

Section 2: Corporate Governance Statement

CORPORATE ASSURANCE STATEMENT 2008/ 2009

SCOPE OF RESPONSIBILITY

Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Middlesbrough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, Middlesbrough Council is also responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of the Council and Teesside Pension Fund functions including arranging for the management of risk.

Middlesbrough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. A copy of the code is on the Council website at www.middlesbrough.gov.uk or can be obtained from Legal Services, Middlesbrough Council, Town Hall, Middlesbrough, TS1 2QQ. This statement explains how Middlesbrough Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risk to the achievement of Middlesbrough Council's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised, and;
- manage them efficiently, effectively and economically.

The governance framework has been in place within Middlesbrough Council and Teesside Pension fund for the year ended 31st March 2009 and up to the date of approval of the annual report and accounts.

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THE CORPORATE GOVERNANCE ENVIRONMENT

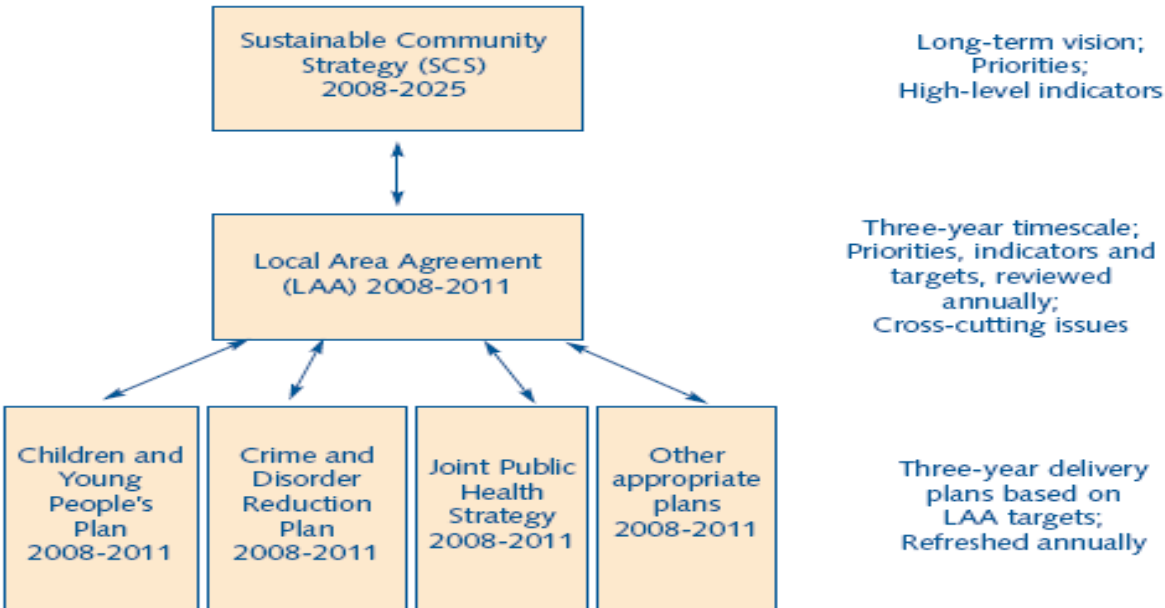
In January 2004 the members of Middlesbrough Council approved “The Code of Corporate Governance”. The code has been reviewed and updated to incorporate the Corporate Governance framework set out in the CIPFA/SOLACE document “Delivering Good Governance In Local Government”. The new Framework comprises six core principles that support the governance of the Council. These core principles of the corporate governance environment, which underpin the credibility and confidence in the Council and the Teesside Pension Fund are set out in this document

Core Principle 1: Focussing on the Council’s purpose and on outcomes for its citizens and creating and implementing a vision for the area:
Good governance ensures that the Council fulfils its purpose and achieve the intended outcomes for its citizens and service users and that it operates in an effective, efficient, economic and ethical manner. The Council has therefore developed a clear vision of its purpose and intended outcomes, which is communicated both within the authority and to external stakeholders.

Middlesbrough Councils Ambition And Prioritisation

Middlesbrough Council and its partners have a well established, clear and ambitious long-term vision for the town, which is articulated in a number of key strategy documents, mostly recently the Local Area Agreement (LAA) 2008. The LAA takes as its starting point the Sustainable Community Strategy 2008. As well as the overall vision for the town, the LAA identifies its strategic priorities, priority outcomes and associated indicators and targets. Both the Sustainable Community Strategy and the LAA are structured around outcomes and targets reflecting both local needs and national priorities.

The diagram below outlines the relationship between the key local strategic plans.



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The Council is one of only 13 in the country operating a directly elected mayoral model. The Mayor was elected in May 2002 and re-elected for a second term in May 2007. The Mayor supported by the Council's executive and non-executive Councillors has set the "Raising Hope" agenda for change. The Sustainable Community Strategy 2008 is based on the "Raising Hope" agenda. The key elements or pillars of the agenda are:

- a clean, safe environment in which people can go about their business without fear of crime and anti-social behaviour;
- physical regeneration of the town's run-down sites and buildings;
- a business-friendly enterprise culture which welcomes would-be investors;
- a transport network which can meet the needs of a town on its way up.

Education and care for young people and support to vulnerable people in the town provide a foundation for these pillars

Core Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Elected members are collectively responsible for the governance of the Council. The Local Government Act 2000 introduced new executive arrangements whereby full Council following proposals from the Executive agrees the Council's policy framework, budget and key strategies. The Executive, which comprises elected members, is responsible for implementing them and is responsible for exercising all functions of the Council except to the extent they have been categorised as non-executive functions (e.g. planning, licensing, elections and other miscellaneous functions). This effectively separates decision-making and scrutiny of those decisions. The Chief Executive, Section 151 officer, Monitoring Officer and other senior managers are responsible for advising the executive and scrutiny committees on legal, financial and other policy considerations.

Executive Roles:

The Mayor has a mixed party Executive of eight, holding the following portfolios, which are focused on the delivery of the Council's priorities:

- Deputy Mayor / Regeneration and Economic Development
- Streetscene Services
- Transport
- Social Care
- Public Health and Sport
- Children, Families and Learning
- Community Protection
- Resources.

Clear Policy and Decision Making:

The Council has in place clearly documented and understood management processes for

- policy development, implementation and review,
- decision-making,
- monitoring, control, and reporting.

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It also has formal, procedural and financial regulations to govern the conduct of the authority's business. These processes are detailed in the following documents:

- Constitution
- Scheme of Delegation to Officers
- Financial Procedure Rules
- Terms of reference for the Independent Allowances & Remuneration Panel
- Scheme of Delegation to Individual members of the Executive
- Executive Members Performance Management process guidance
- Formal scrutiny process guidance
- Terms of reference for the Independent Teesside Pension Fund panel

Ensuring Compliance with Council Decisions, Rules and Regulations:

Like all local authorities, Middlesbrough operates within a statutory framework, which governs the behaviour of elected members and officers. The following officers also have a specific duty to ensure that the Council acts within the law and uses its resources wisely:

- Chief Executive (Head of Paid Service)
- Monitoring Officer (Head of Legal Services)
- Director of Resources (Section 151 Officer)

Regular reviews by the Council of progress against its corporate plans / objectives:

- Middlesbrough Council Strategic Plan (by 30 June annually);
- Summary Performance Plan (by 31 March annually);
- The delivery plan for the Sustainable Community Strategy is reviewed annually;
- Comprehensive Performance Assessment (CPA review(s)/Comprehensive Area Assessment (CAA);
- Annual Statement of Accounts.

An Annual Report will be published for 2008/2009 by the Council, which will set out the key achievements during 2008/2009 and what is planned for 2009/2010 along with financial statements and capital investment summaries.

Value For Money

The need to be efficient and provide value for money has long been a necessity for Middlesbrough. The Council continues to secure significant cost reductions and achieves good value for money by balancing costs, service quality and working environment. The Council has been one of the most successful in the country in achieving value for money savings and re-investing them into front line services. It is continuing to develop and build on existing value for money methodologies, structures and processes. These are outlined in the Council's Value For Money strategy.

The following activities are being undertaken to improve value for money across the Council:

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- The identification of growth and savings through the budget process; - Savings targets and growth proposals for each service area are presented annually to the Executive as part of the budget process and the setting of the Medium Term Financial Plans.
- Value for money reviews - capturing efficiency gains through a targeted efficiency programme.
- The Council's corporate procurement strategy is underpinned by the principles of value for money to ensure effective corporate procurement mechanisms;
- Reviewing partnership opportunities within services; – Partnership arrangements provide value for money through efficiency savings.
- Performance management (including corporate and business planning and risk management).
- An efficient organisational structure maintained through the active management of staffing costs and information.
- Benchmarking exercises with similar authorities to identify areas of potential improvements.
- An effective training programme to embed the value for money culture across the Council.
- Effective scrutiny via scrutiny panels, budget and performance clinics.
- Value Money Team established to support services in carrying out reviews and delivering savings

Partnerships

Modern local government is built around partnership working and Middlesbrough is no exception. As a comparatively small town, relationships between partners are generally close and there is a well established and understood common agenda enshrined in key documents, particularly the Sustainable Community Strategy and Local Area Agreement.

At the local level, the Local Strategic Partnership (LSP) is the key partnership. The LSP brings together agencies and stakeholders from all sectors of the community. There is a strong partnership with the University and the voluntary and community sector, which are keen to support the LSP. The aspirations of the partnership, which are based on shared national and local government priorities, complement the Mayor's vision. The shared priorities are:

- Safer communities;
- stronger communities;
- children and young people;
- adult health and well-being – tackling exclusion and promoting equality;
- local economy;
- environmental sustainability.

The LSP is divided into action groups, which mirror the priority themes of the strategy. The action groups take overall responsibility for delivery of the relevant actions and targets in the strategy, with each partner organisation playing its particular role. The Council has a well thought out, thorough approach to the partnership, with a firm focus on the Council's priorities.

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The Council has a significant partnership with the private sector firm – Mouchel, which provides the following services to the Council

➤ Accountancy	➤ Human Resources
➤ Pensions Admin	➤ Debtors
➤ Council Tax & NNDR collection	➤ Creditors
➤ Information Technology	➤ Payroll
➤ Housing & Council tax Benefits	➤ Service Admin Support
➤ Property Management	

There are formal monitoring arrangements in place to measure performance as well as investment.

Monitoring and Reporting Management Performance

Performance management reporting has now become part of the regular quarterly monitoring process of the Council. Services are required to report progress against national Key Performance Indicators as well as locally set improvement targets.

Improvements in Performance Management during 2008/2009 have included:

- Strengthening of Local Strategic Partnership performance management framework to monitor and review improvement targets set out in the Local Area Agreement through partnership accountability, collaboration and challenge.
- Review of quarterly Performance Clinic process and strengthening of report structure and content to better demonstrate achievement of priority outcomes and to identify and address potential areas of under performance.

Improvements for Performance Management planned for 2009/2010 include:

- Further develop the performance management framework to ensure detailed knowledge of our communities is driving forward performance outcomes.

Core Principle 3 – Promoting high standards of conduct and behaviour across the Council

The Council recognises that good governance is underpinned by shared values and demonstrated in the behaviour of its members and staff. The Council's values (the way in which we will work for the community in pursuing our aims) are set out in our Strategic Plan. The standards of conduct and behaviour expected of members and officers are clearly set out in the codes of conduct for members and for officers. Training programmes for both members and staff support this.

The Council established a Standards Committee in 2005/06, which makes a significant contribution to internal control. The Committee identifies key items, which will have an impact on the Council's overall performance, financial management, risk management, and governance. Some of the key items addressed in 2008/09 are set out below.

- Review of the Interest/Register of Gifts and Hospitality
- Review of Gifts and Hospitality Policy
- Review of Member/Officer Protocol

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- Implementation of an Information Protocol in relation to requests for information by elected Members.
- Considered and approved the Member Development Strategy 2008/2009
- Considered and agreed the proposals for publicising the new arrangements for receiving complaints against councillors and co-opted members
- Monitoring of Corporate Complaints and Ombudsman complaints

Core Principle 4 – Making transparent decisions which are subject to scrutiny and risk management

The Council recognises that all Council decisions are potentially subject to legal challenge and that it needs to be able to successfully defend such challenges. In order to do so the Council must be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations whilst ignoring any irrelevant considerations. Scrutiny committees, which comprise non-executive members, can question and challenge the policy and performance of the Executive, and also the Council's policy and performance in respect of non-executive functions. Members and officers must therefore have all relevant information before them, including the outcome of any constructive scrutiny and a detailed assessment of the risks to ensure that Council resources are used legally and efficiently.

Scrutiny Function

The scrutiny arm of the Council has been widely recognised for the quality of its work and is led by the Overview and Scrutiny Board, comprising the chair plus 12 members.

The structure of the scrutiny function complements the Council's priorities and the executive portfolios. The following panels report to the Board:

- | | |
|---------------------------------------|------------------------------|
| ➤ Children and Learning | ➤ Ad Hoc Panels as required |
| ➤ Community Safety and Leisure | ➤ 'Call In' (when initiated) |
| ➤ Environment | ➤ Health |
| ➤ Economic Regeneration and Transport | ➤ South Tees Health |
| ➤ Social Care and Adult Services | ➤ Tees Valley Joint Health |

Robust Risk Management Processes

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during 2008/2009. Major developments over recent years have included: -

- Amendment of the Council's scheme of delegation to include
 1. The role of "Risk Management Champion" in the portfolio of the Deputy Mayor.
 2. "Issues relating to Corporate Risk Management" in the responsibilities of the Executive.
- The Chief Executive has adopted the responsibility for Risk Management.

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- Expansion of the Risk Champions group to include the appointment of Risk champions within each Service area, and regular meetings of the group to co-ordinate and promote risk management across the authority.
- Detailed Risk Management training for Service Risk Champions, leading to them achieving an intermediate-level qualification in the subject.
- Formal Risk Awareness training for all Members.
- Establishment of an intranet site providing access to risk management documents, information, and guidance.
- Review of the Risk Management strategy (October 2008)
- Development and review of Business Continuity Plans and Flu Pandemic Plans across the authority
- Revision of the Risk Management toolkit (October 2008)
- Revised the strategic risk guidance in relation to the LSP
- Management via a computerised Risk Management system including the benefits of data entered once and used many times
- Addition of Risk Management Awareness training to the Corporate Annual Training Programme (This is available to all staff across the Council.)

The Internal Audit Function

The effectiveness of internal control is audited and assessed by the internal audit function under the direction of the Director of Resources and in accordance with prescribed codes of practice.

Internal Audit provides management with assistance and independent guidance on systems, processes and risks and through its work forms a view on the strength of the component controls and the overall control framework.

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, which require the maintenance of adequate and effective systems of internal audit of accounting records and control systems, and full assistance from officers and members in the provision of documents, records, information and explanation to enable the proper fulfillment of those audit responsibilities. The work of the section reflects professional best practice, is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

The internal audit function, which works closely with the external auditor, and undertakes a planned programme (covering all the Councils activities) which is approved by the Audit Committee. The programme includes independent reviews of the systems of internal control and risk management.

The overall objective of Internal Audit is to provide an independent and objective appraisal function, and review and report upon the overall system of internal control. This work encompasses both operational and developing systems. Through this responsibility Internal Audit:

- Facilitates good practice in managing risks;
- Contributes to ensuring sound resource management;
- Recommends improvements in control, performance and productivity;

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- Provides reassurance and challenge to managers;
- Encourages development of consistent policies and high standards;
- Assists in the impartial investigation of irregularities and policy breaches;
- Supports the achievement of statutory and best practice requirements.

The Director of Resources has line management responsibility for the Internal Audit Manager. The Internal Audit Manager has independent, direct access to the Chief Executive and other Directors and also has well established reporting lines to members.

The Internal Audit Manager reports audit findings to Heads of Service and action is agreed to address these findings as necessary. Each Head of Service is responsible for operating systems of internal control within their area of responsibility, that will provide reasonable assurance of effective and efficient operations, reliable information and compliance with laws and regulations. A report on audit activity together with details of internal audit is made regularly to the Audit Committee.

Internal Audit has concluded overall, based on the findings of work undertaken at Middlesbrough Council, that there are sound systems of internal financial control in place. A number of areas for improvement have been identified and will be implemented on an agreed and phased basis subject to the assessed level of risk.

Effective Audit Committee.

A major development, to strengthen the internal control system, was the establishment of an Audit Committee in June 2007. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. To achieve these aims, the committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, plus review of summary internal audit reports, and seeking assurance that action has been taken as necessary;
- Consider where appropriate the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken on risk related issues identified by auditors and inspectors;
- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;
- Reviews the Council's controls on Data Quality processes .

Strong Financial Management

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a structure of delegation and accountability. Internal financial controls include:

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- The establishment of key controls within the accounting systems of the Council;
- A robust system of budgetary control including formal quarterly and annual financial reports which indicate financial performance up to year end and include action plans for dealing with pressure areas;
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets;
- A clear and concise capital appraisal process for prioritising and approving all capital projects;
- Adherence to Prudential Indicators approved by Council to ensure the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers in partnership with IPF;
- Participation in the National Fraud Initiative and subsequent investigations;
- Membership of the North East Fraud Forum and National Anti-fraud Network;
- Mouchel, the Councils Strategic Partner, delivers a significant element of the Councils financial processes. The process and discipline of internal controls is also applied to the activities of Mouchel.
- The role out of a corporate procurement strategy to all services, and review of procurement levels during 2008/09.
- Ongoing training for Council and Mouchel financial and support staff on the Procurement / Debtors / Budget Management / Asset Management / Grant monitoring procedures. Extra resources have been provided to ensure the continuous provision of a range of SAP courses for all new starters and staff changing jobs.
- Provision of a Project Management training course for all new budget managers In partnership with Aim for Excellence;
- A Business Case Development / whole of Life Costing Course training course for relevant managers was initiated in March 2009.

Core Principle 5 – Developing the capacity of members and officers to be effective:

The Council needs people with the right skills to direct and control staff. The Council needs to draw on the largest possible pool of potential members to recruit people with the necessary skills. The Council's learning and development needs are met through training, e-learning and other methods delivered in accordance with the Middlesbrough Council People Strategy to ensure members and employees have the necessary skills and knowledge to be effective in carrying out their responsibilities.

The People Strategy links the Council's vision, values and priorities with national and regional challenges. It has been developed to ensure that the workforce and members are fit for the future, well equipped to shape the town and able to deliver excellent services to the people of Middlesbrough. The People Strategy is comprised of three separate documents:

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- Part One – the People Strategy
- Part Two – the Corporate Workforce Plan and Corporate Workforce Learning & Development Plan
- Part Three – the Workforce Profile

The plans are reviewed and updated annually to accommodate any relevant changes to the Councils workforce. The Council achieved the Investors in People Award on a corporate basis for the first time in October 2008.

The standards and ideals expressed in the People Strategy are also used as guiding principles for partnership working.

Increasing capacity through Councillor development is also given a high priority and 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.*'

Core Principle 6 – Engaging with local people and stakeholders

The Council is committed to engaging with its citizens. Community participation and engagement is essential to secure sustainable improvement in public services and to engage citizens in the public decision making processes that affect their lives. There is a range of consultation and engagement mechanisms to identify local people's views and priorities, from Community Councils and Neighbourhood Forums to regular and comprehensive surveys. The Council is responsive to local views and is particularly sensitive to the needs of vulnerable people. Planning recognises local needs in more disadvantaged areas. There are Neighbourhood Action Plans for the 14 most deprived (NRF) areas, based on the needs of each area and produced through Neighbourhood Management Steering Groups.

The Community Consultation Strategy

The Community Consultation Strategy outlines the way the Council consults and engages with the local community and citizens in making decisions that affect their lives, consistent with Central Government and Council objectives and professional and ethical standards.

The Community Engagement Framework & Consultation Toolkit

The Community Engagement Framework and Consultation Toolkit documents provide the overarching framework for community engagement in Middlesbrough together with a best practice guide. The framework and toolkit helps partnership organisations including the Council to effectively engage with the community

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REVIEW OF EFFECTIVENESS

Middlesbrough Council

Middlesbrough Council has responsibility for conducting, at least annually, a review of the effectiveness of the corporate governance arrangements and the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of Internal Audit and the statutory officers within the authority who have a responsibility for the development and maintenance of the internal control environment, and also by comments made by our external auditors and other review agencies and inspectorates. In determining the effectiveness of the system of internal control review activities have been undertaken by a number of parties. These include:

- The authority
- Statutory officers
- The scrutiny panel process
- Internal Audit
- External audit
- Other inspection and review agents
- The executive
- The audit committee
- The standards committee

For the year under consideration, the key internal assurance work has been provided through Internal Audit as reported earlier in the statement.

The Council has 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 Team is responsible for managing the process by which the annual review of corporate governance is conducted. The audit committee is responsible for reviewing the findings of the draft Governance Statement and advising the Council on matters it wishes to draw to the Council's attention.

All Service Directors and Heads of Service participate in the annual review of Corporate Governance by completing a service assurance statement. Where areas for improvement have been identified within services, Heads of Service have a duty to ensure the improvement action plans are acted upon.

Partnerships

Middlesbrough Council produces a set of group accounts, which are included within its overall Statement of Accounts. The group accounts include other organisations in which the Council is deemed to have control, either by the level of shareholding or other means, significant enough for the organisation to be considered part of the overall group. From 2006/07 onwards, the Accounting Code of Practice on Local Authority Accounting in Great Britain 2006 and the Statement of Recommended Practice require the statement to be extended to cover group activities. There are four organisations at 31 March 2009 whose accounts are either included in full or in part in the Council's group accounts as set out below, and whose significant activities therefore fall under the Corporate Governance Statement:

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- Hustler Playing Fields Trust
- CADCAM

The two organisations have completed a service assurance statement for 2008/09, and none of them have identified any issues, which need to be separately reported in the Annual Governance Statement

A review of the Council's partnership arrangements was undertaken using the CIPFA partnership matrix to identify which are key to its operation, and which minor. The key partnerships for Middlesbrough Council are identified as:

Contractual

- Mouchel – Service Middlesbrough
- Housing Partnerships, e.g. Fabrik

Strategic

- Local Strategic Partnership (LSP)
- Children's Trust
- Tees Valley Unlimited (TVU)
- Safer Middlesbrough Partnership
- Joint Emergency Planning Unit

Partnerships delivering major projects

- Stockton/Middlesbrough Initiative
- Middlehaven Regeneration Project

Delivery Partners

- Bus Partnership & Tees Valley Bus Network
- Groundwork South Tees
- Middlesbrough Environmental City
- Tees Community Equipment Service
- Healthy Towns Initiative
- West Middlesbrough Neighbourhood Trust (WMNT)

The involvement of Members and officers varies, as does the operational, monitoring and reporting arrangements, which are different for each type of partnership. The assurance arrangements are robust for all of the partnerships.

External Reviews

The following external organisations have undertaken reviews in 2008/09 of specific Council services

- Benefit Fraud Inspectorate
- DWP Annual Benefit Review Team
- Benefits ISO 9000/2000 Assessment
- Customer Excellence Award (formerly charter mark) for Housing Benefits
- Education - Annual Performance Assessment (OFSTED & CSCI)
- Children's Service (CSCI Fostering inspection),
- Inspection of Adult Education (OFSTED)

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- Gleneagles (OFSTED)

None of the other reviews identified any significant areas of concern, however, the relevant service departments will be implementing the action plans resulting from the reviews over 2009/2010.

The following major reviews are due during 2009/10:

- Audit Commission Inspection (formerly Benefit Fraud Inspection)
- DWP Annual benefit review
- Benefits ISO 9000/2000 Assessment
- Customer Excellence Award for Council Tax
- Inspection of Adult Social Care" (CSCI).
- Education - Annual Performance Assessment (OFSTED & CSCI)
- Children's Service (CSCI Fostering inspection),
- Gleneagles (OFSTED)
- OFSTED Safeguarding Visit

Matters raised by our external auditors have been addressed as they have arisen during the course of the year. The advice will be reflected in the Audit and Inspection letter, which will be issued during 2009/10.

SIGNIFICANT GOVERNANCE ISSUES

The Internal Control environment has highlighted, at the end of 2008/2009, a number of areas of concern requiring improvement and / or careful monitoring. CIPFA guidance on the definition of a "significant internal control issue" (in relation to the Accounts & Audit Regulations 2003) has been used to identify appropriate issues for inclusion within this statement

Areas requiring Improvements 2007/2008 Statement	Action Taken /planned 2008/2009
<p>Town Centre Heritage Initiatives - Historic Lottery Fund. Internal Audit identified significant issues in the process and procedures being followed in these regeneration schemes.</p>	<ol style="list-style-type: none"> 1. Control Checklist has been drawn up 2. All projects both live and closed are now assessed against the control checklist 3. Omissions are pursued in order to ensure all key processes are followed correctly and fully documented 4. Stronger management controls and checking procedures have been implemented.
<p>Partnership Assurance Arrangements Not all partnerships have arrangements in place, which identify the aim of the partnership, the monitoring processes and the expected outcomes that are understood and agreed by all parties.</p>	<ol style="list-style-type: none"> 1. A partnership health check has been developed and implemented to establish the level of consensus between partners in significant partnerships. 2. Work has been ongoing with partnership members to ensure key documentation is developed and agreed. 3. The risk register has been reviewed in relation to partnerships and issues arising from them. 4. The review of partnership arrangements with all Members has commenced and is ongoing.

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The following control issues requiring attention were also identified during 2008/09, but a number of the actions will not be fully implemented until 2009/10

2008/2009 Areas requiring Improvements	Action Taken /planned 2009/2010
Working Neighbourhoods Fund Reduction in the controls in respect of the commissioning and monitoring of schemes with outside bodies	<ol style="list-style-type: none"> 1. Flowchart documenting all stages of commissioning and management process completed. 2. Revised templates produced to document finances/outcomes/milestones and reporting requirements 3. Schedule of visits drawn up and agreed with outside bodies. First visits started in April 2009 4. Future budget clinics reports will include progress on output/outcomes along with spend.
Weaknesses in the monitoring on Supporting People grant Inadequate record keeping putting the council at risk of potential grant clawback.	<ol style="list-style-type: none"> 1. The roles and responsibilities of key staff documented and agreed; 2. Monthly meetings between supporting people and finance staff are now taking place; 3. Additional checks by senior managements have been implemented.
Submission of Grant Bids There is evidence of weaknesses in authorisation and approval procedures within services	<ol style="list-style-type: none"> 1. Report to CMT emphasizing the authorisation requirements for grant bids and grant claims. 2. Checklist produced and used by services to ensure sign off by finance of all submissions.

Officer and Member Review

On the basis of the self-audit processes and effectiveness reviews carried out to date, we are satisfied that, except for the areas of concern listed above, the Council's corporate governance procedures, including the systems of internal control, are adequate and are operating effectively.

We are satisfied that the Council's management arrangements, supplemented by the continued officer and Member involvement in the corporate governance processes, will address the required improvement and continue to review their development and effectiveness on an ongoing basis.

Signed:

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 (Mayor)

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 (Chief Executive)

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 (Director of Resources)