

MIDDLESBROUGH COUNCIL

AGENDA ITEM 4

COMMITTEE REPORT

CORPORATE AFFAIRS AND AUDIT COMMITTEE

30 JUNE 2014

Annual Governance Statement 2013/2014

Paul Slocombe, Chief Finance Officer

PURPOSE OF REPORT

1. To present to members the Annual Governance Statement 2013/2014.

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 Annual Governance Statement (AGS). The 2007 Society of Local Authority Chief Executives (SOLACE) /Chartered Institute of Public Finance and Accountancy (CIPFA) publication a Framework for Delivering Corporate Governance in Local Government is used by 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.
3. 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;

4. The Middlesbrough code was reviewed and updated to incorporate the Corporate Governance framework in 2008.

5. 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:

6. Under the 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 has a Corporate Governance Team comprising: The Director of Legal & Democratic Services (now Assistant Director Organisation & Governance, Assistant Director of Finance, Policy and Improvement Manager, Internal Audit Manager, and Insurance Manager. The Governance Team is responsible for managing the process by which the annual review of corporate governance is conducted.

7. 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.

8. The statement relates specifically to the governance arrangements as applied during the 2013/2014 financial year.

Partnerships

9. Middlesbrough Council operates in conjunction with more than 100 partners in a range of contractual, strategic, project and delivery arrangements. As a comparatively small town, relationships with partners are generally close and there is a well established and understood common agenda enshrined in key documents, particularly the Joint Health and Wellbeing Strategy.

Significant Internal Control Issues

10. Members are asked in particular to note the ‘Significant Internal Control Issues’, which had been raised in the 2012/2013 statement and the actions taken during 2013/2014 to address them.

- Payroll: A control error in the payroll system resulted in a significant overpayment to one member of staff.

This problem was immediately rectified. The overpayment was quickly repaid in full, the SAP system was immediately reprogrammed and tested to ensure that a reoccurrence could not happen again.

- Foster Carers System: Significant issues identified in the IT system used to pay the Councils in-house foster carers.

Additional IT support was provided to alleviate the short term risks. A replacement IT system has been purchased. Full implementation of the new system was planned for 2013/2014 and whilst testing has been undertaken it will not go live until 2014/2015.

11. Also within the 'Significant Internal Control Issues' section the following area of concern which arose during 2013/2014 have been highlighted along with the action plans in place to address this:

- Coroners Service: Overall weaknesses in the control environment within the financial systems currently being used by the Coroners Service.

Actions have already been implemented, such as staff training, which will improve the weaknesses identified in the overall control environment.

FINANCIAL CONSIDERATIONS

12. None.

RECOMMENDATIONS

13. It is recommended that Members:

- a) Consider the Annual Governance Statement 2013/2014.
- b) Note the reported internal control issues section within the statement.

REASONS

14. 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 be included within the Statement of Accounts 2013/2014.

AUTHOR

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