

Annual Governance Statement

For the year 2022 - 2023

Introduction

The Council's Corporate Plan

The Council adopts a four-year corporate plan which sets out the direction of travel for its services and the principles within which it will operate. The plan is fundamentally re-written every four years. A new Corporate Plan was taken to Full Council in February 2022 for the period 2022/23 to 2025/26. The Plan replaced the previous Corporate Plan on 1st April 2022. A period of public consultation was undertaken in November and December 2021 which informed the proposed objectives set out in the Plan. Following the feedback from the consultation process and consideration of the responses the Plan was amended to include 23 objectives within 5 sections. A Delivery Plan was developed to set out how the objectives in the Corporate Plan would be achieved.

The Plan was divided into 5 sections with objectives against each main heading:

- Housing
- Climate Change and Waste Management
- Transport and Highways
- Community Wellbeing and Fairness
- Our Council

In addition to the sections above a “Promises to Our Community” section was included to cover areas of importance to the Council and its community but which did not fit in to the measurable objectives part of the overall Plan.

The full corporate plan is on the Council's website at <https://www.scilly.gov.uk/council-democracy/council-corporate-plan>

The five main sections of the Corporate Plan's delivery were as follows:



Good Governance is the backbone of the Council’s ability to achieve its aim in accordance with these values. It is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It is important for governance arrangements to be proportionate so that wherever appropriate they empower individuals rather than constrain them.

Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that it is used economically, efficiently and effectively. In addition, the Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements including the system of internal control.

This review of effectiveness is informed by those officers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Executive, S151 and Monitoring Officer, work of the relevant Council Committees, external auditors and other review agencies and inspectorates.

This Annual Governance Statement (AGS) has been prepared to meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the 2016 CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (“the Framework”). It has also taken into consideration the CIPFA Guidance on “The Application of the Good Governance Framework” issued in February 2021. The Framework requires the Council to have in place a Local Code of Corporate Governance (“the Code”). This statement describes the extent to which Cornwall Council complies with its Code and how the Code is consistent with the good governance principles.

In discharging its overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which include arrangements for managing risk.

Purpose of the Council's Code of Governance

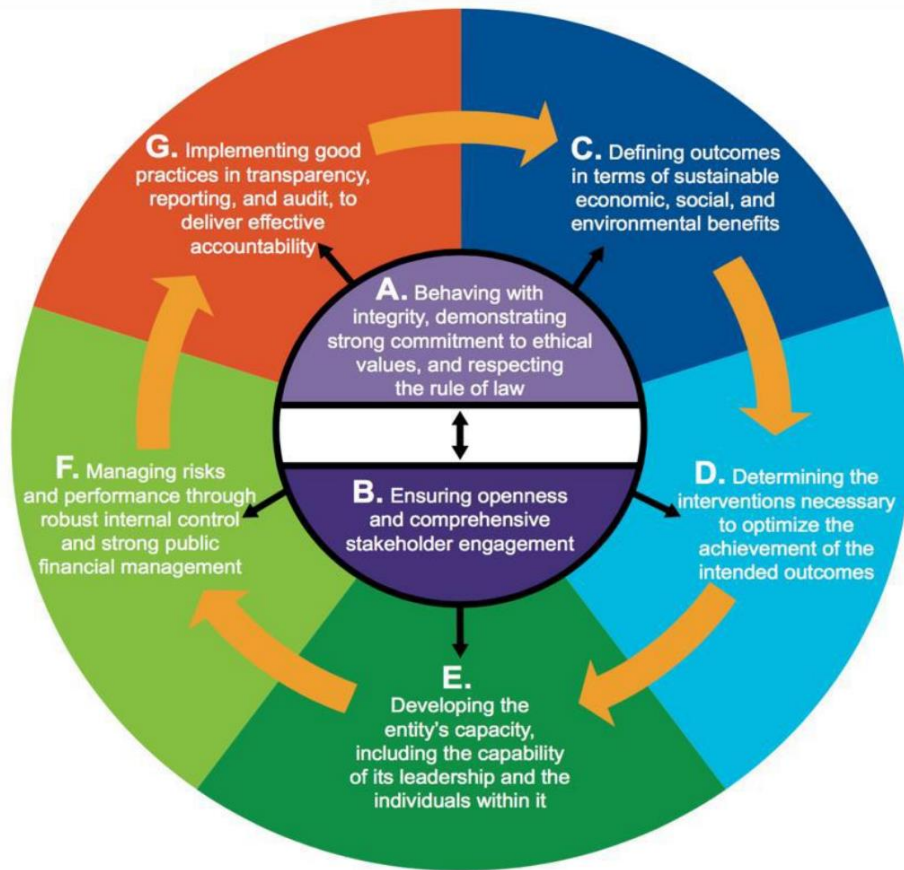
The Council's Code of Governance aims to ensure that in conducting its business the Council:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that Code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The Framework envisages that the Code will be organised to ensure a continuous process of seven principles based around two core principles (A and B).



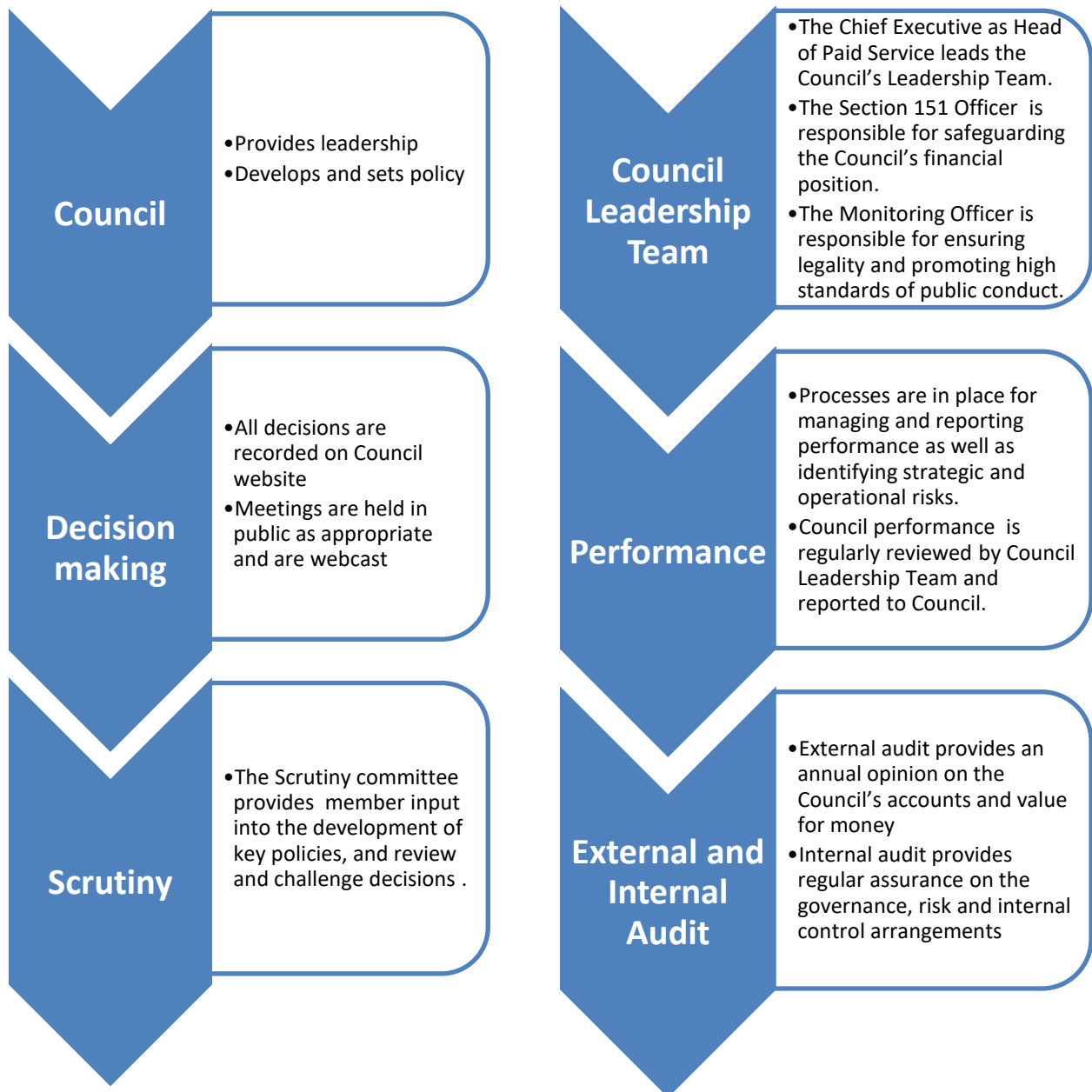
Source: CIPFA/SOLACE

The governance framework and an attendant Code has continued to be in place at the Council of the Isles of Scilly for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

Key elements of our Code of Governance

The Council's Constitution is updated as necessary and sets out how the Council operates. The Council of the Isles of Scilly has strong member involvement in decision-making with Members being particularly close to the community. Our member decision-making structure is set out in the diagram below.

The key elements of the governance arrangements at the Council during 2022/23, in line with the above structure, were:



How we have fulfilled the principles of good governance

Review of the Council's Code of Governance

As above, the Council's Code is made up of the arrangements that the Council has in place to deliver the requirements of each principle of the Framework. The Code is not a document, it is the sum total of all these systems and processes, culture and values and structures by which the Council is directed and controlled.

In preparing this AGS the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government Framework - 2016 Edition' good practice guidance and the CIPFA Guidance on "The Application of the Good Governance Framework" issued in February 2021;
- thereby assessed the effectiveness of the Council's Code.

This section sets out some key aspects of how the Council's Code has complied with the seven principles set out in the Framework during 2022/23; it is not intended to be exhaustive.

This AGS for 2022/23 demonstrates how the Council has complied with the Framework and maintained an effective Code. It also meets the requirements of Regulation 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 as amended, which requires the Council to conduct a review of the effectiveness of the system of internal control and prepare an AGS.

**CIPFA / SOLACE
Principles**

Summary of governance arrangements

Principle A:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The Code of Conduct for elected and co-opted Members and the Employee Code of Conduct provide guidance to Members and Officers on the expected standards of behaviour.
- The Monitoring Officer assesses and, where relevant, reviews any suspected breaches of the Code.
- All complaints made regarding breaches or potential breaches of the Code of Conduct are reviewed by the Scrutiny Committee.
- The roles of Full Council, Statutory Officers, and the Scrutiny Committee are clearly defined.
- The Member / Officer Protocol provides an effective framework in which Members and officers interact.
- The Council has a number of policies such as those relating to Risk Management, Anti-fraud and Corruption and a Complaints Policy that promote ethical behaviours amongst Members and Officers.
- Internal Audit investigates all suspected cases of fraud, corruption, and non-compliance with relevant regulations or policies.
- The Council's Corporate Plan sets out integrity and transparency as some of the key values for the Council.

Principle B:

- All meetings of Full Council and most of the other Council Committees are webcast or are available on other forms of social media in accordance with the Council's principles

Principles

Ensuring openness and comprehensive stakeholder engagement

for the broadcasting of public meetings. All formal member meetings are open for the public to attend, with agenda papers and decisions being published on the Council's website, in accordance with the legislative framework around openness and transparency

- Where the Council undertakes consultation then this is made available on the Council's website.
- The Council carries out targeted consultation on key issues such as the Local Plan.
- The Council maintains a "latest news" section on its website to communicate key issues to the public and other stakeholders. It also has a number of options for contact including post, telephone, email and social media links. Details of how to make a complaint are also included on the Council's website.

Principle C:

Defining outcomes in terms of sustainable economic, social and environmental benefits

- The Council's Priorities for the Isles of Scilly were identified through a revised Corporate Plan approved by Full Council. The updated Plan approved by Full Council in February 2022 sets out 5 key areas of focus for 2022-26 as follows:

- Housing
- Climate Change and Waste Management
- Transport and Highways
- Community Wellbeing and Fairness
- Our Council

- The Council has published a Medium Term Financial Plan looking three years ahead in order to ensure that the Council's financial situation is sustainable and aligned with

	<p>plans to deliver its objectives.</p> <ul style="list-style-type: none"> ● The annual internal audit report for 2022/23 was received by the Scrutiny Committee in July 2023 which set out the work carried out within the year and their opinion and residual risk for each area of work. The opinion in all areas was one of either “compliant” or “reasonable” assurance. The residual risks were either low or medium. ● The Council’s Internal Auditor has provided a positive opinion. ● The internal audit plan for 2023-24 was approved by the Scrutiny Committee in March 2023 and work is underway – the internal audit function is now more aligned with the Council and works with the Council to mitigate risks
<p>Principle D: <i>Determining the interventions necessary to optimise the achievement of the intended outcomes</i></p>	<ul style="list-style-type: none"> ● The formal statutory powers of intervention of the Monitoring Officer and Section 151 Officer have not been exercised during the reporting period. ● A standard reporting template is used to make reports to members is consistently utilised for all committee reports. ● The Scrutiny and other committees set out their business in work programmes agreed in public, which support them to discharge their responsibilities. ● The Scrutiny Committee is informed throughout the year of the work of Internal Audit. ● A comprehensive financial performance is taken to Full Council quarterly which provides wider financial performance information. Decisions and actions to address performance issues have been taken and monitored to ensure they have been effective. Monthly financial reports to Full Council are produced on an exceptions basis. ● The Monitoring Officer and Section 151 Officer have regular stewardship meetings to monitor assurance across the Council and identify any activity required.

Principle E:
Developing the entity's capacity, including the capability of its leadership and the individuals within it

- The Council benefits from a wider leadership system through the Cornwall and Isles of Scilly (CloS) Leadership Board which provides strategic 'place leadership'. The Council is focussed on delivery through partnerships as part of a wider leadership system for Cornwall as a whole. The Leadership Board has helped in providing joined up leadership for Cornwall and Isles of Scilly (including the development and endorsement of New Frontiers and oversight of measures being taken to deal with Covid and the replacement of EU funding post Brexit) and the strengthened organisational relationships that have been achieved through collaborative working. In addition the Council actively works in partnership with Cornwall Council to help provide additional expertise and capacity on major and complex issues such as the Levelling Up fund bid for replacement vessels.
- The Chief Executive regularly reviews the capacity and capabilities of the Council and reports back to Full Council with an amendments to structure to strengthen the management of the Council and provide clear accountability and reliance as required.
- Officer capacity in key governance roles remains strengthened by the arrangements with Cornwall Council for the provision of a Monitoring Officer and Section 151 Officer.

Principle F:
Managing risks and performance through robust internal control

- The Council has refreshed its Risk Strategy in place with regular monitoring and review of risks now being normal practise and forming part of a quarterly report to Full Council.
- The Council's Internal Audit service carries out a risk based comprehensive programme of review focussed on providing an opinion on the effectiveness of the risk, governance and internal control arrangements in respect of key priorities.

and strong public financial management

- Internal Audit provides assurance on an annual basis on the effectiveness of arrangements for organisational data quality and information governance.
- Clear and appropriate arrangements are in place for regular reporting to the Scrutiny Committee by Internal Audit
- External Audit reports to Full Council on an annual basis and on an exceptions basis.
- The Council’s statutory officers (monitoring officer and S151 officer) meet regularly along with the Chief Executive and Senior managers to provide collective assurance that statutory risks and responsibilities are being effectively managed and delivered.

**Principle G:
*Implementing good practices in transparency, reporting and audit to deliver effective accountability***

- All Council and other Committee meetings are webcast live and remain available for public scrutiny after the date of the meeting.
- The Corporate Plan 2022-2026, which was reviewed and updated by Full Council in February 2022, is available to view on the internet.
- Council and Committee agendas, reports and decisions are published online.
- Council and Committee meetings are open to the press and public (other than for exempt items) and are webcast enabling public access after the event.
- The Council regularly reports its financial performance against statutory and agreed performance targets.
- Outcomes from both external and internal audit activities are regularly reported to the Scrutiny Committee in public meetings, ensuring that decision-makers can be held to account.

Review of effectiveness

The Council's Leadership Team (including the Monitoring Officer and S151 Officer), has reviewed the effectiveness of the Council's Code of Governance, confirming that the arrangements described in this statement are in place. The Council's review of its Code of Governance is not only an annual process but, in line with best practice, it is conducted continuously, including through regular and ongoing assessment by the Council Leadership Team including the statutory Section 151 Officer and Monitoring Officers.

Outside of some matters highlighted in the final section of this report (below), the Council Directors Team have confirmed that corporate governance processes have been in place and operating as intended throughout the year.

Internal Audit

The Council's Scrutiny Committee received the Internal Audit annual report at its meeting of 11 July. The overall audit opinion of the Head of Internal Audit was as follows:

Overall, based on work performed during 2022/23 and my professional knowledge of the organisational control, governance and risk management environment, I can provide 'reasonable assurance'* on the adequacy and effectiveness of the Council's arrangements in respect of internal control.

**Reasonable Assurance Definition: 'There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited'*

The report is shown below at Annex A

External Audit

External auditors carry out a programme of reviews based upon statutory requirements. The audit of the 2022/23 statement of accounts is substantially complete. The External Auditor's Annual Report for 2021/22 (published in 2022/23) included commentary in three main areas including their opinion as to whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The External Auditor made commentary in three main areas as follows:

Financial Sustainability	No significant weaknesses
Governance	No significant weaknesses
Improving Economy, Efficiency and Effectiveness	No significant weaknesses

Three new improvement recommendations were made in respect of Financial Sustainability. The Auditor noted that limited progress had been made in respect of previous year's recommendations for improvements in Governance and Improving Economy, Efficiency and Effectiveness. The Annual Report is available on the Council's website within the documents for the 20 April 2023 Full Council meeting.

The Council's Statement of Accounts for 2021/22 were approved at the Council meeting in January 2023 and received an unqualified audit opinion.

Conclusion

The Council's governance arrangements are regarded as generally fit for purpose and are in accordance with the governance framework. The Council is committed to maintaining these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced. The next section of this report highlights some issues arising for attention and areas recently addressed.



Chairman

Date 14 December 2023



Chief Executive

Date 14 December 2023



Council of the
ISLES OF SCILLY

Annex A

Council of the Isles of Scilly

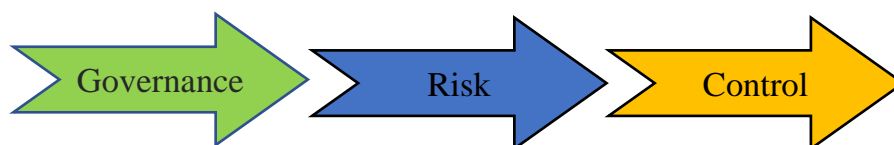
Internal Audit Annual Report 2021/22

Holly Sykes, Chief Internal Auditor

Executive Summary and Opinion

1 Executive Summary

- 1.1 The Scrutiny Committee, under its Terms of Reference, is required to consider the Chief Internal Auditor's annual report and opinion, a summary of Internal Audit activity and the level of assurance it can give over the Council's governance arrangements. The Accounts and Audit Regulations require that all Authorities need to carry out an annual review of the effectiveness of their internal systems and need to incorporate the results of that review into their Annual Governance Statement, published with the Annual Statement of Accounts.
- 1.2 The achievement of the Council's priorities is dependent on a sound system of control, governance and risk management being in place throughout the Council. A strong control environment and effective risk and governance arrangements enable the Council to secure its assets and ensure that they are used in the best interests of the residents of the Isles of Scilly.



- 1.3 The Internal Audit Plan for 2022/23 was presented to and approved by the Scrutiny Committee on 28 April 2022. The following report sets out the background to the audit service provision, summarises the work undertaken in 2022/23 and provides an opinion on the overall adequacy and effectiveness of the Council's control environment.
- 1.4 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to deliver an annual report providing an opinion that can be used by the organisation to inform its Annual Governance Statement.
- 1.5 This report provides a summary of my opinion and goes on to offer a summary of audit work undertaken in 2022/23.

2 Opinion

Overall, based on work performed during 2022/23 and my professional knowledge of the organisational control, governance and risk management environment, I can provide ‘reasonable assurance’* on the adequacy and effectiveness of the Council’s arrangements in respect of internal control.

**Reasonable Assurance Definition: ‘There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited’*

3 Purpose of Report and Key Information

- 3.1 The purpose of this report is to present to the Scrutiny Committee my opinion on the overall adequacy and effectiveness of the Council’s internal control, governance and risk management arrangements during 2022/23.
- 3.2 In accordance with the PSIAS, the Chief Internal Auditor must deliver an annual internal audit opinion that forms a key source of assurance to support the Annual Governance Statement, which is published as part of the Council’s Statement of Accounts. This opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The internal audit opinions provided across the Council in 2022/23 are illustrated below:

Audit Area	Scope	Opinion	Residual Risk
Key Financial Systems	Key financial systems are subject to annual review using data analytics and detailed follow up of exceptions. Reliance is also placed on the underlying controls operated by Cornwall Council on behalf of the Council of the Isles of Scilly.	Reasonable	Low
Homes England Compliance Audit (April Cottage)	Compliance audit providing assurance that CIOs has met all of Homes England’s requirements and funding conditions and have properly exercised their responsibilities.	Compliant	N/A
Intereg First	Compliance audit providing assurance that	Compliant	N/A

Audit Area	Scope	Opinion	Residual Risk
Line Controller Certification (Fish Intel)	grant monies have been spent in accordance with conditions attached to the funding.		
Risk Management	Provide assurance over the ongoing implementation of Risk Management in the Council and the impact it is having on decision making.	Reasonable	Medium
Programme Management	Provide assurance over the effectiveness of the programme management approach being developed and implemented for the Council.	Reasonable	Medium

3.3 I can give this reasonable assurance opinion only after considering the coverage of audit work completed across the organisation during the year and the results of internal audit work carried out on core systems operated for the Council by Cornwall Council, which include employee related expenditure, procure to pay (accounts payable) and order to cash (accounts receivable). Internal Audit activity was aligned to the Council's risks.

3.4 Given my reasonable opinion I am confident that the Council has arrangements in place to help ensure that known and emerging risks associated with its priorities are being appropriately managed.

3.5 The PSIAS require the annual opinion to include a statement on conformance with the PSIAS and ethical governance and the results of the Quality Assurance and Improvement Programme (QAIP). Consistent with this, we can confirm that the QAIP has been subject to continuous review throughout 2021/22. I am confident that our internal audit systems and processes in place comply with the requirements of the PSIAS ethical governance standards.

3.6 The opinion and the level of assurance given considers:

- All audit work completed during 2022/23
- Management response to audit findings
- Follow up of agreed management actions from previous audits
- Effects of significant changes in the Council's systems
- Ongoing advice and liaison with management

- Attendance at organisational meetings relating to risk, governance and internal control
- The extent of resources available to deliver the audit plan.

Internal Control and Governance Framework

3.7 The control environment comprises the Council's policies, procedures, and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's priorities and objectives
- Facilitate policy and decision making
- Ensure the effective and efficient use of resources
- Ensure compliance with established policies, procedures, laws and regulations
- Safeguard the Council's assets and interests from losses of all kinds including those arising from fraud, irregularity or corruption.

3.8 During 2021/22, core financial and administrative systems were reviewed by Internal Audit, through specific reviews and internal audits carried out on Cornwall Council systems used to support the Council's activities. Except for the limited assurance review of Corporate Performance Measures, internal controls were generally working effectively across the Council in the areas we reviewed.

3.9 Where weaknesses were identified, these are being addressed through agreed management actions. The Chief Executive has taken a robust stance in ensuring actions are taken effectively to improve controls within the Council.

Risk Management

3.10 Risk management was subject to internal audit review in 2021/22. Controls assurance was assessed as reasonable, and the Council is continuing to refine its strategic risk management processes. In 2022/23 Internal Audit will work with Council officers to further enhance risk management, focusing on risk appetite and the links between strategic and operational risks.

Internal Audit Performance

3.11 The agreed audit plan for 2022/23 was delivered in line with expectations.

3.12 The Public Sector Internal Audit Standards require the annual opinion to include a statement on conformance with the PSIAS and ethical governance and the results of the Quality Assurance and Improvement Programme (QAIP). In accordance with this requirement, we can confirm that the QAIP has been subject to continuous review throughout 2022/23. We are confident that our internal audit systems and processes in place comply with the requirements of the PSIAS ethical governance standards

3.13 Following an External Quality Assessment (EQA), we are pleased to report that Internal Audit have achieved the 'highest level of conformance' with the Public Sector Internal Audit Standards and the International Professional Practices Framework (the global standard for quality in internal auditing). The EQA has not raised any recommendations but has highlighted some areas where we can consider enhancing the service, which were included in our Quality Assurance Improvement Plan, all of which have been addressed. Various stakeholders from across our client base were interviewed as part of the process This shows improvement from the previous EQA undertaken in 2017.

Organisational Independence

3.14 The PSIAS require the Chief Internal Auditor to confirm to the Scrutiny Committee at least annually, the organisational independence of the internal audit activity and this is reinforced in the Internal Audit Charter. Nothing has occurred during the year that has impaired my personal independence or objectivity undertaking my role as Chief Internal Auditor.

3.15 Since the Audit Charter was approved, there have been no organisational changes impacting on the reporting arrangements for the Chief Internal Auditor and it is my view that there are no changes required.

Assurance Framework and Mapping

- 3.16** An assurance framework and map is a way of showing where and how assurance is obtained and how relevant and reliable that assurance is over key aspects of the control environment. In 2022/23 Internal Audit continued to monitor the assurance framework and map. The outcome of this work was reported to the Scrutiny Committee on 08 December 2022.
- 3.17** Collation of the assurance framework allows for the creation of an assurance map. This focuses on the Council's current strategic risks, linked to the Council's priorities and the sources of assurance. The map supports Internal Audit, as well as the Council in understanding the levels of control within areas of the Council, highlighting both under-control but also potential over-control. This map is used as a resource to identify internal audit work for the new financial year. Risk mitigations are provided by Council services and so the assessment of assurance available for each risk provides an insight to assurance levels over the Council as a whole.

Next Steps

- 3.18** Internal Audit will continue to work with Officers to assess the effectiveness of controls in each assurance line to decide whether controls are effective or if changes are required. Internal Audit will also consider whether a review is required to provide assurance over controls.

4 Other Significant Information

Whistleblowing

- 4.1** During the period 1 April 2022 to 31 March 2023 there have been no whistleblowing reports received by Internal Audit. The Council's Whistleblowing Policy requires that the Monitoring Officer is notified of any whistleblowing reports received.

Money Laundering

- 4.2** During the period 1 April 2022 to 31 March 2023, there were no reports of suspected money laundering made to Internal Audit.

If you would like this information
in another format please contact:

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