

AGENDA ITEM

Audit Committee

DATE: 27th MAY 2008

Annual Governance Statement 2007/2008

Paul Slocombe - Director Of Resources

PURPOSE OF REPORT

1. To seek members approval of the Annual Governance Statement 2007/2008.

BACKGROUND

2. As part of the annual accounts process the Council has been required to review its system of internal controls and to publish a statement of that review known as the Statement on Internal Control (SIC). From 2007/2008 onwards, the scope of the review has been extended to include the Council's wider governance arrangements as well as its internal controls. The Council is now required to publish an Annual Governance Statement (AGS) with a wider scope than the SIC, which it will replace.
3. In 2007 CIPFA published a [Framework for Delivering Corporate Governance in Local Government](#) to assist Councils to review their governance arrangements and to highlight any gaps. The framework adapted the six core principles of good governance for the local government sector and recommends that all councils should comply with them.
4. The six principles that underpin the governance arrangements of the Council are:

- Focusing on the purpose of the authority, outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be Effective;
- Engaging with local people and other stakeholders to ensure robust public accountability;

5. In January 2004 the members of Middlesbrough Council approved “The Code of Corporate Governance”. The code has been reviewed and updated to incorporate the Corporate Governance framework.

6. The Accounts and Audit Regulations require:

“The statement to be approved at a meeting of the authority or delegated committee. Whilst there is no statutory timetable for this approval, the statement must be published with the financial statements.” There is a statutory deadline for the production of the draft Statement of Accounts by 30th June each year. The full Annual Governance Statement is attached to this report – Appendix A.

Ensuring Compliance with Council Decisions, Rules and Regulations:

7. Under the new framework the Council is required to undertake regular, at least annual, reviews of their governance arrangements to ensure continuing compliance with best practice. The Council established a Corporate Governance Team comprising: The Head of Legal Services, Deputy Director of Resources, Head of Corporate Performance, Internal Audit Manager, Insurance Officer, Risk Management Officer and Corporate Development Officer. The Governance Team is responsible for managing the process by which the annual review of corporate governance is conducted.
8. The Annual Governance Statement was compiled following a review by the governance team of the effectiveness of the Council’s systems of internal control and governance arrangements. This also involved the most senior officers within Services, as well as officers with specific responsibilities for Internal Audit, Risk Management and the professional conduct of officers and members. A summary of the areas reviewed and evidence obtained is attached as Appendix B.
9. The statement relates to the governance arrangements as applied during the 2007/2008 financial year. However, significant events or developments that occur after this year may also be included.

Partnerships

10. The Statement of Recommended Practices (SORP) 2006 which local authorities are required to adhere to in the compilation of their accounts extended the scope of the annual governance review to cover relationships with organisations where the control/involvement by the Council is significant. Organisations identified under these arrangements include:
 - a) Dial a Ride Middlesbrough
 - b) CADCAM
 - c) Hustler Playing Fields Trust
 - d) West Middlesbrough Neighbourhood Trust (WMNT).
11. All of the organisations have also completed a service assurance statement for 2007/08, and none of them have identified any issues, which need to be separately reported in the Annual Governance Statement.
12. A review of the Council's partnership arrangements was undertaken using the partnership matrix provided in the framework guidance, to identify which are key to its operation, and which minor. The criteria used to review the partnerships are summarised as follows:
 1. Partnership costs: does the Council directly contribute money to the partnership, contributes resources (officer time / work done), or is money directed through the Council's accounts?
 2. Relationship to the Corporate Priorities: is the partnership's success critical to the achievement of a corporate priority or business plan?
 3. Are there consequences of failures (financial / reputation / liability / political) for the Council within this Partnership?
 4. Does the partnership make decisions on behalf of or which are binding on the Council?
 5. Statutory or Regulatory Context: is the Council required to set up the partnership by law or is the Council required to set up the partnership in order to receive additional funding / meet a requirement of the assessment regime / statutory guidance?
 6. Risk: does the partnership contribute to the management of risks identified on corporate or departmental risk registers?
 7. Risk: is there a formal risk assessment written document in respect of the partnership?
 8. Written Agreement: Is there a written agreement with the Partnership specifying monitoring arrangements/success measures/exit strategy and ownership of risks ?

9. Assurance: do we have a written assurance/ governance statement from our partner?
10. Audit: can our Auditors have “open book” access to our partners’ records?
11. Governance: do we have a robust and transparent audit trail to justify our selection of our partner?
13. The key partnerships for Middlesbrough Council were identified as:
 - Mouchel – Service Middlesbrough
 - Local Strategic Partnership (LSP)
 - Stockton/Middlesbrough Regeneration
 - Childrens Trust
 - Bus Partnership & Tees Valley Bus Network
 - Groundwork South Tees
 - Middlesbrough Environmental City
 - Tees Community Equipment Service
 - Middlehaven Regeneration Project
 - Tees Valley Unlimited (TVU)
14. The assurance arrangements are robust for the majority of all the partnerships reviewed but there is scope to improve the supporting documentation, formalise agreements and extend the monitoring of outcomes.

Other Developments

15. The Council implemented a number of other developments designed to ensure improvements in risk management, performance, financial management and governance, as set out below:
 - Continuation of the programme of training for Service staff.
 - Review of the Risk Management strategy – October 2007
 - Testing of the Business Continuity plans across the authority – autumn 2007
 - Revision of the Risk Management Manual – October 2007
 - Revised the strategic risk guidance in relation to the Local Strategic Partnership
 - Project Management framework developed. The framework will improve the processes for identifying, approving, managing projects and outcomes and exit strategies.
 - A new VFM team and further training for staff in all services have strengthened the Council’s approach to Value for Money (VFM).
 - Integration of equal opportunities and diversity into the performance management framework with devolution of responsibility to services.
 - Continuation of the improvements in performance with two thirds of Performance Indicators consistently above average and three quarters of those staying the same are at maximum level.

- Training the members of the Audit Committee
- In April 2007 Middlesbrough Council was the first authority in the North East to achieve the Investors in People Award for elected members under the new criteria.
- The Council is also a signatory to the IDEA North East Charter on Member Development. The assessors' report stated 'Middlesbrough is probably one of the most advanced authorities in the region in the way the Executive Members work with the Mayor and how their development is linked to annual appraisals of their particular portfolio'.

16. The Standards Committee also continued to contribute to the improvement of the control environment within the Council by considering the following key items:

- Implementation of a Members Induction Programme in 2007 to provide comprehensive and detailed training programme for Members
- Provision of information to the National Standards Board based on alleged breaches of the Member Code of Conduct and their resolution
- Considering and approving the Member Development Strategy
- Monitoring of Corporate Complaints and Ombudsman complaints.

Significant Internal Control Issues

17. Members are asked in particular to note the 'Significant Internal Control Issues', which had been raised in the 2006/2007 statement and the actions taken during 2007/2008 to address them.

18. Also within the 'Significant Internal Control Issues' section the following areas of concern which arose during 2007/2008 have been highlighted along with the action plans in place to address them:

- Town Centre Heritage Initiatives - Historic Lottery Fund. Internal Audit identified significant issues in the process and procedures being followed in these regeneration schemes.
- Partnership Assurance Arrangements - Whilst all significant partnerships have robust governance arrangements there are some smaller, older partnerships which need to be improved.

FINANCIAL CONSIDERATIONS

19. None.

RECOMMENDATIONS

20. It is recommended that Members approve the Annual Governance Statement 2007/2008.

21. It is recommended that Members note in particular the reported internal control issues' section within the statement and summarised in paragraph 18.

REASONS

22. The recommendations are supported by the requirement to comply with Regulation 4(2) of the Accounts and Audit Regulations 2003, which requires English authorities to “conduct a review at least once a year of the effectiveness of its systems of internal control.” An Annual Governance Statement must now be included within the Statement of Accounts 2007/2008.

BACKGROUND PAPERS

- Accounts and Audit Regulations 2003
- Delivering Good Governance in Local Government Framework and guidance
- Service Assurance Statements
- Closure of accounts working papers

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