

COMMITTEE REPORT

CORPORATE AFFAIRS AND AUDIT COMMITTEE

25 JUNE 2015

Annual Governance Statement 2014/2015

Paul Slocombe, Chief Finance Officer

PURPOSE OF REPORT

1. To present to members the Annual Governance Statement 2014/2015.

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. Corporate governance issues are addressed through the following group of officers: The Assistant Director Organisation & Governance, The Deputy Chief Finance Officer, The Head of Performance and Partnerships, Audit and Assurance Manager and Insurance Manager. This group 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 above officers of the effectiveness of the Council’s systems of internal control and governance arrangements.
8. The statement relates specifically to the governance arrangements as applied during the 2014/2015 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 2013/2014 statement and the actions taken during 2014/2015 to address them.

Coroners Service

11. Weaknesses in the control environment within the financial systems being used by the Coroners Service were identified. These weaknesses have been significantly

rectified by providing appropriate Coroners staff SAP refresher courses. Coroners staff are now using the financial management system and an improved system of internal control is now in operation.

12. Also within the 'Significant Internal Control Issues' section the following areas of concern arose during 2014/2015 have been highlighted along with the action plans in place to address this:

Project Management

13. The existing project management governance arrangements do not currently help support the Council's vision and objectives as there is no effective overall programme management of the Council's portfolio of capital projects.

Middlesbrough Manager

14. The successful roll out and adoption of Middlesbrough Manager is key to ensuring that Middlesbrough Council has an effective governance structure. Whilst the programme was at too early a stage to carry out a compliance audit during 2014/15, this will be an area requiring internal audit input during 2015/16 to confirm that the programme is operating as intended.

FINANCIAL CONSIDERATIONS

15. None.

RECOMMENDATIONS

16. It is recommended that Members:
 - a) Consider the Annual Governance Statement 2014/2015.
 - b) Note the reported internal control issues section within the statement.

REASONS

17. 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 2014/2015.

AUTHOR

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