

CORPORATE GOVERNANCE REPORT FOR THE POLICY AND RESOURCES COMMITTEE

Reviewed and Resolved at Council 15th March 2016 (Minute 116)

Introduction

Corporate governance is defined as *"a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers"*

Corporate governance is about doing the right things in the right way. It's about demonstrating accountability and transparency in our actions and decisions. It affects us all.

The Audit Commission has defined corporate governance in the public services as *"the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives". It therefore requires "robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public"*.

Responsibility for Financial Management

The Council is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. The Council must conduct a review at least once a year of the effectiveness of its system of internal control. This review must be considered by the Council and they must approve an annual governance statement prepared in accordance with proper practices in relation to internal control and accompanied by the Accounting Statements.

Governance and Accountability

It is the responsibility of small bodies (the Council) to put in place proper arrangements to ensure the proper conduct of their financial affairs, and to monitor the adequacy and effectiveness of those arrangements in practice. Small bodies are required to maintain proper accounting records and control systems and to maintain an adequate system of internal audit of those accounting records and control systems.

Small bodies meet their responsibilities by preparing and publishing, and providing the auditor with, the accounts prepared for the financial year, together with such additional information and explanation as is necessary to provide sufficient evidence that they have maintained adequate systems of internal control and internal audit throughout the financial year. With the relaxation of the two signature rule, such proper arrangements to ensure proper conduct of financial affairs is even more crucial.

The Council maintains and regularly reviews its Corporate Governance, Financial and Physical Risk Assessment, Standing Orders and Financial Regulations.

The Annual Return

The Council must submit an Annual Return in accordance with proper accounting practices. The Annual Return:

- Reports the annual statement of accounts as approved by the Council
- Certifies that the Council has discharged its statutory duties in relation to its financial affairs
- Records that the external auditor has fulfilled their statutory responsibility
- Informs the local taxpayer and elector about how their council has operated during the last financial year
- Informs government and other stakeholders about the activity of local councils

Annual Governance Statement and Financial Risk Register

Leigh-on-Sea Town Council has the responsibility to adhere to the guidelines. Specifically the Town Council has to consider the 8 statements below and to consider how it manages them (see the tables supporting each statement).

1. The Council has put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements with the specific control measures outlined below.

Risk Area	Further Definition	Action Taken	Further Actions Required
Legal	HMRC regulations	Followed Real Time Information requirements throughout year and at year end Salary Provision outsourced to External Expert Provider.	
	Pensions DWP regulations for	Council is a Member of LGPS administered by ECC.	Dispensation Polices approved in September 2014
	Incurring expenditure without legal authority	Financial Regulations reviewed in March 2016	All payments made in accordance with Financial Regulations and Standing Orders
	Failure to use funds under appropriate powers	Hold General Power of Competence	
	Laws, regulations and codes of practice	Training on Code of Conduct undertaken by clerk.	Keep up to date with any changes in law – responsibility of Clerk to advise Councillors, but also for Councillors to keep abreast of changes.

2. The Council has maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness with the specific control measures outlined below.

Risk Area	Further Definition	Action Taken	Further Actions Required
Budget	Over/Under budgeting	Variance Spreadsheets as currently prepared.	Two Monthly report to Committees and Council, Reviewed by Councillors
		Budgets prepared in accordance with Financial Regulations.	Must now budget for at least 3 years forecast ahead as per new Financial Regs. All Committees to consider 3 year forecast when considering budget cycle.
		Project Budgeting	Continue to assess and review Committees projects on an annual basis together with forecasts of major expenditure and income over next 3 years.

Fraud, theft, loss	Internal Audit review	Internal Audit	Assess internal audit findings and take action to ensure they are addressed. Council reviews scope of Internal Audit on an annual basis.
	Stock Control Of Materials in LCC & LTC	We have introduced stock control. Head Caretaker responsible for stock control of LCC and Senior Administrator in respect of LTC stock	Regular checks made and recorded, then checked on a regular basis at least monthly.
	Procurement	Procurement undertaken in accordance with Financial Regulations and Schemes of Delegation under preparation.	Council reviews outturn against Budget Heads. Extension of Scheme of Delegation to non-discretionary budgets.
	Cheques and other payment methods	Most payments continue to be made by cheque with two signatures. Where BACS or direct debit introduced, the mandate or payment approval schedule is signed by two Councillors.	Council to review and approve Direct Debit mandates on a yearly basis.
	Payment authorisations	Clerk has authority to make payments of up to £500 within budget, Senior Administrator makes payment, not Clerk to ensure appropriate checks and balances.	Review cash amounts annually at time of insurance renewal to ensure adequate cover.
Handling and Holding	Cash	Reviewed cash holding/handling and discussed with internal audit. Value of cash holdings for banking in a single transaction are adequately covered on insurance policy	
	Receipts	All cash into the office is receipted.	
	Bad Debts	Policy written	Bad debts are submitted to P&RC for write off.
	Bank recon	Undertaken monthly by Senior Administrator	Councillor other than the Chairman or Vice Chairman of P&RC appointed to undertake quarterly reconciliation.

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	Officer's decisions	New Legislation requires Officer's decisions to be published	Published as required and reported to relevant Committee.

3. The Council took all reasonable steps to assure itself that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of the Council to conduct its business or on its finances.

See legal risks as above.

4. The Council has provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.

Risk Area	Further Definition	Action Taken	Further Actions Required
Legal	Accounts and Audit Regulations	Advertise as per Regulations and publish accounts on the website including two monthly payment schedules for all items.	To continue to publish all payment information on the website, specifically up to date budget vs actuals. Transparency

5. The Council has carried out an assessment of the risks facing the Council and have taken appropriate steps to manage these risks, including the introduction of internal controls and/or external insurance where required. Internal controls listed below.

Risk Area	Further Definition	Action Taken	Further Actions Required
Financial		Financial Risk Assessment Register – Reviewed March 2016	To be updated regularly at least annually.
Physical		Physical Risk Assessment Programme	To be assessed regularly by Town Clerk or delegated officer in all areas of activity.
Review of risks.		Risk Assessment Policy adopted by Council and reviewed annually.	Risk Assessment reviewed on an annual basis
Insurance	Risks physical and financial.	All assets valued over last year. Annual review.	Value of cash insured (<i>as in 2</i>).

6. The Council maintained throughout the year an adequate and effective system of internal audit of the council accounting records and control systems. Controls listed below.

Risk Area	Further Definition	Action Taken	Further Actions Required
Auditing	Internal Audit	<p>Chair or Vice Chair of P&RC checks cash books, payments to suppliers, authorisations, VAT returns and petty cash and reports to P&RC.</p> <p>Quarterly reconciliation by appointed Councillor.</p> <p>Two monthly report to each committee. Variance reports assists.</p> <p>Arranged three visits from Internal Auditor per year</p>	<p>To continue to be done quarterly.</p> <p>To ensure P&RC review variance monitoring by committees.</p> <p>To continue to ensure committees review their own budgets two monthly and that members have undertaken the appropriate budget and financial training.</p> <p>Annual review of effectiveness of internal auditor carried out.</p>

7. The Council took appropriate action on all matters raised in reports from internal and external audit.

Risk Area	Further Definition	Action Taken	Further Actions Required
Audit	Internal Audit	Internal audit reports are considered at P&RC and appropriate actions taken and reported and discussed at Council.	RFO to ensure the matters raised by internal auditors are addressed.
	External Audit	Matters raised by external audit are reported to Council	To ensure the matters raised by auditors are addressed.

8. The Council has considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year end, have a financial impact on the council and where appropriate have included them in the accounting statements.

Risk Area	Further Definition	Action Taken	Further Actions Required
Accounts	Accounts are correct for the current year (RFO Auditors Accountants)	<p>Suitable accounting policies are used that are applied consistently. Accruals are taken into account.</p> <p>Year-end accounts produced in accordance with regulations.</p>	To maintain the standards required to produce the year end accounts efficiently.

The internal audit

The internal audit plan demonstrates how the audit work will provide assurance for the Council’s Annual Governance Statement. Internal audit maintains awareness of the Council’s corporate governance arrangement

Conclusion

The Council has updated its budget procedure to enable it to have more control and awareness of spending. Other risks are controlled through review of insurances, training, internal audit and review of this, and consideration of assets and reserves.