systems, policies, processes and procedures in place to ensure that appropriate standards of conduct are achieved and maintained, that there is financial probity, that performance is managed and the community is appropriately engaged in shaping the Council's vision and priorities. To make these as effective as possible however there needs to be a coherent framework which sets out the governance arrangements for the organisation and the mechanism for measuring the effectiveness of these.

CIPFA /SOLACE have developed a framework to assist local government in putting in place effective governance arrangements. This framework focuses upon six fundamental principles taken from *The Good Governance Standard for Public Services [2004]* developed by the Independent Commission on Good Governance in Public Services and recommends that Councils develop, implement and maintain a Local Code in order to demonstrate best practice in relation to corporate governance.

Based on these principles, effective governance requires the Council to ;

- have a clear purpose and direction focused on securing outcomes for the people of Clackmannanshire, to create and implement a clear strategic vision for the local community and to ensure that this is communicated effectively to all stakeholders
- clearly define the functions and roles of Members and Officers to ensure that they can work together effectively in order to implement the Council's strategic vision and deliver the outcomes to the community.
- set the tone at the top and develop a culture throughout the whole organisation which is committed to good governance and which demonstrates the values of such through high standards of conduct and behaviour.
- have in place the appropriate tools by way of systems, structures and resources to enable the Council to take informed and transparent decisions which are subject to effective scrutiny and to manage risk appropriately

- develop the capacity and capability of both Members and Officers to be effective by ensuring that they have the skills, knowledge, experience and resources that they need to perform well in their roles
- take a planned approach to dialogue with local people and all other stakeholders to ensure effective and appropriate service delivery and have in place clear lines of reporting, accountability and responsibility both within the organisation and between the Council and its stakeholders

As well as the six high level principles, the framework also refers to a number of supporting principles, each of which translate into a range of specific requirements which should be reflected in the local code.

"Good governance" therefore also means:

- Making the best use of resources, including human resources, and ensuring that the public receive excellent value for money
- Encouraging continual improvement in public services to ensure that they meet the changing needs of our diverse community and can be accessed by all.
- Ensuring that we have high quality data, advice and support to inform Members and Officers in their decision making
- Improving the standards of financial management and financial reporting (stewardship).

"Good" corporate governance goes beyond mere compliance with a set of rules however. As stated above the leadership, culture and values of the Council, as evidenced by conduct and behaviours are equally important factors

Essentially therefore there are two aspects of governance which are intrinsically linked:-

- The systems, processes and rules ("Structural Governance"); and
- Behaviour and conduct ("Ethical Governance")

Good "Ethical Governance" embraces the principles which derive from the Committee on Standards in Public ("the Nolan Principles").

In practice good Ethical Governance requires both Members and Officers to demonstrate the following behaviours:-

- **Leadership** : promoting and demonstrating the principles of good governance by leadership and example .

- **Integrity** : ensuring that they do not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in their decision making or performance of their public functions
- **Objectivity** : Ensuring that any decisions made or action taken are done so fairly, on merit and without any bias or discrimination
- **Accountability** : being accountable for their decisions and actions to the public
- **Openness** : being as open as possible about all the decisions and actions that they take.
- **Honesty** : declaring any private interests relating to their duties and to taking the necessary steps to resolve any conflicts arising in a way that protects the public interest.
- **Selflessness** : acting solely in terms of the public interest and not to gain financial or other benefits for themselves, their family or their friends

An effective framework for Corporate Governance must support and promote both good structural and ethical governance within the organisation. Our effectiveness is measured not only by what we do but also by the way that we do it.

It is important therefore that the governance strategy and framework for the organisation reflects both the procedural and behavioural elements of good governance and that our Local Code of Governance articulates all aspects of effective governance.

Many Councils in developing their local code have simply taken the CIPFA/SOLACE guidance and rebadged it making loose linkages to existing policies and processes without giving much thought as to how these core and supporting principles work together in practice to secure better governance outcomes. A reiteration of the CIPFA/ SOLCAE principles does not of itself assist in either improving performance or conformance outcomes for the Council.

### **What makes a governance framework effective?**

An effective governance framework needs to be capable of ensuring and evidencing both performance and conformance and facilitating continuous improvement. To do this the organisation need to have a proper understanding of what good governance is and an appreciation of how effective governance can benefit both the organisation and its internal and external stakeholders achieve their objectives and core priorities.

## **What are the key elements of effective governance?**

As stated above good governance is about ensuring that the Council is doing the right things for the right people, in the right way, for the right people at the right time in an open, honest and accountable way.

To achieve this the Council must :

- want to do this
- be customer focused
- be financially prudent
- be risk aware
- be legally compliant
- be accountable

As stated above an organisation's governance arrangements encompass conduct, behaviour and values as well as systems, processes, rules and resources. To ensure that the Council is effective, we must look at how these arrangements work to facilitate and support the following elements of an effective and successful organisation.

- 1. strong leadership and positive culture**
- 2. good relationships with stakeholders**
- 3. an effective risk management system and risk intelligence**
- 4. appropriate and effective internal control and external compliance**
- 5. sound strategic, financial and workforce planning,**
- 6. good resource and information management**
- 7. effective performance monitoring and culture of continuous improvement**
- 8. regular evaluation and review**

More importantly however for the governance framework to be effective in securing better outcomes, these elements described above require to be interlinked and mutually supporting, as each element in isolation achieves very little in terms of securing better outcomes or driving up performance and standards.

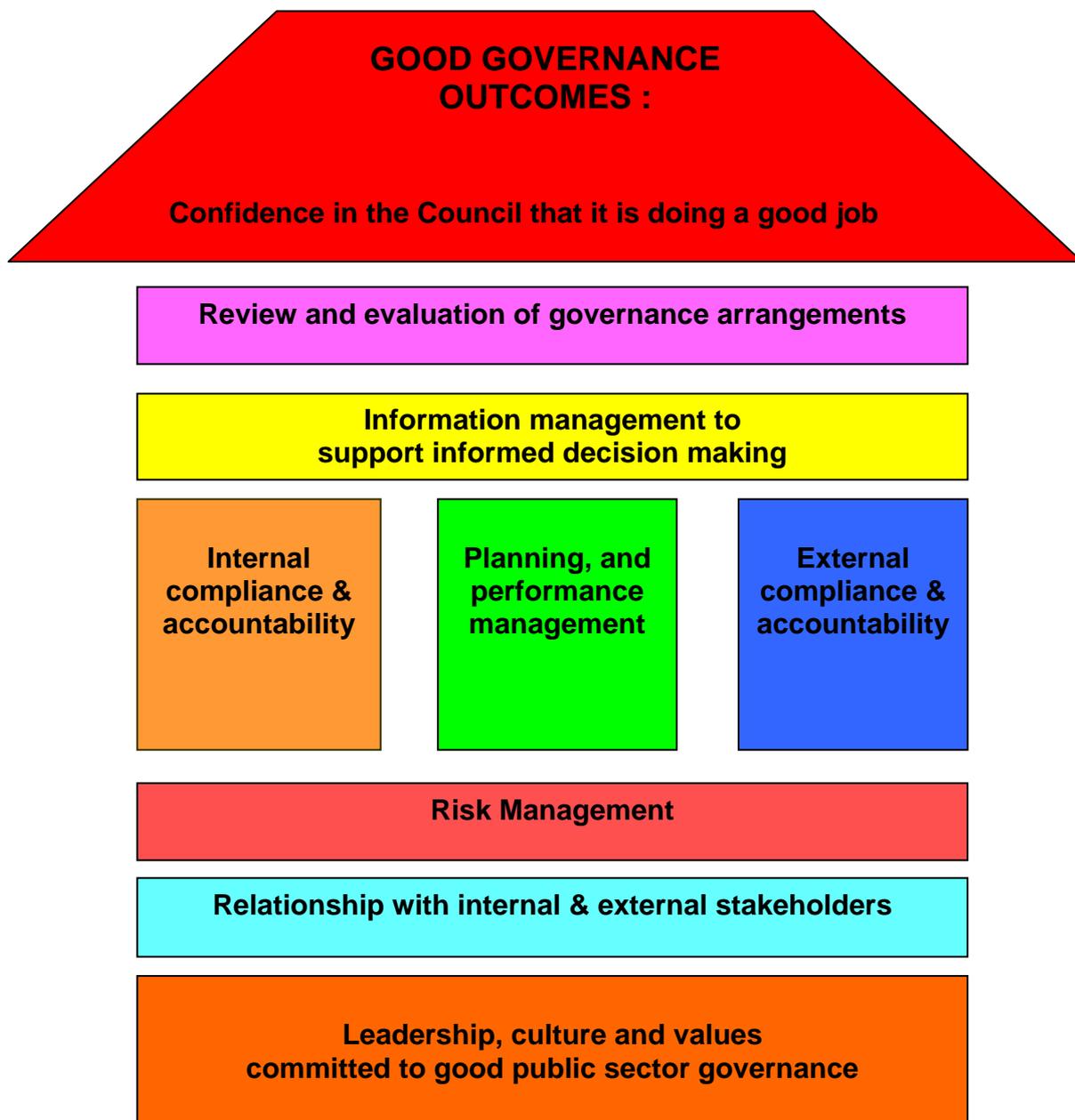
## **Developing our Local Code of Governance**

Clackmannanshire Council like most public sector organisations has in place many of the systems, processes and values which contribute to good governance covering strategic planning, community engagement, risk management, performance management, financial management and control structures. In order to be as effective as possible however we need to integrate

those elements into a unified, mutually reinforcing complete structure. What is required is a consistent, strategic approach to governance to ensure that good governance practice is successfully integrated with, and supports, the way Clackmannanshire Council does business.

Whilst the leaders of the organisation set the tone, effective governance requires to be embedded throughout the Council as a whole and be evident from the behaviour and attitudes of staff in the workplace at all levels of the organisation.

The model governance framework below ( illustrated as a house) shows how the key components of good corporate governance are interlinked, building upon a foundation of strong and effective leadership and a culture committed to good governance, to create the desired unified and reinforcing corporate governance framework.



The integration of the relationships established between each element of governance is key to the effectiveness of the framework as a whole.

- Leadership and an ethical and value based culture within the Council provides the foundation to support and sustain the governance framework.
- The relationship between the Council and its stakeholders, both internal and external, influences and shapes its strategic vision and informs its risk management strategy which in turn influences the success and effectiveness of the model's three central performance and conformance components ("the windows") i.e.
  - internal control and accountability
  - planning and performance management; and
  - external compliance and accountability
- How the Council manages risk underpins the organisation's approaches to its conformance and performance objectives ("the windows"). Effective risk management is dependent upon quality information being available to the appropriate people at the right time
- The "Windows" - represent the core activities of governance on which Councils are focussed, i.e. performance and conformance.

Each of the three elements ('windows') exerts an influence on the other two in that ;

- accountability is integral to the performance of any local authority
  - planning and performance management sets the framework within which both the internal and external compliance and accountability processes take place;
  - internal compliance and accountability needs to be aligned with, and generate the information required for, external compliance and accountability; and;
  - external compliance and accountability establishes the base line for the Council's internal processes, as the information required for external purposes should generally form a subset of what is required to satisfy the Council internally that it is compliant.
- The effectiveness of the performance and conformance elements will be a key factor in influencing the outcomes for the Council's internal and external stakeholders.

- Information management is crucial in supporting Elected Members and Officers in their decision making in order to meet their objectives and accountabilities in an efficient and effective way. It is important therefore that the structures in place to manage information and support decision making are designed to reflect both internal and external accountabilities as well as the decision making function.
- As with any process it is important to review and evaluate the governance arrangements to ensure that these continue to be fit for purpose, support the Council's vision and secure good outcomes for stakeholders.

The elements of good governance therefore require to be viewed as a unified whole. Whether or not the Council achieves the desired good governance outcomes therefore will not be determined by the success of an individual element but instead will be dependant upon the degree to which the organisation can integrate these component parts. Effective integration however first requires a good understanding of each of the parts and the influence and impact which they have on the other elements.

## **1 Leadership, values and culture**

Leaders have dual responsibilities for corporate governance:

- to ensure implementation, evaluation and improvement of good governance structures and processes; and
- to enact and influence good governance through their own performance and behaviours.

While rules, systems and structures are certainly important, they are the vehicles by which the more fundamental values and behaviours are applied. It is important that Members and Senior Managers model good governance behaviours (leadership, integrity, honesty, openness, accountability, objectivity and selflessness) and demonstrate a commitment to achieving the Council's strategic objectives and implementing its vision through accountable processes.

Line managers also need to consistently and regularly send the same message to enforce the Council's governance approaches and all staff should be encouraged to be active participants in the Council's governance processes

Good governance requires all employees to think carefully about their decisions and actions. The quality of the Council's governance relies on each employee taking individual responsibility as well a team effort.

Excellent leadership must also be supported by a strong organisational culture. There needs to be clear and ongoing communication about the Council's governance requirements to all Members and staff, coupled with strategies that encourage cultural change where required. The organisation needs to

demonstrate to staff and customers how governance systems help improve performance and achieve goals and it is important that they understand their responsibilities for contributing to a sound governance culture.

As part of a sound ethical culture, members and staff need to be aware of the standards of behaviour and conduct that are expected of them and there should be effective procedures in place to deal with complaints raised by members of the public or staff.

Good governance needs a strong commitment from the top that cascades across the whole Council and needs to be supported by an ethical and values - based culture which will influence our relationships with stakeholders, underpin our vision and ultimately determine our performance.

Effective governance creates the demand for true leadership; it is therefore the ultimate guarantor of Clackmannanshire Council's success.

## **2 Stakeholder relationships**

People (Stakeholders) are crucial to the successful delivery of any organisational activity. As a Council we have obligations to staff and Elected Members who are our internal stakeholders and are also continually engaging and working with a number of partners and external agencies to meet the needs of our community. The community and our partners and other bodies and agencies constitute our external stakeholders.

If key stakeholders are committed to the success of the activity and fulfil their responsibilities to contribute to its success, the Council will achieve additional value through :

- higher chance of delivering on time and on budget
- ability to achieve objectives more effectively

Stakeholders are more likely to support activities that they believe will succeed. It is essential therefore that the Council identifies who the important stakeholders are in respect of any activity and that it communicates to them relevant information and gives them the perception that the activity is being well managed. This can be achieved by targeted communication that is aligned with their expectations and information requirements.

The Council like most public sector organisations has a wide range of stakeholders and partners with an interest in its operations. Building upon the foundation of strong leadership and a culture which supports and promotes good governance, we can engage with stakeholders to ensure that the strategic aims of the Council reflect the needs and aspirations of the community that we serve. The vision and consistent communication required of effective leaders supports the process of stakeholder engagement and it is clear that one is dependent upon the other.

The benefits to the Council and the wider community of good quality stakeholder engagement include :-

- more equitable and sustainable social development by giving those who have a right to be heard the opportunity to be considered in decision-making processes;
- better management of risk and reputation;
- the pooling of resources (knowledge, people, money and technology) to solve problems and reach objectives that cannot be reached by single organisations
- an understanding of the complex operating environments, including market developments and cultural dynamics;
- learning from stakeholders to improve services and processes
- the opportunity to inform, educate and influence stakeholders to improve their decisions and actions that will have an impact on the Council and on society; and
- developing of trust-based and transparent stakeholder relationships

By having a better understanding of the needs and expectations of our stakeholders, we can create a better and more receptive operating environment which facilitates improved performance, both operational and strategic. The engagement process can also be a source of innovation and new partnerships as well knowledge, understanding and influence. It is important therefore that the Council recognises its stakeholders as a resource and stakeholder engagement as an opportunity for, rather than a potential hindrance to, improvement and development.

As well as being a means of informing the Council of community needs and aspirations, stakeholder engagement it is now also recognised as a fundamental accountability mechanism. Effective stakeholder engagement obliges an organisation to involve stakeholders in identifying, understanding and responding to issues and concerns, and to report, explain and be answerable to stakeholders for decisions, actions and performance.

Given that people and their actions are also the main source of risk in any activity, the quality of our stakeholder engagement will have an impact upon our ability to identify and manage risk, which is another key component of good governance.

Given the wide ranging and sometimes disparate interests represented by stakeholders, there is always the possibility of conflict which in turn gives rise to potential risk, for example reputational risk. Accordingly our governance arrangements should ensure that the legitimate interests of stakeholders are properly and appropriately considered and that these considerations are adequately recorded and where appropriate, reported back.

As well as helping shape the vision of the organisation, stakeholder engagement is also a factor in effective risk management. How we manage our relationships and how we manage risk, will determine our success in terms of

both conformance and performance. Accordingly our stakeholder engagement practices should be aligned to our risk management practices.

### **3 Risk management**

Risk is a "whole Council" issue. As a public body we are required to manage a variety of risks on a daily basis. These risks may be political, social, financial, reputational, legislative, environmental or technological and, as the nature of, and demands upon, local government change (e.g. increasing collaborative working, alternative service delivery models being required to achieve efficiencies) so to do the risks .

Risk management is the process whereby an organisation methodically addresses the risks attached to its activities. Effective risk management involves the identification, analysis, treatment, monitoring and communicating of risks.

Within the public sector, risks are generally taken to represent threats rather than opportunities. Risk management tends to focus more on identifying (and therefore hopefully managing to avoid) events that may prevent the achievement of business objectives, as opposed to potential opportunities to achieve additional benefits.

Our approach to risk is determined by the risk culture within the organisation. In terms of improving outcomes, local authorities in general need to become less risk averse and be prepared to consider beneficial risks more frequently and comprehensively enabling them to more fully embrace the performance aspects of their conformance and performance objectives.

The relationships that the Council has with both its internal and external stakeholders will be a key factor in determining our ability to identify and effectively manage risk.

Whilst ultimate responsibility for risk management sits with the head of the organisation, all managers and staff have a responsibility to manage risk. Effective risk management requires a risk assessment culture, which supports a holistic approach to the identification and management of risk throughout the organisation. This means that risk management should be seamlessly integrated into the day-to-day business and decision making of the Council as well as being part of its higher-level strategy and planning processes.

Our approach to risk management should not be focussed on avoiding risk. It should be about bringing a perspective to the management of complicated issues in a complex environment. Risk management is a central part of the strategic management of the Council. Our risk management strategy therefore needs to be :-

- proportionate to the level of risk
- aligned to our performance and compliance objectives

- integrated into business planning and reporting cycles.
- embedded into the day to day activities of the organisation
- able to respond to changing circumstances

This holistic approach to risk management and control should provide appropriate assurance to our stakeholders, both internal and external, that the Council has a formal, systematic and pro-active approach to the identification, management and monitoring of risk. This in turn will strengthen governance arrangements and improve decision making and performance.

#### **4 Control and Accountability ( internal and external)**

A crucial aspect of effective governance is internal control which in turn ensures compliance and accountability.

As a local authority we are accountable to our stakeholders in terms of both performance compliance. It is important therefore that we have sufficient control systems in place that can provide the organisation with assurances internally that we are performing well and complying with our obligations. If we are confident of our internal controls then external compliance should naturally follow.

In essence the assurances that we should be seeking as part of our internal control systems should satisfy external audit and any other agencies who carry out inspection or audit functions ( e.g. SCISWIS).

Internal control should be an integrated process designed to address risks and provide reasonable assurance that whilst pursuing the Council's objectives we are also :

- executing orderly , ethical, economical, efficient and effective operations
- fulfilling accountability obligations
- complying with applicable laws and regulations
- safeguarding our resources against loss, misuse and damage

Internal control is a dynamic integral process and is most effective when built into the infrastructure of the organisation. Like risk management, in order for internal control to be effective it needs to become part of our basic management processes of planning, executing and monitoring.

The approach that we take to risk management will have a significant impact on the effectiveness of our internal control system. Taking an integrated approach to risk management can ultimately mean that all major decisions are considered in terms of sound risk management principles. By integrating the Council's approach to control and accountability with its overall risk management strategy, it can determine and prioritise its functions and activities that need to be controlled and provide reasonable assurance that the organisation will achieve its objectives with an acceptable degree of residual risk.

Effective risk management and effective control require similar disciplines with an emphasis on a systematic approach involving identification, analysis, assessment, treatment and monitoring of risks. Control activities to mitigate risk need to be well designed and implemented and relevant information regularly collected and communicated throughout the organisation.

The key to developing an effective control environment lies in achieving the right balance so that the control environment is not unnecessarily restrictive nor unduly encouraging to risk averse behaviour but instead aims to promote sound risk management. As an organisation we need to strike a balance between control at the centre to ensure co-ordination and consistency in terms of delivering outcomes and allowing sufficient autonomy to foster initiative and responsiveness.

The adoption of a sound and robust control environment at the top of the organisation will have a significant influence on the design and operation of the control processes and procedures. The following key components of a sound control environment should provide the foundation for an effective control structure :

- organisational culture and management style which recognises the degree to which control is necessary to achieve the organisation's objectives and acknowledges the concept of beneficial risk.
- effective planning, budgeting, monitoring and reporting processes.
- an organisational structure with clear and appropriate levels of responsibility, authority and accountability
- regular reviews of internal controls to ensure that they are operating effectively and are aligned to the Council's strategic objectives
- effective audit committee
- effective internal audit team
- effective performance monitoring which include monitoring of financial and non-financial aspects of activities
- effective information management and use of information technology
- effective human resource management to ensure that staff are sufficiently competent and adhere to appropriate standards of behaviour to enable them to understand and support the control environment
- effective monitoring officer to ensure legislative compliance
- awareness of external influences which may impact upon the Council's operations and practices.

If the control structures and systems within the Council are effective then these should provide a solid and reliable basis for the efficient and effective achievement of objectives. It is important that the control structure in place provides a clear linkage between the Council's strategic objectives and the functions and tasks undertaken to achieve those objectives. The control and reporting regime should be geared to the achievement of the Council's objectives and adds value by focusing control efforts largely on the 'big picture' as opposed to particular processes.

Control is a process, a means to an end, and not an end in itself. Very often within local authorities, the process of control and accountability becomes an entity in itself as opposed to being viewed as an element of an integrated and unified governance model.

Most importantly however it should be remembered that people are what make internal control work. It is accomplished by individuals within the organisation, by what they do and what they say. Consequently it is vital that individuals are clear as to their roles, remits, responsibilities, authority and accountability.

Effective control is fundamental to accountability and performance and as such ensuring such controls are in place is the responsibility of everyone in the organisation at every level and not just management.

## **5 Planning and performance management**

As stated above good governance is not only about conformance and meeting accountability requirements. It is primarily concerned with ensuring that the organisation performs as well as possible in terms of achieving its strategic and operational objectives.

Planning and performance monitoring, together with reviews and evaluations are all essential tools to enable organisations and agencies to regularly 'reality check' their governance systems and to identify any potential risks that could affect their ability to achieve their desired outcomes.

The characteristics of any organisation - its financial resources, staff, culture, objectives, environment - may change over time, even without significant events such as changes of policy or Government. It is important therefore that organisations have systems in place which allow changing needs and circumstances to be identified quickly; current systems to be assessed against their ability to meet new needs; and new approaches to be investigated and implemented as necessary.

### **Business planning**

As part of normal business practice, local authorities will generally develop a business plan each year. Councils should have an integrated framework for business planning which cascades from strategic priorities to service or function based priorities and activities.

These goals are then distilled into individual performance and development plans. This allows every employee to see exactly how their individual work affects their team goals, the goals of their service and the strategic objectives of the Council. It also shows how working towards these goals helps achieve the Council's overall priorities ("the golden thread").

## **Performance monitoring and evaluation**

Performance management provides a mechanism to systematically improve organisational performance by linking and aligning individual, team and organisational objectives and results. It also provides a means to recognise and reward good performance and to manage any identified under performance.

Within the Council there needs to be effective systems in place that allow ongoing monitoring of performance. This includes internal audits and reviews of processes to ensure accurate information and quality assurance against agreed performance measures. These measures should cover the effective and efficient delivery of both national and local objectives as well as the internal management of the Council.

The monitoring and evaluation plan should be a rolling schedule which supports regular reviews of policies and objectives to inform future budget requirements and gauge their effectiveness and efficiency in delivering the outcomes and their continuing alignment to the Councils and governments priorities. The monitoring and evaluation framework should also integrate risk management, resource allocation and performance reporting.

## **Performance reporting**

In order to be meaningful, the performance indicators have to be capable of effectively measuring outcomes. Too often organisations opt for relatively meaningless Performance Indicators that are incapable of informing practice or driving up standards because they are loathe to commit to indicators that they believe they may not have full control over, or those which may lead to a drop in performance at any time, or over time.

There are however significant organisational benefits to be derived from developing relevant performance indicators, especially in relation to accountability and transparency, in terms of their positive impact on policies, behaviours and ultimately performance,

Performance information is a key component of the governance framework. Once the key elements of the governance framework have been settled, good scorekeeping systems (e.g. balanced scorecards) can firstly translate the organisation's strategies into key operational indicators and then systematically report on the health of the business, both in terms of operational responsibilities and future positioning initiatives. This provides the feedback loop on the effectiveness of organisational strategies as well as a useful basis for communicating with staff and other stakeholders on how the Council is performing against its targets.

Without such reporting, there is a significant risk of unfortunate surprises and belated, often expensive, recovery action. The emphasis is on ensuring prompt and effective decision-making.

Sound performance information can reduce the workload for individuals within the organisation by making management information at all levels in the planning hierarchy readily available and applicable to their activities.

Performance management is an essential component of the governance framework, allowing Members and Senior Management to lead, monitor and respond to how it delivers against its objectives. Furthermore an integrated approach to performance management enables staff to understand the goals of the organisation and how individual and team outputs contribute to the achievement of Council's objectives and values. By integrating people, planning and performance with organisational objectives, we can develop individual and organisational capability and improve performance.

## **6 Information management to support decision making**

Information management is another key component of the governance framework in supporting the Elected Members and Officers in achieving the Council's aims and desired outcomes.

The primary objective of this component is to ensure that the right people (that is, decision-makers) have the right information at the right time in order to allow them to make the right decisions. The Chief Finance Officer has an important role to play in ensuring that Council has access to accurate financial and budgetary information to inform their decision making, similarly Members and Officers require to have access to the correct professional, legal and technical advice where required.

How we manage our information or support decision making is a matter for the Council but In an increasingly complex and multi-faceted operating environment, public sector organisations have to manage their information in ever more sophisticated ways. This involves ensuring the basics of good record-keeping, such as file maintenance and the minuting of meetings and decisions are all observed while at the same time taking advantage of the new information and communication technologies to create, store and retrieve knowledge, information and data in a timely fashion.

Our accountability obligations require us to keep accurate records of the decisions taken by Council, Committees or Officers under delegated powers and it is good practice to also include a record of the information on which those decisions were based and the main points considered or discussed in reaching those decisions. In most cases such decisions can also be the subject of an information request under the Freedom of information (S) Act 2002 and therefore the baseline as regards the quality of the information held and the records kept should be whether or not the record would stand up to public scrutiny as a complete and accurate record of the decisions and the processes that lead to them.

Data, information and analysis are also needed to ensure decisions are based on as much of the available evidence as possible. Time constraints can mean that decisions may require to be taken on the basis of incomplete information. Where this is unavoidable it may be better practice to take an interim decision pending receipt of further information or to make the decision contingent on emerging data. It is important, however, to minimise the need for such a process and those submitting matters to Council or officers for consideration have an obligation to make all reasonable efforts to provide sufficient information on which to base a decision.

Providing full and accurate information has resourcing implications for the Council however. As part of the process of reviewing governance arrangements, there is a need to consider the adequacy of the available resources when making business decisions as regards the level of support required. The long-term risks of poorly informed or recorded decisions could be costly either in an immediate sense such as with a failure to meet a legal requirement or in the longer term through a gradual decline in the effectiveness of the Council as a whole.

As a Council we gather information in a variety of ways and the nature of what constitutes data to support decision making is changing as a consequence of the new information and communication technologies. E-government initiatives, the use of the internet to gather information and stakeholder opinions, and the development of sophisticated intranets to disseminate information within the organisation and to gather views and information from staff and management all mean that there is an increasing amount of information to manage, in a variety of forms across a number of systems. The need to effectively manage that information is therefore greater than ever. It is essential therefore that we have a coherent strategy in place to manage information and effective policies, processes and procedures for specific aspects such as records management, processing personal data, email communications and information security.

## **7 Review and evaluation of governance arrangements**

It is generally accepted that it is important for any Council to review its performance and its operations. From time to time however it is also important that the Council evaluate its overall governance arrangements, including their own roles and performance. This can aid the learning process, leading to improvements and adjustments in light of changing circumstances enabling the organisation to meet new challenges and demands successfully.

Reviews or evaluations of governance arrangements can take various forms, however the following factors need to be borne in mind; -

- **Timing:** As a general rule, governance arrangements should be reviewed on an on-going basis and in detail every year or two. Governance arrangements should also be reviewed whenever there is a significant event affecting the organisation's accountability or management

arrangements (for example, major changes in legislation or relevant recommendations from an external body)

- **Internal versus external review:** It may be sufficient to carry out an internal review, whereby senior managers conduct an assessment of the organisation's governance structures and their performance. A more formal, externally facilitated review can be carried out less frequently, providing benchmark information for comparisons over time.
- **Scope:** A governance review can extend across the full range of the organisation's functions or a more focussed review. It is important, in either instance, to cover both conformance aspects (such as adherence to legal requirements, and general standards of structure and form) and performance issues (such as the quality of decision making, conduct of meetings and effectiveness of communications of decisions). Services operating in high-risk areas (that is, where there are significant policy or operational risks that might flow from failures in governance) will generally need to review their governance practices more frequently and/or more thoroughly.

It is important that whatever results come from reviews of governance arrangements and performance are acted upon. Staff and management, as well Members and the wider public, can quickly become cynical if areas for improvement are identified but not subsequently addressed within a reasonable time frame.

Similarly positive evaluations and reviews of performance or arrangements should be shared timeously with stakeholders to provide assurance that the Council is indeed doing the right thing for the right people at the right time in an open and transparent, efficient and cost effective way.

### **Developing the governance framework**

As stated above the Council has a number of people, strategies, systems, processes and policies in place already which cover many of the key elements required to ensure good public sector governance. Like many other organisations and agencies however, these are often developed or implemented in response to specific aspects or requirements such as community planning, performance monitoring, budgetary control, legal obligations or new initiatives as opposed to being viewed cohesively as part of an integrated governance framework. Internal and external audit and inspection are an integral aspect of effective governance which provides assurances that we are achieving the right outcomes as a Council and managing public monies appropriately.

It is essential that the Council and its stakeholders, both internal and external understand what public sector governance and why it is important. As part of our commitment to be a council that "Grows In Excellence" we inevitably have to be

equally committed to the principles and values of good public sector governance.

In order to develop the effectiveness of our framework and embed the principles of good governance at every level of the Council, we shall :

- develop a Local Code of Governance
- review our governance arrangements on an annual basis
- establish a formal assurance process
- establish a Governance Panel
- report outcome of review to Audit Committee
- produce and Annual Governance statement

### **Local Code of Governance**

Our Local Code of Governance is the articulation of that commitment. It embraces the core principles taken from The Good Governance Standard for Public Services (2004), together with the supporting principles as recommended in the CIPFA/ SOLACE framework and the ethical behaviours expected of public servants and states what the Council and its officers will do themselves and also what they will expect of others to ensure that we are doing the right things for the right people in the right way, at the right time , in an open honest and accountable way.

The Local Code of Governance is based on the key elements of good and effective governance identified above and by taking this integrated and thematic approach to considering our governance framework we hope to ensure that there is greater understanding of and a commitment to good governance across the Council as a whole.

### **Review and Assurance process**

Councils are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for , and used economically, efficiently and effectively. Developing our Local Code of Governance will help to ensure that adequate and appropriate arrangements are in place to meet that responsibility.

To ensure that our governance arrangements are effective however we shall annually review these to ensure that they continue to comply with best practice.

As part of that review Managers and Chief Officers will require to provide assurances as to the effectiveness of the governance arrangements in place and operating within their service areas. This process will involve the completion of a comprehensive questionnaire designed to identify areas of weakness or non compliance by Management Teams and the production of evidence to support assurances as regards compliance.

## **Governance Panel**

The Chief Executive and the Leader of the Council will want reassurance that the information contained within the Assurance Certificates has been validated and that any areas where the governance framework can be improved are subject to a proactive implementation plan before they sign the Annual Governance Statement. To ensure the quality of the assurances given by Managers and Chief Officers and to identify appropriate support required to improve governance arrangements across the organisation where weaknesses have been identified, we will establish a Governance Panel comprising senior officers who are suitably qualified and experienced in the following areas:

- financial planning and control
- procurement
- human resource management
- law & regulation
- performance management
- strategic planning
- community engagement

It will be the role of this Panel to interrogate the evidence provided and assess the quality of the assurances. As part of this process the Panel will also consider external audit and inspection reports, internal audit reports and current best practice. Where weaknesses or non compliance are identified the Panel will advise on options for improvement and provide technical advice where appropriate.

As part of this process the Chair of the Panel will produce a report for the Chief Executive and Leader prior to the issue of the Annual Governance Statement. This report will give details of the information obtained and considered and any observations or recommendations as regards development and improvement of our governance arrangements.

## **Reporting to Audit Committee**

Once a review of the governance arrangements has been carried out , the findings shall be reported to the Scrutiny Committee acting as Audit Committee to ensure that they have an overview of the effectiveness of our framework and assurance that areas of identified weakness or non compliance are being appropriately address.

The Annual Governance Statement will be submitted to the Scrutiny Committee in draft form for approval together with the report from the Chair of the Governance Panel for information. Once approved the Statement shall be signed off by the Leader of Council and Chief Executive.

## **Annual Governance Statement**

Once the appropriate assurances have been obtained and an improvement plan developed where necessary, the Annual Governance Statement (AGS) will be prepared.

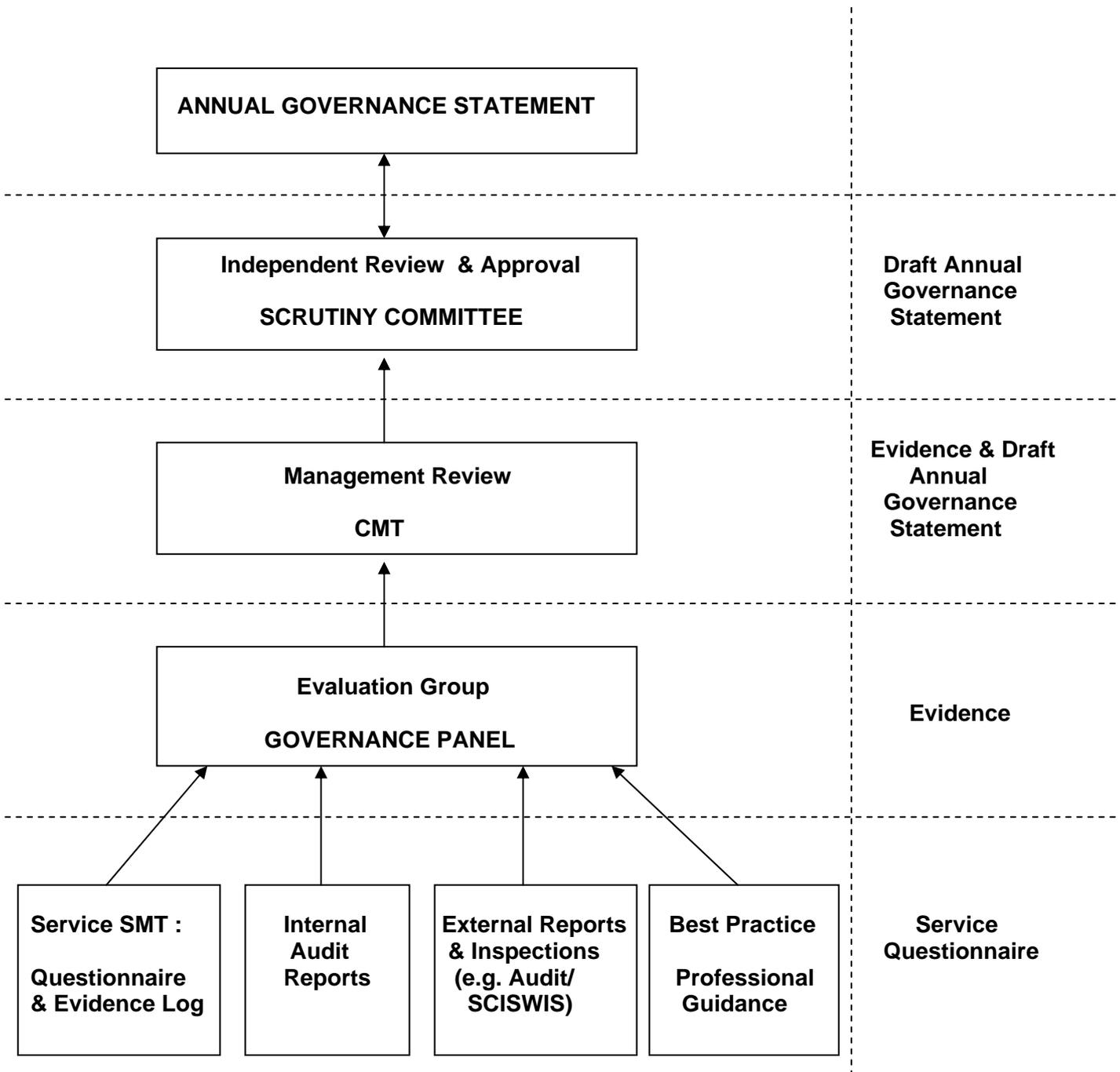
The Annual Governance Statement shall be signed by the Leader of the Council and the Chief Executive and will include the following information

- an acknowledgment of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) in place
- an indication of the level of assurance that the systems and processes that comprise the Council governance arrangements can provide
- a brief description of the key elements of the governance framework
- a brief description of the process that has been applied in maintaining and reviewing the effective of the governance arrangements with reference to the role of :
  - the authority
  - the Corporate Management Team
  - Audit Committee
  - Internal audit
  - other review/ assurance mechanisms

A flowchart outlining the Annual Governance Statement assurance process is at Appendix 1



Annual Governance Statement Assurance Framework





# CLACKMANNANSHIRE COUNCIL LOCAL CODE OF GOVERNANCE

*ensuring good governance - securing better outcomes*





## **Introduction**

Good governance is about ensuring that Clackmannanshire Council is doing the right things for the right people, at the right time, in an open , honest and accountable way.

Governance encompasses the culture, values, rules, systems, processes, strategies, policies and relationships of the organisation. All of these form the framework for governance.

Clackmannanshire Council's Governance Strategy has identified eight elements which are interlinked and mutually dependent, and combine to form a cohesive and robust governance framework. These are:

- 1. Strong ethical leadership and a culture committed to good public sector governance**
- 2. Effective relationships with its internal and external stakeholders**
- 3. Robust and effective risk management**
- 4. Internal and external compliance and accountability**
- 5. Effective planning and performance management**
- 6. Informed decision making**
- 7. Review and evaluation of governance arrangements**

Within and across these elements there are a number of principles which the Council pledges to uphold and actions which it agrees to undertake. Many of these reflect the core and supporting principles of good governance as recommended by CIPFA/SOLACE, and the ethical behaviours appropriate to those in public life as identified by Lord Nolan.

These together with several other principles and actions which the Council believes ensures and demonstrates good public sector governance are articulated in detail below under each of the component elements of its governance framework.



## LOCAL CODE OF GOVERNANCE

### **1 Clackmannanshire Council has strong ethical leadership and a culture committed to good public sector governance**

Strong and effective leadership is integral to good governance. Our leaders set the tone at the top and thus determine the culture and value base of the organisation. Good governance demands true leadership and the quality of leadership and the effectiveness of the governance arrangements in place will ultimately determine the success of the organisation.

The Council's leadership, culture and values are the foundation of our governance arrangements. They will influence our relationships with our stakeholders, both internal and external, shape the vision of the organisation and determine the outcomes for citizens.

It is important that Members and Senior Managers model good governance behaviours (leadership, integrity, honesty, openness, accountability, objectivity and selflessness) and demonstrate a commitment to achieving the Council's strategic objectives and implementing its vision through accountable processes.

Accordingly Council shall :-

- create and implement a vision for the local area which focuses on the Council's purpose and on achieving identified outcomes for the people of Clackmannanshire
- communicate its purpose, vision and the intended outcomes for citizens and service users to its staff, the community, partner agencies and other stakeholders
- regularly review its vision to ensure that it still meets the needs and reflects the expectations and aspirations of the local community
- ensure that our partnership working is underpinned by a common vision and purpose
- provide a high quality of service to our users either directly, in partnership or by commissioning and making best use of our resources and ensuring that tax payers and service users receive excellent value for money
- promote and demonstrate the values of good governance by ensuring Members and officers uphold high standards of conduct and behaviour
- ensure that Members and staff are aware of the standards of conduct and personal behaviour expected of them in relation to their dealings with each other, the Council, its partners and the community.
- create a climate of openness, integrity, support and respect with our Leaders setting the tone at the top for a culture committed to good governance throughout the wider organisation
- develop shared values between our leaders and staff which are reflective of public expectation and communicating these values consistently to Members, staff, partners and the community.

- ensure that its shared values underpin decision making and internal and external relationships.
- use its legal powers to the full benefit of the citizens and communities in Clackmannanshire
- ensure that its systems, processes, procedures and operations conform to appropriate ethical standards

## **2 Clackmannanshire Council has an effective relationship with its internal and external stakeholders.**

The relationship that the Council has with its stakeholders and partner agencies is a key element of effective governance. The quality of our stakeholder engagement will have an impact upon our ability to identify and manage risk, which in turn influences our control mechanisms and ultimately determines performance.

The Council's relationship with its internal stakeholders (Members and Staff) is fundamental to the success of its operations. Clarity as to roles, responsibilities and accountabilities is crucial, as is the communication of the Council's vision and values.

Engagement with our external stakeholder and our partner agencies is equally important. As well as being a means of informing the Council of community needs and aspirations, it is now also recognised as a fundamental accountability mechanism. Effective stakeholder engagement obliges an organisation to involve stakeholders in identifying, understanding and responding to issues and concerns, and to report, explain and be answerable to stakeholders for decisions, actions and performance.

Stakeholder engagement can be used systematically as part of risk identification and management. Furthermore by having a better understanding of the needs and expectations of our stakeholders, we can create a better and more receptive operating environment which facilitates improved performance, both operational and strategic. The engagement process can also be a source of innovation and new partnerships as well knowledge, understanding and influence. It is important therefore that the Council recognises its stakeholders as a resource and stakeholder engagement as an opportunity for, rather than a potential hurdle or hindrance to improvement and development.

Accordingly the Council shall :-

- continue to improve the quality of our stakeholder engagement by creating more opportunities for effective dialogue within a process which has a clearly defined scope and purpose, which focuses on the material issues, is transparent and open, timely, flexible and responsive
- develop a relationship with our stakeholders and our partners that is built on trust and respect

- have a clear policy as to the type of things that it shall consult the public on
- develop its vision, strategic plans, priorities and targets in consultation with the community and other key stakeholders and partners
- communicate its vision and strategic priorities, internally to staff and externally to the wider community, partners and other agencies and report the Council's progress and performance to them on an annual basis
- take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery
- ensure that clear channels of communication are in place with all sections of the community and that arrangements for community engagement are effective
- develop a clear policy on how staff and their representatives are consulted and involved in decision making
- ensure that there is clarity as regards the legal status of any partnership working and the respective roles, responsibilities and accountabilities of each party.
- review our arrangements to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders
- ensure that Members and officers have clearly defined roles, functions and levels of accountability and that they work together with a common purpose
- ensure that relationships between the Council, its partners and the public are clear so that each know what to expect of the other
- clearly state the roles, responsibilities and accountabilities of the Leader, Members, the Chief Executive, the Chief Financial Officer, other Senior statutory officers and the Council's corporate management team and that these are communicated to staff and external stakeholders.
- set out the terms and conditions for remuneration of members and officers
- encourage new talent for membership of the Council by promoting what we do and encouraging participation
- encourage individuals from all sections of the community to engage with, participate in and contribute to the work of the Council
- ensure that structures are in place for members and officers to encourage participation and development

### **3 Clackmannanshire Council effectively manages risk**

Risk is a corporate issue. As a public body we are required to manage risk whether it be political, social, financial, reputational, legislative, environmental and technological, on a daily basis. How we manage and control risk will be influenced by the culture of the organisation and further shaped by our

relationships with our internal and external stakeholders. In turn it will determine the success of the organisation in achieving its performance and compliance outcomes.

Effective risk management is not about avoiding risk. It is about bringing a perspective to the management of complicated issues in a complex environment. Identifying and managing risk is an important element across all of the Council's activities. The responsibility to manage risk rests with everyone within the organisation and every decision taken at every level involves risk management to a greater or lesser degree.

A holistic and integrated approach to risk management and control should provide appropriate assurance to our stakeholders, both internal and external, that the Council has a formal, systematic and pro-active approach to the identification, management and monitoring of risk, strengthen governance arrangements, and improve decision making and performance.

Accordingly Council shall :-

- develop an integrated risk management framework
- review its risk strategy, protocols and architecture to ensure that it is effective and robust in supporting the organisation in achieving its outcomes
- ensure that risk management is embedded into the culture of the authority, with Members and Officers at all levels of the authority recognising that managing risk is an essential element of their day to day job.
- put in place effective and robust internal controls
- ensure that our governance arrangements support external compliance requirements
- ensure that there systems and processes in place for effective business planning and performance monitoring
- put in place arrangements to identify and deal with failure in service delivery
- regularly review and test business continuity planning
- ensure that its decision making is transparent with and that the evidence, rationale, criteria and considerations applied in decision making is properly documented
- ensure that there is a constructive working relationship between members and officers
- put in place appropriate mechanisms to avoid conflicts of interest in decision making on the part of members or officers
- adhere to and observe all the legal requirements and limits placed upon the council by virtue of primary and secondary legislation
- to integrate the key principles of good administrative law , namely, rationality, legality and natural justice into our procedures and decision-making processes.

- develops the capacity of its Members and Officers to be effective in the discharge of their duties by ensuring that they have the skills, knowledge and experience that they need to perform well in their roles
- provide induction programmes tailored to meet the needs of Members and Officers and ensure that their knowledge is updated on a regular basis
- ensure that the statutory officers and those with governance responsibilities, have the requisite skills, resources and support necessary to perform effectively in their roles
- clarify to Members their roles and responsibilities in relation to budget management and financial performance and ensure that they have access to appropriate resources to support them in this role
- develop the skills and knowledge of our staff on a continuing basis to improve performance
- put in place an effective system for reviewing performance and addressing any training or development needs
- put in place transparent and accessible arrangements for dealing with complaints
- ensure that there are effective "whistle blowing" arrangements in place which are accessible to staff and all those contracting with the organisation

#### **4 Clackmannanshire Council has robust and effective internal control system in place to ensure both internal and external compliance and accountability**

Compliance and accountability flows from our relationship with our internal and external stakeholders in that, to ensure compliance we must have an understanding of stakeholder needs, expectations and accountabilities. To ensure compliance and provide assurances to stakeholders and decision-makers we must have a robust and effective internal control system in place.

An internal control system encompasses the policies, processes, tasks, behaviours, checks and balances within the organisation which when taken together:-

- ensure effective and efficient operations by enabling the Council to respond appropriately to significant business, operational, political, financial, compliance and other risks in relation to achieving its objectives
- helps ensure the quality of internal and external reporting by requiring the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the Council; and
- helps ensure compliance with applicable laws, regulations, standards, policies and practice

The scope of internal control is not restricted to ensuring compliance but also extends to providing assurance as to our performance.

The Council is subject to significant external scrutiny and compliance requirements therefore it is essential that our internal control system is structured in alignment with external accountabilities, to avoid duplication of work.

Accordingly the Council shall :-

- ensure that there are effective internal financial controls in place within the organisation which cover, guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and processes for authorisation and approval
- be rigorous and transparent in our decision making
- develop and maintain an effective scrutiny function
- ensure that an effective internal audit function is resourced and maintained
- align our internal audit plans and activities with the requirements of our external auditors
- develop and maintain an effective audit committee or equivalent
- comply with CIPFA's Codes in relation to capital finance and treasury management
- hold the Chief Executive accountable for all aspects of operational management
- hold the Chief Financial officer responsible and accountable for advice given in relation to all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control
- hold the Monitoring Officer responsible and accountable for compliance with all applicable statutes and regulations and for ensuring that agreed procedures are followed
- review and update our Scheme of Delegation to ensure that it reflects the needs of our organisation and optimises efficiency, effectiveness and performance and clearly states respective roles , powers and accountabilities
- regularly review and revise Contract Standing Orders to ensure that they comply with legislation and best practice
- ensure that there are appropriate and effective fraud control mechanisms in place
- comply with all legislative provisions and adhere to the legal principles of rationality, legality and natural justice
- use our legal powers to the full benefit of our community whilst recognising our lawful limits
- have effective performance planning and monitoring arrangements in place
- seek assurances from senior managers as to the arrangements in place within their areas of responsibility for financial and internal control, risk management and performance,

- establish a Governance Panel comprising suitable qualified and experienced Officers to review the effectiveness of our governance arrangements
- produce and Annual Governance Statement

**5 Clackmannanshire Council has effective planning and performance management in place to ensure that it secures good outcomes for its stakeholders and continues to grow in excellence.**

Performance management is important to everyone who wants to see the people of Clackmannanshire better served by the Council and their partners. It is a means of ensuring that policy decisions are being implemented, services are efficient and improving, and is increasingly being used to hold councils to account.

Effective planning and performance management helps to :

- prioritise what gets done and ensure that there are sufficient resources to do it
- ensure that the Council provides value for money
- motivate and manage staff
- identify and rectify poor performance at an early stage
- learn from past performance and improve future performance
- increase stakeholder satisfaction

Leadership, organisational culture, individual efforts, skills and capacity and most importantly customer focus are the key drivers for high performance and improvement.

Clackmannanshire Council is committed to improving performance at every level and it aspires to be an excellent Council.

Accordingly the Council shall :-

- engage with its internal and external stakeholders to determine its aims and priorities and ensure that our resources are aligned to achieving the same.
- ensure that its Single Our Single Outcome Agreement focuses on actual outcomes which are capable of delivery
- underpin its vision with targets and measures
- ensure that business plans, team plans and individual performance plans are aligned to corporate objectives and mutually supportive.
- put in place a clear and robust budgeting and financial planning system
- embed compliance, accountability and risk management into strategic and business planning processes

- provide value for money in the delivery, procuring or commissioning of its services
- ensure that its financial resources, people, skills and assets are aligned to its strategic priorities
- ensure that its performance monitoring system is aligned to achieving its objectives and generates the relevant information to meet internal management needs and external reporting requirements
- identify and rectify poor performance at an early stage
- Increase customer satisfaction by identifying and addressing customer needs
- develop a culture of continuous improvement and effective performance management
- ensure that there are appropriate internal controls to monitor the extent to which the organisation is achieving its goals.
- communicate performance for the purposes of governance and accountability to organisational stakeholders including Government, funding bodies, audit agencies and the wider public.
- adopt an integrated approach to risk management ensuring that risks are considered as part of our deliberations and decision making

## **6 Clackmannanshire Council shall make informed decisions based on high quality information**

In order to do the right things for the right people at the right time, the Council needs to have high quality information available to it in order to make informed decisions as regards, objectives, policies and service delivery poor quality information leads to poor decision and policy making and ultimately poor outcomes for the people of Clackmannanshire.

The information that is gathered and provided to support the Council's decision making should also should also reflect its internal and external accountabilities, such as public performance reporting, external audits and inspections.

Accordingly the Council shall:-

- recognise and treat information as an valuable corporate asset
- ensure that there are appropriate systems, processes and controls in place for the gathering, processing and disseminating of information
- make decisions as to what the community wants/ needs based on good quality information , advice and support
- ensure that those making decisions are provided with information that is fit for the purpose - relevant, timely and gives clear explanations of technical and financial issues and their implications
- ensure that proper professional advice on matters which have legal or financial implications is readily available and used appropriately

- ensure that members have a level of detail appropriate to their role to enable them to provide effective oversight and scrutiny
- ensure that clear and accurate financial and budgetary information is made available to budget holders and senior managers in sufficient time to inform their decision making and forward planning
- state clearly the rationale for and objectives of its decisions
- develop and implement an information Management Strategy
- develop and maintain a robust records management system
- ensure that personal information is processed in accordance with Data Protection legislation
- ensure that information is accessible and made available in accordance with the Freedom of Information (S) Act 2002

## **7 Clackmannanshire Council seeks to improve its governance structures, processes and performance as part of its commitment to continuous improvement**

As the needs, expectations and aspirations of our communities evolve and the demands place upon local government change so too must our objectives, structures, processes and systems. To ensure that the Council continues to do the right things for the right people at the right time, it is essential that we regularly review and re-evaluate the framework that we have in place to achieve that outcome.

Accordingly the Council shall :-

- regularly engage with its stakeholders to ensure that it know what they want and need
- regularly review its internal controls both financial and non financial
- continually monitor and evaluate risks to ensure that its objectives can be achieved and any identified risks can be managed
- review its governance framework to ensure that it continues to provides the necessary assurances to satisfy its accountabilities
- periodically review and evaluate performance standards attained and performance trajectories, taking corrective action as appropriate where deviations from the desired standards are identified



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**Report to: Clackmannanshire Council**

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**Date of Meeting: 8th March 2012**

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**Subject: Clackmannanshire Single Outcome Agreement (SOA) 2012/13**

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**Report by: Head of Strategy and Customer Services**

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## **1.0 Purpose**

- 1.1. The purpose of this report is to alert Council to SOA developments this year with regard to the 2012/13 Single Outcome Agreement (SOA) for Clackmannanshire.

## **2.0 Recommendations**

- 2.1. It is recommended that Council: note the draft 2012/13 SOA for Clackmannanshire and planned consultation arrangements.

## **3.0 Considerations**

- 3.1. The Council and the Clackmannanshire Alliance prepared the first Single Outcome Agreement in 2008/09 and have annually reviewed and updated the SOA since. The Clackmannanshire Alliance also approved the 2010/11 SOA Annual Report at its meeting in September 2011.
- 3.2. The draft 2012/13 SOA was previously circulated to all elected members.
- 3.3. The process of developing and refreshing the 2012/13 SOA has focussed on refining the core format and providing a clearer focus on partnership issues and actions. In consultation with Alliance partners we have also taken the opportunity to review and streamline, as appropriate, the SOA performance indicators. The focus of the SOA remains set around the 9 priority outcome areas and four specific action areas:
- attracting more jobs
  - developing skills, especially for young people aged 16-24
  - early intervention with an emphasis on pre-5s in vulnerable families
  - community empowerment and supporting communities to find solution.
- 3.4. The Scottish Government and CoSLA recently agreed that SOAs should be refreshed and submitted in May this year, rather than March, to align with

local government elections. The Scottish Government and CoSLA have also agreed to use this additional time to review the SOA approach in light of the findings of the Christie Commission. We therefore have a little more time to complete our SOA refresh and we are using this time to extensively consult with stakeholder groups.

- 3.5. Clackmannanshire Alliance reviewed the draft 2012/13 SOA when it met on the 2 March 2012. Further to this, it is proposed that a series of preparatory workshops are run with elected members prior to the election to ensure that an advanced draft is ready for consideration by the new Council. Officers are also refreshing Clackmannanshire Council's Corporate Plan, which should be closely aligned with the SOA, on a similar timeline. It is proposed therefore that these documents are reviewed in tandem within the workshops.
- 3.6. Following consultation, a final 2013/13 SOA document will be brought back to Council for approval by the deadline set by the Scottish Government.

#### **4.0 Sustainability Implications**

- 4.1. No

#### **5.0 Resource Implications**

- 5.1. Financial Details - none directly from this report
- 5.2. Staffing- none directly from this report

#### **6.0 Exempt Reports**

- 6.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

#### **7.0 Declarations**

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities 2008 - 2011** (Please double click on the check box )

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

**(2) Council Policies** (Please detail)

**8.0 Equalities Impact**

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

**9.0 Legality**

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

**10.0 Appendices**

10.1 None

**11.0 Background Papers**

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

**Draft SOA 2012/13 - previously circulated to elected members**

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Cherie Jarvie	Performance & Partnership Support: Team Leader	2365

**Approved by**

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Head of Strategy & Customer Services	Signed: S Crickmar
Nikki Bridle	Director of Finance & Corporate Services	Signed: N Bridle



Clackmannanshire Council

Report to the Scrutiny Committee  
on the 2012 Audit

Planning Report

23 February 2012



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# Executive summary

We have pleasure in setting out in this document details of our proposed audit plan for the Clackmannanshire Council for the year ending 31 March 2012. Our audit will be carried out under the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General covering (1) financial statements and corporate governance and (2) best value, use of resources and performance. Our proposed audit fee for this year is £218,000 and this has been agreed with the Director of Finance.

<b>Financial statements and corporate governance</b>	We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB").	Section 1
<b>Best value, use of resources and performance</b>	<p>In addition to performing the audit of the financial statements, Audit Scotland requires us to undertake a number of additional areas of work as part of our contract with them. These additional tasks are communicated to us annually through their Planning Guidance document. These include:</p> <ul style="list-style-type: none"> <li>• Shared Risk Assessment (SRA) and Joint Scrutiny Planning;</li> <li>• Best Value (BV) and Community Planning;</li> <li>• Single Outcome Agreements (SOAs);</li> <li>• Performance Reporting and Statutory Performance Indicators (SPIs);</li> <li>• Local response to Best Value, Scrutiny and Improvement (BVSI) led reports;</li> <li>• Audit Scotland National Performance Reports;</li> <li>• National Fraud Initiative;</li> <li>• Housing and Council tax benefit;</li> <li>• Grant claims and returns; and</li> <li>• Fraud returns.</li> </ul> <p>As part of our work in this area we will also consider other issues relevant to the organisation and how these are monitored and addressed by the Council.</p>	Section 1

# Executive summary (continued)

<p><b>Key audit risks</b></p>	<p>The key audit risks which we have identified as part of our overall audit strategy are detailed below. We would emphasise that these risks, which will potentially impact on the Council's financial statements, reflect what we would generally expect for an organisation of the Council's size. Two of the risks reflect the requirements of mandatory ISA's which we are required to review and the others are derived from a combination of significant account balances, complexity of accounting treatment and the judgemental nature of the balance. These risks will inform key areas of audit focus and do not reflect specific issues or concerns at this stage of the audit.</p> <ol style="list-style-type: none"> <li>1. Accounting for Public Private Partnership (PPP);</li> <li>2. Completeness of accruals;</li> <li>3. Valuation of defined benefit pension scheme liability;</li> <li>4. Revenue recognition (Council Tax and Housing Rent Income);</li> <li>5. Property, plant and equipment (PPE) valuation;</li> <li>6. Human Resources and Payroll Systems replacement;</li> <li>7. Management override of controls;</li> <li>8. Equal pay provision</li> </ol>	<p>Section 2</p>
<p><b>Other issues</b></p>	<p>Other issues which have not currently been identified as financial statement risks but will be considered as part of our audit in line with compliance with the Code of Audit Practice, and work on Best Practice, are:</p> <ol style="list-style-type: none"> <li>1. Delivery of services with reduced funding;</li> <li>2. Compliance with outcomes based approach and quality ambitions for public sector bodies;</li> <li>3. Achievement of local and national outcomes from Single Outcome Agreement;</li> <li>4. Sustainable workforce;</li> <li>5. Instability of key suppliers;</li> <li>6. Governance model; and</li> <li>7. Community engagement.</li> </ol>	<p>Section 3</p>

# Executive summary (continued)

<p><b>Materiality</b></p>	<p>For the 2012 financial statements, we have determined materiality of £1.3 million. We will report to the audit committee on all unadjusted misstatements greater than £27,000.</p>	<p>N/A</p>
<p><b>Internal control</b></p>	<p>As set out in "Briefing on audit matters" included within Appendix 1, for controls considered to be 'relevant to the audit' we are required to evaluate the design of the controls and determine whether they have been implemented ("D &amp; I").</p> <p>The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.</p> <p>Our audit is not designed to provide assurance as to the overall effectiveness of the controls operating within Clackmannanshire Council, although we will report to management any recommendations on controls that we may have identified during the course of our audit work.</p>	<p>N/A</p>
<p><b>Other matters for those charged with governance</b></p>	<p>As set out in our publication "Briefing on audit matters" included within Appendix 1 we have communicated those additional items which we are required to report upon in accordance with International Standards on Auditing (UK &amp; Ireland). The document also provides detail of the safeguards and procedures we have in place to ensure our independence and objectivity.</p> <p><b>Deloitte's Audit Transparency Report</b> for 2011 provides comprehensive information regarding our approach to delivering quality and is available on our website: <a href="http://annualreport.deloitte.co.uk/audit-transparency-2011/AT-report-2011.pdf">http://annualreport.deloitte.co.uk/audit-transparency-2011/AT-report-2011.pdf</a>. This also includes a summary of the findings of the Audit Inspection Unit who conduct an annual review of our whole-firm procedures insofar as they relate to our audit business and of a number of completed audit engagements of public interest clients.</p> <p>We confirm we are independent of Clackmannanshire Council and will reconfirm our independence and objectivity to the audit committee for the year ending 31 March 2012 in our final report to the Audit Committee.</p>	<p>Appendix 1</p>

## Executive summary (continued)

<p><b>New accounting and legal pronouncements</b></p>	<p>The 2011/12 Code of Practice on Local Authority Accounting incorporates only a few changes from the 2010/11 Code. The main changes which should be considered by Clackmannanshire Council are as follows:</p> <ul style="list-style-type: none"> <li>• Authorities are required to account for tangible heritage assets in accordance with <i>FRS30 Heritage assets</i>;</li> <li>• The Code now permits investment properties that meet the criteria to be classified as held for sale and reported separately;</li> <li>• The disclosure requirements in respect of trust funds has been reinstated;</li> <li>• The disclosure requirements for related party transactions in respect of other public sector bodies are less detailed;</li> <li>• A new disclosure requirement has been introduced in respect of exit packages;</li> <li>• There is a new requirement for disclosure of compliance with the statement from CIPFA on the chief financial officer in the statement on the system of internal financial control or annual governance statement. It recommends that the proper officer in Scotland signs and dates the statement of accounts, stating that they give a true and fair view.</li> </ul> <p>Other areas where additional guidance or clarification has been provided include: leases; valuation of surplus assets; the treatment of irrecoverable VAT; financial instrument disclosures in respect of leases and PFI/ PPP arrangements and the presentation of the surplus or deficit of trading operations which are not allocated back to services.</p>	<p>N/A</p>
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# 1. Scope of work and approach

Our audit will be carried out under the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General covering (1) financial statements and corporate governance and (2) best value, use of resources and performance.

## 1.1 Financial statements and corporate governance

### Our audit opinion

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB").

In respect of our work on the audit of the financial statements, we are required to audit these and give an opinion on whether:

- they give a true and fair view of the state of affairs of the Council and its group and of its income and expenditure for the year in question;
- they have been prepared properly in accordance with relevant legislation and applicable accounting standards;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government Scotland Act 2003;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword by the Head of Finance is consistent with the financial statements.

We are also required to report by exception if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all of the information and explanations we require for our audit; or
- the Statement of Assurance does not comply with 'Delivering Good Governance in Local Government'; or
- there has been a failure to achieve a prescribed financial objective.

# 1. Scope of work and approach (continued)

## Liaison with internal audit

From discussions with management, we have identified that the internal audit function has not been operating effectively for sometime and as such we will be generally unable to place reliance upon their work in the current year. We will, however, consider the audit report on rent setting, collection and arrears as part of our work.

## 1.2 Best Value, use of resources and performance

### Shared Risk Assessment (SRA) and Joint Scrutiny Planning

A key aspect of the Scottish Government's scrutiny agenda is to better coordinate and streamline scrutiny and achieve greater effectiveness, while at the same time protecting the independence of scrutiny bodies. The Scottish Government requested that the Accounts Commission take on the role of facilitating and co-ordinating scrutiny. All scrutiny bodies that engage with local government have established an annual shared risk assessment approach to identifying the scrutiny risks in each Council in order to identify the scrutiny activity required.

Local Area Networks (LANs) are in place at each Council. These bring together the local scrutiny representatives in a systematic way with the common aims of agreeing a SRA for the Council, identifying the appropriate proportionate scrutiny response and planning that activity over a three year rolling programme.

We are a key member of the LAN for Clackmannanshire Council and will contribute to the drafting of the 3 year rolling Assurance and Improvement Plan (AIP) and are also required to participate in ongoing evaluation and training. The AIP, likely to be published after the May local elections, will set out the shared risk assessment of the Council and the proposed scrutiny response.

### Best Value (BV) and Community Planning

The Local Government in Scotland Act 2003 established BV and Community Planning as statutory duties for local authorities. In response to these duties, the Accounts Commission introduced specific arrangements for the audit of BV and Community Planning under section 53 of the Act.

All Councils have now had an initial (or 'baseline') BV audit. The Commission has reviewed and revised its approach to BV audits.

One of the key characteristics of the revised BV audit approach is that it is more risk based and proportionate. The timing, nature and extent of BV audit work is determined following the shared risk assessment, undertaken in partnership with other scrutiny bodies as described above.

A key component of the SRA will be the extent to which implementation of the existing BV Improvement Plan has had the anticipated impact. As the local external auditor, we will continue to be responsible for conducting follow-up reviews to assess the progress the Council is making against its agreed improvement priorities, reporting on this locally and feeding into future risk assessments.

# 1. Scope of work and approach (continued)

## 1.2 Best Value, use of resources and performance (continued)

### Single Outcome Agreements (SOAs)

SOAs align public sector activity to national priorities and the Accounts Commission is likely to become increasingly involved, going forward, in the audit of their delivery. The SRA process and BV draws upon evidence contained within the SOAs in order to consider outcomes more widely, as planning for, and managing the delivery of outcomes should be central to all aspects of a body's activity. Successful delivery of SOAs will depend on the degree to which they are supported by effective planning, budgeting and performance management arrangements at service level, within councils and across partner agencies.

We are not required to audit performance against SOAs. However, in view of their significance, we are expected to understand and report appropriately on the approach the Council and its partners are taking on a number of aspects.

### Performance Reporting and Statutory Performance Indicators (SPIs)

The statutory deadline for authorities to place details of SPIs results in the public domain is 30 September each year. We are required to have early discussion with the Council to emphasise its responsibility to have appropriate arrangements in place to meet its obligations to collect, record and publish complete and accurate data, so far as practicable, and that it is planning to meet this deadline. We have had initial discussions with the Head of Strategy and Customer Services and Corporate Improvement & Performance Manager and plan to have regular contact throughout the year to ensure that these deadlines are met.

### Audit Scotland National Performance Reports

Audit Scotland's Corporate Plan 2009-12 reinforced its commitment to maximising the impact of its work and to provide more evidence of impact. As part of our audit we are expected to provide information on how Clackmannanshire Council has responded to the national performance audit reports. As part of this review we will be expected to assess the following:

- Which Committee, if any, considered the report;
- Whether the Council has produced an Action Plan; and
- Form an overall view on how the Council has responded to the report and the impact of the report locally.

# 1. Scope of work and approach (continued)

## 1.2 Best Value, use of resources and performance (continued)

### Audit Scotland National Performance Reports (continued)

From a review of the national reports published by Audit Scotland concerning local authorities we have identified the following relevant reports:

- Community Health Partnerships;
- Transport for health and social care;
- Scotland's public finances: addressing the challenges;
- Modernising the planning system; and
- The role of community planning partnerships in economic development.

Further to review of the national performance audits, Audit Scotland have requested specifically that a focused follow up should be performed on '*Maintaining Scotland's roads: a follow-up report*' (published February 2011). We are required to produce a report including our opinion on the extent of progress against recommendations included in the original report.

### Local response to BVSU led reports

BVSU produces overview reports and the "How councils work" series of reports for the Accounts Commission. As with the national performance audit report, we are required to follow-up how Clackmannanshire Council has responded to these reports and what the impact of the report is locally. In 2011/12 we will follow-up the 'overview report and '*How councils work: an improvement series for councillors and officers – Arm's length external organisations (ALEOs): are you getting it right?*

# 1. Scope of work and approach (continued)

## 1.2 Best Value, use of resources and performance (continued)

### National Fraud Initiative

Audit Scotland requires auditors to continue to monitor bodies participation in the National Fraud Initiative during 2011/12 audits, specifically:

- conduct further enquiries and tests to be able to confirm that the questionnaire prepared by the outgoing auditor in 2011 remains valid;
- monitor that participants review the Council Tax/ Electoral Roll matches promptly upon their being made available;
- promote NFI in audited bodies, where appropriate; and
- reference in 2011/12 annual audit report if necessary and appropriate.

### Housing and council tax benefit

The administration of housing and council tax benefit (HB/ CTB) is an important area for audit, not only because of the large amount of money involved but also because of its high political profile. The Accounts Commission has responsibility for the inspection of HB/CTB services in Scotland, and specialist benefits auditors with Audit Strategy carry out a programme of performance audit work. As part of this work, the benefits auditors will liaise with us as the appointed external auditor so that any local intelligence can be taken into account.

The audit of the annual subsidy claim continues to be a key part of the local auditors' responsibilities and we are required to comply with the testing and reporting requirements set out in the grant note published by Audit Scotland. HBCOUNT will continue to be in place for 2011/12 (and beyond) for auditing benefit subsidy claims despite the uncertainty regarding the future of the Audit Commission.

### Grant claims and returns

Audit Scotland provides a list of approved grant claims/ returns for the local authority sector. From review of this list, we have identified the following relevant to Clackmannanshire Council:

Grant Name	Submission Deadline	Audit Deadline
Education maintenance allowance	30 April 2012	31 July 2012
Safety camera partnership grant	6 May 2012	31 July 2012
Criminal justice social work services grant claim	3 June 2012	30 September 2012
Housing and council tax benefit subsidy claim	30 April 2012	30 November 2012
Non-Domestic Rate Income Returns	Mid-October 2012	Mid February 2013

# 1. Scope of work and approach (continued)

## 1.2 Best Value, use of resources and performance (continued)

### Fraud returns

The Code of Audit Practice requires auditors to make submissions of instances of fraud and irregularity to Audit Scotland in accordance with its requirements. We will hold discussions with management with a view to agreeing arrangements for the Council to notify us of all relevant frauds over £5,000 which occur in the Council and will report them by completing and submitting a pro-forma return for each case. Reports of frauds over £5,000 perpetrated by housing benefit claimants are only required if the fraud was facilitated by collusion with local authority staff or by weaknesses in internal control systems. Reports of frauds involving less than £5,000 are not required.

## 2. Key audit risks

The key audit risks which we have identified as part of our overall audit strategy are detailed below. We would emphasise that these risks, which will potentially impact on the Council's financial statements, reflect what we would generally expect for an organisation of the Council's size. Two of the risks reflect the requirements of mandatory ISA's which we are required to review and the others are derived from a combination of significant account balances, complexity of accounting treatment and the judgemental nature of the balance. These risks will inform key areas of audit focus and do not reflect specific issues or concerns at this stage of the audit.

<b>Accounting for Public Private Partnerships (PPP)</b>	
<b>Description of risk</b>	Clackmannanshire Council is engaged in PPPs related to the building of the 3 secondary schools in the area. Given the magnitude of the balance and the high profile nature of the PPP in Local Government, a risk has been identified in relation to the appropriateness of the accounting for the PPP.
<b>Deloitte response</b>	We shall focus on analysing the PPP model and conclude on whether the accounting treatment complies with the requirements of IFRS.

<b>Completeness of accruals</b>	
<b>Description of risk</b>	It has been noted through our planning procedures that there is not an integrated purchase ledger function, and that accruals are only calculated and recorded at financial year end. There is a risk that the accruals balance at year end is not accurate and complete. In addition, there is a risk that ongoing monitoring of expenditure commitments is not fully optimal, although officers consider that this is mitigated by the Council's 'budget challenge' monthly process with service departments.
<b>Deloitte response</b>	Deloitte shall perform testing of post year end invoices and payments to test whether the year end accrual carried is complete. We will also assess the robustness of the budget challenge process.

<b>Valuation of defined benefit pension scheme liability</b>	
<b>Description of risk</b>	Clackmannanshire Council have a defined benefit pension scheme which is accounted for based on a series of actuarial assumptions. There is a risk that the assumptions used are not appropriate and therefore the valuation of the scheme (and the surplus / deficit) is inaccurate. This would also apply to other participating Councils.

**Valuation of defined benefit pension scheme liability**

**Deloitte response**

We shall use our actuarial specialists to review the pension calculations and the reasonableness of the assumptions underlying the figures.

## 2. Key audit risks (continued)

Revenue recognition	
<b>Description of risk</b>	<p>Under ISA (UK and Ireland) 240 'The auditor's responsibility to consider fraud in an audit of financial statements there is a rebuttable presumption that there is a risk of fraud in relation to revenue recognition'.</p> <p>For Clackmannanshire Council, we have considered this risk to be around the completeness of Council Tax and Housing Rents income.</p>
<b>Deloitte response</b>	<p>We will review the treatment of income in the year to consider whether it is in line with IFRS guidance and the Code.</p> <p>In particular, we will seek to develop our understanding in regards to the Design and Implementation of key controls in place in relation to Council Tax and Housing Rents income and test a sample of these to ensure they are appropriate.</p>

Property, plant and equipment (PPE) valuation	
<b>Description of risk</b>	<p>We have identified an audit risk in respect of PPE valuation because, with changes in the economic environment and property markets, these assets can be subject to material changes in value and there is a risk that these changes are not appropriately recorded in the financial statements.</p> <p>IFRS requires revaluation to be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Where additions or significant completed projects are recorded at cost during the year, or where the valuation happened earlier than the end of the year, there is a risk that this cost/ valuation is materially different to the fair value at the end of the reporting period.</p>
<b>Deloitte response</b>	<p>We will review any external revaluations performed on PPE and consider whether the valuations have been performed by suitably qualified individuals and that valuations have been made using a reasonable basis and have been performed in a timely manner.</p> <p>If no external valuations have been performed in the year, we will gain an understanding of the rationale for this decision from management and assess the reasonableness of this decision in relation to IFRS requirements.</p>

## 2. Key audit risks (continued)

Human Resources and Payroll Systems replacement	
<b>Description of risk</b>	The current Human Resources and Payroll systems are due for renewal in the current year, and as with any major system replacement, there is a risk that controls are compromised and data transferred to the new system is not fully accurate and complete.
<b>Deloitte response</b>	We will assess both the robustness of the data transfer process and the adequacy of the new system key controls.
Management override of controls	
<b>Description of risk</b>	Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively. The risk of management override of control is present in all entities. This risk cannot be pinpointed to an account balance or potential error and therefore specific procedures to respond to the risk of management override of controls should be designed and performed.
<b>Deloitte response</b>	We will seek to develop our understanding in regards to the design and implementation of key controls in place in relation to the posting of journal entries and other such adjustments and test a sample of these adjustments to ensure they are appropriate. We will also conduct a review of significant accounting estimates in order to assess the reasonableness of managements judgements in relation to these estimates. We will also review any transactions that appear to by outwith the course of normal business in order to understand the business rationale of these transactions.
Equal pay provision	
<b>Description of risk</b>	There is a significant equal pay provision held in respect of the Equal Pay Act 1970. The Council implemented its new pay and grading model in March 2009, and under the legislation, employees are entitled to make a claim for Equal Pay settlements for a period of up to 6 years. There is a risk that the provision carried by the Council is not complete.
<b>Deloitte response</b>	We will gain an understanding of the process to identify and record all equal pay claims and the underlying assumptions applied through discussions with management.  We will test a sample of completed cases and assess the adequacy of the remaining provision against remaining cases. The Council have worked hard to process the backlog of cases and it is expected that the majority of cases shall be resolved by the time of the audit work commencing.

### 3. Other issues

Other issues which have not currently been identified as financial statement risks, but will be considered as part of our audit in line with the Code of Audit Practice, and work on Best Practice are as follows:

<b>Delivery of services with reduced funding</b>	
<b>Issue identified</b>	Clackmannanshire Council needs to be able to demonstrate that it is delivering an effective service for the public and achieving value for money. Given the increasing cost pressures on the Council, in line with all public sector entities, there is an increasing risk that the Council will be unable to continue delivering services at the current level. In addition it is projected that the Council will have a funding gap over the next 3 years, 2012/13 to 2014/15, in the region of £13.5m. Working in partnership with other public sector organisations and the third sector will help the Council meet its strategic objectives and to address these needs.
<b>Deloitte response</b>	Deloitte will review the Council's process for developing its Corporate, Directorate and Service and Savings Plans and how these are monitored to ensure that the Council is meeting its strategic objectives. In particular, given that Educational and Social Services accounts for in the region of 80% of overall Council spend, we will prioritise the review of the adequacy of the savings plans in place for these services. We will also monitor the work of the Community Planning Partnership (CPP) as well as other partnerships through observation at meetings and from review of minutes.

<b>Achievement of local and national outcomes from Single Outcome Agreement</b>	
<b>Issue identified</b>	Clackmannanshire Council, as a public body, is open to scrutiny in regards to its stated targets and quality ambitions which are common to all public bodies across Scotland. It is important that Clackmannanshire Council, with these ambitions and targets, is able to show how these have been achieved. In addition, the Council needs to be able to demonstrate a robust process for linking spend and activities to outcomes achieved for its citizens.
<b>Deloitte response</b>	Deloitte will assess Clackmannanshire Council's contribution to its stated outcome targets and quality ambitions that are common across the public sector. We will review the processes for linking activities and spend to outcome planning and budgeting and the single outcome agreement. We will also review Committee minutes in order to assess how relevant reports are reviewed, monitored and challenged.

### 3. Other issues (continued)

<b>Sustainable workforce</b>	
<b>Issue identified</b>	Given the financial pressures on Clackmannanshire Council to achieve financial balance there is considerable focus on reducing staff and other costs through service redesign and robust vacancy management arrangements. There is a risk that current plans do not deliver a sustainable workforce for the future. There is also a risk that transformation and change management strategies do not deliver anticipated benefit levels.
<b>Deloitte response</b>	Deloitte will assess the workforce strategies in place and consider whether the Council has appropriate processes in place to manage any reduction in staffing numbers that may be judged necessary. We will also review business plans and financial plans to assess how well workforce planning is integrated into the process. In addition we will assess the adequacy of the Council's change management strategy and planning.

<b>Instability of key suppliers</b>	
<b>Issue identified</b>	The current economic climate has been increasingly challenging for all industries. Due to this, a risk has been identified in relation to the stability of key suppliers.
<b>Deloitte response</b>	Deloitte will review the arrangements in place in regards to supplier management and contingency planning. We will also review the key suppliers in place in order to establish if there are any suppliers for which there are any over reliance placed.

<b>Governance model</b>	
<b>Issue identified</b>	The Council's strategic governance model is under review including the role of the Audit and Scrutiny Committee. It is important that any proposed changes to the Council's Governance Model are considered and evaluated end to end from a Council wide perspective prior to any changes being implemented.
<b>Deloitte response</b>	Deloitte will assess the robustness of any proposed changes to the Council's strategic governance model.

### 3. Other issues (continued)

<b>Community engagement</b>	
<b>Issue identified</b>	In order to provide quality services, it is important that the Council understands the needs and aspirations of Communities and involves Communities in decision making. Planning and monitoring arrangements also need to reflect Community engagement.
<b>Deloitte response</b>	From discussions and review of the strategies, policies and procedures, we will assess how the leadership and culture within the Council demonstrates commitment to Community engagement.



# 4. Consideration of fraud

## 4.1 Characteristics

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional. Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We are aware that management has the following processes in place in relation to the prevention and detection of fraud:

- The Financial Regulations include a section on the Prevention and Detection of Fraud which requires that whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, equipment or other property of the Council or any suspected irregularity in the exercise of the functions of the authority, the Director concerned shall immediately notify the Chief Executive, the Head of Finance and the Audit and Fraud Team Leader, as appropriate, who shall take steps as may be considered necessary by way of investigation and report.
- In order to assist in the prevention of fraud and corruption; appropriate internal control have been established
- All members and employees are expected to comply with the Council's Disclosure of Information (Whistleblowing) and Anti-fraud and Corruption Policies.
- The Council has a separate team to deal with Benefit Frauds.

## 4.2 Responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

## 4. Consideration of fraud (continued)

### 4.3 Fraud inquiries

We will make the following inquiries regarding fraud:

Management	Internal Audit	Those charged with governance
<ul style="list-style-type: none"> <li>• Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments.</li> <li>• Management's process for identifying and responding to the risks of fraud in the entity.</li> <li>• Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.</li> <li>• Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.</li> <li>• Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.</li> </ul>	<ul style="list-style-type: none"> <li>• Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.</li> </ul>	<ul style="list-style-type: none"> <li>• How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.</li> <li>• Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> </ul>

We will make inquiries of others within the Council as appropriate. We will also inquire into matters arising from your whistling blowing procedures.

## 4. Consideration of fraud (continued)

### 4.4 Process and documentation

Meetings will be held with various key members of management as well as those charged with governance in order to establish the processes around the detection and prevention of fraud. We will also liaise with Internal Audit in order to assess their findings in this area throughout the year.

### 4.5 Concerns

As set out in Section 2 above we have identified the risk of fraud in revenue recognition and management override of controls as key audit risks for your organisation in line with the requirements of ISA 240.

### 4.6 Representations

We will ask for you and management to make the following representations towards the end of the audit process:

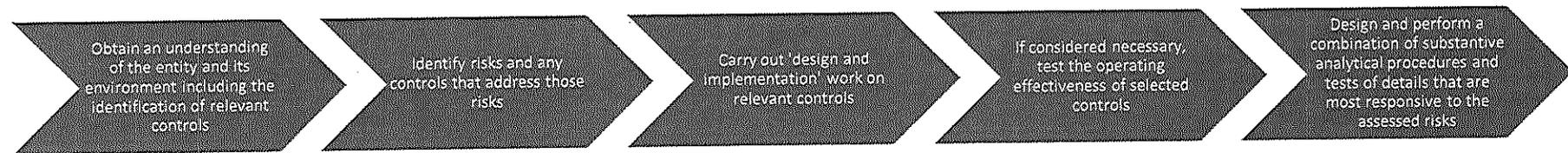
- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud that affects the entity and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.



# 5. Internal control

## Obtaining an understanding of internal control relevant to the audit

As set out in "Briefing on audit matters" included within appendix 1, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I"). Our audit approach consists of the following:



The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Our audit is not designed to provide assurance as to the overall effectiveness of the controls operating within the Council, although we will report to management any recommendations on controls that we may have identified during the course of our audit work.



## 6. Communications timetable

Set out below is the approximate expected timing of our reporting and communication with the Scottish Ambulance Service and Audit Scotland.

Timing	Activity	Deliverables
November/ December 2011	External audit planning, identification of risks, confirmation of opening balances and review of systems.	Planning Report to the Scrutiny Committee – <b>23 February 2012.</b>
February 2012	Submission of Audit Scotland template summarising Council's response to national performance reports published between June and August 2011.	Response to national performance reports to Audit Scotland – <b>28 February 2012.</b>
	Submission of Audit Scotland's Best Value and Scrutiny Improvement Group (BVSIG) template summarising Council's response to the BVSIG led overview reports and the "How councils work" series.	Response to BVSIG led reports to Audit Scotland – <b>timing to be confirmed</b> (once issued by Audit Scotland).
	Audit of grant claims and submission to the Scottish Government: <ul style="list-style-type: none"> <li>• Education Maintenance Allowance</li> <li>• Safety Camera Partnership</li> </ul>	Audited claims to be submitted to relevant departments within the Scottish Government – <b>31 July 2012</b>
June – August 2012	Submission of Audit Scotland template summarising Council's response to national performance reports published between September 2011 and February 2012.	Response to national performance reports to Audit Scotland – <b>31 July 2012.</b>
	Discussion with management and completion of local audit report to follow-up Audit Scotland's performance audit on <i>Maintaining Scotland's roads: a follow-up report</i> (published February 2011).	Local audit report submitted to Audit Scotland – <b>31 August 2012.</b>
	Assess whether the Council has fulfilled its obligations as set out in the 2010 Direction in respect of Statutory Performance Indicators to allow the Council to submit the proforma to Audit Scotland by 31 August 2012.	Reference to be made in Annual Report to Members and the Controller of Audit – <b>30 September 2012.</b>
	Audit of Criminal Justice Social Work Services Grant Claim and submission to the Northern Criminal Justice Authority (NCJA).	Audited claim to be submitted to the NCJA – <b>31 August 2012</b>

## 6. Communications timetable (continued)

Timing	Activity	Deliverables
<b>July - September 2012</b>	Audit of the financial statements for the year ended 31 March 2012.	Report to the Scrutiny Committee – <b>September 2012.</b>
	Submission of audited financial statements to Audit Scotland and the Controller of Audit.	Financial Statements Audit Opinion and Report to Members – <b>31 October 2012.</b>
	Completion of Report to Members	
<b>June - November 2012</b>	Audit of the Housing and Council Tax Benefit Subsidy Claim and submission of audited claim to the Department for Work and Pensions (DWP).	Audited claim to be submitted to the DWP – <b>30 November 2012</b>
<b>October 2012 – February 2013</b>	Audit of the Non-Domestic Rates Income Return and submission of the audited return to the Scottish Government.	Audited return to be submitted to the Scottish Government - <b>mid February 2013.</b>

## 7. Client service team

We set out below our audit engagement team.

<p><b>David Bell</b> Audit Partner</p> <p>Tel: 0141 304 5625 Email: <a href="mailto:dabell@deloitte.co.uk">dabell@deloitte.co.uk</a></p>	<p><b>Pat Kenny</b> VFM and Advisory Director</p> <p>Tel: 0141 304 5771 Email: <a href="mailto:pakenny@deloitte.co.uk">pakenny@deloitte.co.uk</a></p>	<p><b>Douglas Gray</b> Audit Senior Manager</p> <p>Tel: 0141 304 5105 Email: <a href="mailto:douglasgray@deloitte.co.uk">douglasgray@deloitte.co.uk</a></p>	<p><b>Lindsay Robertson</b> Audit Assistant Manager</p> <p>Tel: 0141 304 5704 Email: <a href="mailto:lrobertson@deloitte.co.uk">lrobertson@deloitte.co.uk</a></p>
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- Main point of contact for the Scrutiny Committee and Nikki Bridle;
- Decision maker on key audit and accounting issues; and
- Overall responsible for the quality of our service.
- Working directly with Douglas sharing his knowledge of the Local Government sector;
- Assistance with identifying risks, planning and delivering the audit;
- Responsible for the delivery of our best value, use of resources and performance work; and
- Bringing sector issues and experiences to the scrutiny committee and management.
- Oversees delivery of audit service and resolves any issues escalated by Lindsay;
- Assist David in planning the audit;
- Develop and implement our audit strategy; and
- Technical review of audit work.
- Day to day contact with the finance team;
- Responsible for the day to day delivery of our services;
- Co-ordinate and manage the team; and
- Early advice on technical issues.



## 8. Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by Audit Scotland, within the Code of audit practice, explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" circulated to you with this report and sets out those audit matters of governance interest which have come to our attention during the planning of our audit to date. Our audit is not designed to identify all matters that may be relevant to Members and our final report on the audit will not necessarily be a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

### **Deloitte LLP**

Chartered Accountants

Glasgow

23 February 2012



# Appendix 1: Briefing on audit matters

Published for those charged with governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

## Approach and scope of the audit

### Primary audit objectives

We conduct our audit in accordance with International Standards on Auditing (UK & Ireland) as adopted by the UK Auditing Practices Board ("APB"). Our statutory audit objectives are to give an opinion on whether:

- they give a true and fair view of the state of affairs of the council and its group and of its income and expenditure for the year in question;
- they have been prepared properly in accordance with relevant legislation and applicable accounting standards;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government Scotland Act 2003;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword by the Head of Finance is consistent with the financial statements.

### Other reporting objectives

Our reporting objectives are to:

- present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and
- provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

# Appendix 1: Briefing on audit matters (continued)

## Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine planning materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine planning materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

## Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)") we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of 'clearly trivial'. The Audit Engagement Partner, management and those charged with governance will agree an appropriate limit for 'clearly trivial'. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

# Appendix 1: Briefing on audit matters (continued)

## Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to members and create value whilst minimising a “box ticking” approach.

Our audit methodology is designed to give members the confidence that they deserve.

For controls considered to be ‘relevant to the audit’ we evaluate the design of the controls and determine whether they have been implemented (“D & I”). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures

## Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
210	Terms of audit engagements
240	The auditor’s responsibility to consider fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
315	Obtaining an understanding of the entity and its environment and assessing the risks of material misstatement
320	Audit materiality
545	Auditing fair value measurements and disclosures
550	Related parties
560	Subsequent events
570	Going concern
580	Management representations
720	Section A: Other information in documents containing audited financial statements
(revised)	Section B: The auditor’s statutory reporting responsibility in relation to directors’ reports

# Appendix 1: Briefing on audit matters (continued)

## Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

### **Safeguards and procedures**

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Revised Ethical Standards issued by the APB, there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.
- In the UK, statutory oversight and regulation of auditors is carried out by the Professional Oversight Board (POB) which is an operating body of the Financial Reporting Council. The Firm's policies and procedures are subject to external monitoring by both the Audit Inspection Unit (AIU), which is a division of POB, and the ICAEW's Quality Assurance Directorate (QAD). The AIU is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW's Audit Registration Committee. The AIU also reports to POB and can inform the Financial Reporting Review Panel of concerns it has with the accounts of individual companies.

# Appendix 1: Briefing on audit matters (continued)

<b>Independence policies</b>	<p>Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.</p> <p>Amongst other things, these policies:</p> <ul style="list-style-type: none"><li>• state that no Deloitte partner (or any closely-related person) is allowed to hold a financial interest in any of our UK audited entities;</li><li>• require that professional staff may not work on assignments if they (or any closely-related person) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;</li><li>• state that no person in a position to influence the conduct and outcome of the audit (or any closely related persons) should enter into business relationships with UK audited entities or their affiliates;</li><li>• prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and</li><li>• provide safeguards against potential conflicts of interest.</li></ul>
<b>Remuneration and evaluation policies</b>	<p>Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.</p>
<b>APB Revised Ethical Standards</b>	<p>The Auditing Practices Board (APB) has issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach. The five standards cover:</p> <ul style="list-style-type: none"><li>• maintaining integrity, objectivity and independence;</li><li>• financial, business, employment and personal relationships between auditors and their audited entities;</li><li>• long association of audit partners and other audit team members with audit engagements;</li><li>• audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and</li><li>• non-audit services provided to audited entities.</li></ul> <p>Our policies and procedures comply with these standards.</p>

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**Report to Council**

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**Date of Meeting: 8 March 2012**

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**Subject: External Audit: Planning Report 2011/12**

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**Report by: Director of Finance & Corporate Services**

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**1.0 Purpose**

- 1.1 The purpose of the attached external audit planning report is to set out the planned audit activity during 2012/13 in respect of the audit of the financial year 2011/12.

**2.0 Recommendations**

It is recommended that Council.

- 2.1. Notes the proposed external audit plan for financial year 2011/12.

**3.0 Considerations**

- 3.1 Deloitte LLP was appointed by the Accounts Commission as the external auditor for Clackmannanshire Council for the five year period commencing 2011/12. The activity set out in the attached planning report therefore covers the first year of Deloitte's appointment.
- 3.2 Each year the external auditor prepares an annual plan which elected members are encouraged to discuss. Due to the statutory basis of the work of the external auditor, it is important that elected members are aware of the planned activity.
- 3.3 To facilitate open dialogue with the external auditors, it is intended that they will also be invited to participate in the rescheduled risk based planning event which is due to take place following the May 2012 elections. Thereafter, all external audit activity undertaken against this plan is formally reported to the Scrutiny/Audit Committee.

#### 4.0 Conclusions

4.1 The Council's external auditors, Deloitte's, are in the first year of their five year appointment to Clackmannanshire Council. The attached report sets out details of their planned work during the year.

#### 5.0 Sustainability Implications

5.1 N/A

#### 6.0 Resource Implications

6.1 *Financial Details* - there are no implications for the Council's budgets arising from this report

6.2 *Staffing* - there are no implications for the Council's establishment arising from this report

#### 7.0 Exempt Reports

7.1 Is this report exempt? Yes  (please detail the reasons for exemption below) No

#### 8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box )

- |  |                                     |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses         | <input type="checkbox"/>            |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/>            |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/>            |
| Our communities are safer  | <input type="checkbox"/>            |
| Vulnerable people and families are supported                             | <input type="checkbox"/>            |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/>            |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/>            |
| The environment is protected and enhanced for all                        | <input type="checkbox"/>            |
| The Council is effective, efficient and recognised for excellence        | <input checked="" type="checkbox"/> |

(2) **Council Policies** (Please detail)

N/A

## 9.0 Equalities Impact

- 9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? N/A

## 10.0 Legality

- 10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 11.0 Appendices

- 11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

External Audit Planning Report

## 12.0 Background Papers

- 12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below)

**CIPFA Audit Committee Principles in Local Authorities in Scotland**

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Martin Dunsmore	Accountancy Manager	2041

### Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director of Finance and Corporate Services	Signed: N Bridle
Elaine McPherson	Chief Executive	Signed: E McPherson



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**Report to Council**

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**Date of Meeting: 8 March 2012**

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**Subject: Maximising Attendance & Employee Wellbeing Policy**

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**Report by: Governance Manager**

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**1.0 Purpose**

1.1 The purpose of the report is to present the Maximising Attendance & Employee Wellbeing Policy to Council for formal approval.

**2.0 Recommendations**

2.1 The Council approves ;

- I. the Maximising Attendance & Employee Wellbeing Policy;
- II. notes that the Maximising Attendance & Employee Wellbeing Procedure and an implementation plan has been agreed between Management and the Trade Unions

**3.0 Considerations**

3.1 As we continue to embed the principles of good corporate governance throughout the organisation, we recognise as a Council that the relationship that we have with our staff and in turn the quality of their performance in their roles fundamental elements of a robust and effective governance framework. Our people are crucial to our ability to provide high quality, cost effective services to our customers and as such we are committed to ensuring their continued wellbeing and attendance at work.

3.2 Over the past two years Management and Trade Unions have been working closely to address absence across the organisation. Through our regular consultative forum we have been implementing a more proactive approach to tackling absence and supporting staff to get back to work. We have seen a significant improvement as illustrated in the table below. Building upon this success we sought to develop a policy and procedure which reflected this proactive approach to supporting staff and managing absence

## Absence Performance: 2011/12 to end December 11

Historical:

2006/7	2007/8	2008/9	2009/10	2010/11	2011/12 To Date
5.4%	4.7%	5.2%	4.4%	3.8%	3.4%

- 3.3 We acknowledge that the causes of absence are often far broader than simple ill health therefore the Maximising Attendance and Employee Wellbeing Policy and Procedure has been designed to reflect the need for an holistic approach to absence management.
- 3.4 Staff absence can have a detrimental impact upon service provision, efficiency, morale and motivation of other staff as well the high financial cost to the organisation. Employees are contracted and paid to come to work therefore regular attendance from all employees is the expected norm.
- 3.5 Maximising Attendance and Employee Wellbeing Policy and Procedures have been developed by the Management in conjunction with our Trade Union colleagues as part of our commitment to implementing a fair and consistent approach to positive absence management. The purpose of the Procedure is to provide a framework for both managers and employees to implement the principles contained within the Policy.
- 3.6 The Policy and Procedures have been designed to provide a clear support mechanism for staff and a practical toolkit for Managers to assist them in supporting and maintaining high levels of attendance. They also provide an agreed framework for addressing non attendance.
- 3.7 This Policy represents a constructive and positive approach to absence management. The documentation has been drafted following close collaborative working with the Trade Unions and reflects a shared vision for our working environment.
- 4.0 **Consultation process**
- 4.1 The Policy and Procedure have been consulted upon at each stage of the drafting and upon completion with the Corporate and Senior Management Teams, LNCT & SNCT and with staff via UNISON, UNITE, EIS, SSTA, GMB
- 5 Implementation Plan**
- 5.1 For the Maximising Attendance and Employee Wellbeing Policy and Procedures to be effective, they must be implemented in an appropriate manner.
- 5.2 Management and Trade Unions had a key role to play in ensuring the welfare of staff and positively managing attendance.

- 5.3 Once approved, it is the intention of Management and the Trade Unions to conduct joint awareness raising sessions for all staff across several Council locations. Furthermore HR will be also provide more detailed training sessions for Managers and Team Leaders as regards the practical application of the Procedures.

## 6.0 Effectiveness of Policy & Procedure

- 6.1 The purpose of the Policy is to promote employee wellbeing and in doing so reduce absence levels. To assess the effectiveness of the policy we will require to collate and analyse relevant management information relating to the use and impact of supportive measures such as Occupational Health Services on levels or types of absence. This information, as well as data relating to any identifiable trends or patterns will be provided to the Corporate Management Team on a regular basis. Service specific information will also be shared with relevant Service Management Teams. Analysis and evaluation of this information collected over a reasonable time period will enable us to measure the effectiveness of the policy in proactively managing and reducing absence.

## 7.0 Sustainability Implications

There are no sustainability implications arising directly from this report.

## 8.0 Resource Implications

There are no financial implications arising directly from this report.

## 9.0 Exempt Reports

- 9.1 Is this report exempt? Yes  (please detail the reasons for exemption below) No

## 10.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities 2008 - 2011** (Please double click on the check box )

- |  |                          |
|--|--------------------------|
| The area has a positive image and attracts people and businesses         | <input type="checkbox"/> |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/> |
| Our communities are safer  | <input type="checkbox"/> |
| Vulnerable people and families are supported                             | <input type="checkbox"/> |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/> |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/> |
| The environment is protected and enhanced for all                        | <input type="checkbox"/> |

The Council is effective, efficient and recognised for excellence

√

**(2) Council Policies** (Please detail)

**11.0 Equalities Impact**

11.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

**12.0 Legality**

12.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

**13.0 Appendices**

13.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 : Maximising Attendance & Employee Wellbeing Policy

**14.0 Background Papers**

14.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

Maximising Attendance & Employee Wellbeing Procedure

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Lisa Simpson	Governance Manager	Ex 2084

**Approved by**

NAME	DESIGNATION	SIGNATURE
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Clackmannanshire Council  
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# **Maximising Attendance & Employee Wellbeing**

## **Policy**



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## **1. Policy Statement**

- 1.1 The Council is committed to providing high quality, cost effective services to its customers. We recognise that in achieving this aim, a key factor is ensuring the continued wellbeing and attendance at work of all our people.
- 1.2 The Council is aware of and fully committed to its continuing responsibilities as an employer for supporting, so far as is reasonably practicable, the health, safety and welfare of its staff. The Council recognises the role of Occupational Health and our health surveillance programme in preventing ill health. As a responsible employer we will also promote employee wellbeing through a variety of ongoing initiatives.
- 1.3 The Council acknowledges that the causes of absence are often far broader than simple ill health, the Maximising Attendance and Employee Wellbeing Procedures will reflect the need for an holistic approach to absence management.
- 1.4 High levels of attendance contribute positively to the provision of quality services. Absence is costly, it affects service provision, efficiency and can impact on morale and motivation amongst other staff. Employees are contracted and paid to come to work therefore regular attendance from all employees is the expected norm. It is critical for the effective and efficient operation of the Council's services.
- 1.5 The Council, in conjunction with the Trade Unions, is committed to implementing a fair and consistent means of monitoring absence, to ensure that Managers are aware of when they should and how they can properly support staff to maintain or improve attendance. Managers need to be responsive to the needs of employees by identifying health or other problems at an early stage.
- 1.6 The Council is aware of its responsibilities under the Equality Act 2010 and will fully comply with them.
- 1.7 Maximising Attendance and Staff Wellbeing procedures have been developed to provide a framework for managers and employees to implement the principles contained within the policy.

## **2. Scope**

- 2.1 This policy applies to all Council employees

## **3. Principles**

- 3.1 This policy, and the associated procedures prepared for managers and employees, provide clarity about how we intend to support staff to maintain wellbeing and maximise their attendance. In pursuing these aims we will always ensure that the following general principles are followed:

The Council will:

- actively promote the health, wellbeing and safety of our employees
- support employees, wherever practicable, in remaining in the workplace
- ensure that every individual is treated fairly regardless of gender, race, age, status, sexual orientation, religious or political beliefs or disability.

- communicate clear expectations with regard to attendance and support employees to achieve them.
- 3.2 The Council will also address cases of frequent, short term absences or those with unusual patterns of absence and Employees need to be aware that persistent absence or misuse of self certification procedures may result in disciplinary sanctions and even dismissal, subject to the following :-
- (i) the employee has been advised that the level / pattern of absence may result in termination of employment ;
  - (ii) the employee has had a fair opportunity to improve their level / pattern of attendance and
  - (iii) the employee has been provided with the support and guidance set down in the policy & procedures
- 3.3 In cases of long term sickness absence the Council may have to consider termination of employment on the grounds of ill-health subject to the following ::
- (i) the employee has been advised that continued absence may result in termination of employment ;
  - (ii) the possibility of alternative work has been considered and actively sought / investigated by both management and the member of staff ;
  - (iii) the employee has been provided with the support and guidance set down in the policy & procedures; and
  - (iv) all reasonable adjustments have been made where applicable
- 3.4 We will maintain appropriate confidentiality when dealing with personal medical information and remain within the rules governing data protection.

## **4. Roles & Responsibilities**

- 4.1 Human Resources will:
- a. Work with supervisors and line managers so that they can support employees and take responsibility for monitoring and managing absenteeism effectively within their own Sections / Units
  - b. Work with trade union colleagues so that they can support their members.
  - c. Provide advice and guidance to supervisors and line managers on the application of the policy and procedures
  - d. Monitor the application of the policy to ensure fairness and consistency.
  - e. Provide a system to record absence
  - f. Provide the strategic and policy framework which allows managers to promote a healthy, safe workplace and employee wellbeing.

#### 4.2 Line Managers and Supervisors will

- a. Ensure that all employees are made aware that their attendance and performance at work is of vital importance and that their contribution to the work of the Council is valued.;
- b. Make themselves fully familiar with the content of the policy and procedures and apply them fairly, consistently and in a sensitive manner
- c. Ensure that employees they line manage are fully aware of the policy and procedures, their responsibilities and the consequences of not complying with them;
- d. Promote the health, safety and wellbeing of all employees by identifying and managing potential hazards which might impact on both physical and/or mental wellbeing.
- e. Seek appropriate advice and support from Human Resources to maximise attendance and promote employee wellbeing within their teams/service areas

#### 4.3 Employees will :

- a. Meet their contractual obligation to attend work when fit to do so
- b. Ensure that they promote their own health and well being. This includes ensuring that their lifestyle and the activities do not impact on their ability to attend work, unless genuinely unfit to do so
- c. Make sure that they fully understand their responsibilities within the policy and procedures and comply with them at all times. If in any doubt, they should seek guidance from their line manager or supervisor.
- d. Cooperate with the Council in maximising their own attendance and wellbeing by advising their line manager of any illness which affects their ability to attend work or to undertake the duties of their post to a satisfactory level and raising concerns at an early stage with their line manager if they consider their sickness absence to be connected to their job
- e. Ensure that any medical advice and treatment received is followed as quickly as possible in order to facilitate a return to work.

### **5. Implementing the Policy**

- 5.1 Heads of Service will ensure that line managers and supervisors and subsequently employees are briefed on the policy and procedures. Thereafter they will monitor compliance with the policy and procedures within their service area.

### **6. Monitoring Absence**

- 6.1 Finance & Corporate Services will monitor the absence rates across the Council and provide senior management with statistical data.

## **7. Review**

Finance & Corporate Services, in consultation with service management and trade unions will review and where necessary revise this policy every 2 years.

November 2011