

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	17th September, 2014
3.	Title:	Annual Governance Statement 2013/14
4.	Directorate:	Environment & Development Services

5 Summary:

This report highlights an addition to the Annual Governance Statement 2013/14, to make reference to the Independent report into Child Sexual Exploitation published on 26 August 2014.

The (Deputy) Leader and Chief Executive are required to sign the AGS prior to its submission to the Audit Committee on 17 September.

6 Recommendations

SLT is asked:

- **To approve the revised 2013/14 Annual Governance Statement**
- **To note the requirement for the (Deputy) Leader and the Chief Executive to sign the statement prior to 17 September.**

7 Proposals and Details

In July 2014 the Audit Committee agreed the draft Annual Governance Statement (AGS) 2013/14.

In accordance with the Accounts and Audit Regulations, the AGS has to be published alongside the Council's audited Statement of Accounts, by 30 September each year. The Audit Committee will be receiving the accounts for approval and signing at its meeting on 17 September.

Ordinarily, there are no changes between the agreed drafts and the final versions. However, the AGS is required to reflect any significant governance issues arising up until the point it is signed, which should be as close to the same day as the signing of the accounts at the end of the external audit of the accounts (ie September).

In early 2014 the Council commissioned an independent review into child exploitation in Rotherham between 1997 and 2013.

The report resulting from the review was produced on 21 August 2014 and published on 26 August 2014. It raises a series of significant failings over time in the arrangements in place for protecting vulnerable children. The publication of the report has generated significant interest and comment at local, regional and national level.

A report of such significance must be reflected in the Council's AGS.

The proposed insert has been added to section 5.2 (p12) of the attached AGS and reference made to it in the Deputy Leader and Chief Executive Certificate (section on p13) of the AGS. These are extracted below for ease of review. The remainder of the AGS is unchanged from the version agreed by the Audit Committee in July as there have been no other significant issues requiring the Statement to be changed:

Extract from the Annual Governance Statement:

5.2 Review of arrangements 2013/14

Child Sexual Exploitation

In September 2013 the Council's Cabinet commissioned an independent inquiry into child sexual exploitation in Rotherham between 1997 and 2013, because it wanted to ensure young people are properly protected from the threat of exploitation.

The report resulting from the review was produced on 21 August 2014 and published on 26 August 2014. It raises a series of significant failings over time in the arrangements in place for protecting vulnerable children.

The Council and its partners have provided public reassurance that the services today are different, stronger and better co-ordinated. The Independent Inquiry confirms the findings of a series of recent inspections and reviews by other bodies and which have been undertaken since 2009. These have all found the Council's services have improved since being placed in formal Government intervention at the end of 2009, and continue to improve.

Notwithstanding this, the Council has agreed an action plan to address relevant issues raised in the independent report; to improve its own and multi-agency working arrangements even further, and to investigate any additional evidence indicating inappropriate actions taken by any officers or Members of the Authority.

A copy of the report and action plan can be found on the Council's website at <https://moderngov.rotherham.gov.uk/ieListDocuments.aspx?CId=415&MId=12915&Ver=4>

6 LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT

We are satisfied that this Annual Governance Statement fairly reflects the governance arrangements in place at Rotherham Metropolitan Borough Council and the operation of the arrangements during the year.

We draw attention to the reference to the Independent Review of Child Sexual Exploitation referred to in Section 5.2. The Council has put in place an action plan to respond to the weaknesses raised in the report and will monitor the implementation of the action plan, to ensure the required improvements are achieved.

7 Finance

There are no direct financial implications. Any financial implications arising from any future development of internal controls would feature in subsequent reports to Members.

8 Risks & Uncertainties

Failure to apply sound internal controls and good governance places the Council at greater risk of fraud and/or error. The Council and Rotherham could also suffer significant damage to reputation and public confidence in its services caused by any actual incidences arising out of weaknesses in its arrangements.

Failure to produce an Annual Governance Statement would leave the Council subject to criticism by the External Auditor and potential action by the Department for Communities and Local Government.

9 Policy & Performance Agenda Implications

Good governance is wholly related to the achievement of the objectives in the Council's Corporate Plan.

10 Background and Consultation

This report has been informed by the views of the Chief Executive, Strategic Directors, Service Directors, Cabinet Members and the External Auditor.

Following consideration and agreement by the Audit Committee, the Chief Executive and the Council's Leader will be asked to sign the statement before its publication in September 2014.

Contact Names:

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Appendix A

Annual Governance Statement 2013/14

APPENDIX A

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2013/14

1 SCOPE OF RESPONSIBILITY

Rotherham Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rotherham Metropolitan Borough 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 a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Rotherham Metropolitan Borough 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*.

This statement explains how Rotherham Metropolitan Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and 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. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Rotherham Metropolitan Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rotherham Metropolitan Borough Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts

3 THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

3.1 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The Council keeps up to date its corporate plan and strategy which set out what the priorities will be for the borough and how the Council aims to contribute to these.

To deliver improved quality of life and services that meet local needs, the Council works with a range of partners including local businesses, South Yorkshire Police, Voluntary & Community Sectors, and the Health Service.

3.2 Reviewing the Council's vision and its implications for the Council's governance arrangements

The Council periodically updates its vision, objectives and performance targets. Progress on key priorities is monitored and reported to Members on a regular basis.

3.3 Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.

The Council's performance management and financial management frameworks are linked through the Medium Term Financial Strategy (MTFS).

The Council's performance management system is linked to corporate priorities and reports are aligned to corporate plan priorities.

3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council operates what is known as the "strong leader" model of local government following changes arising from the Local Government and Public Involvement in Health Act 2007.

The Council's Constitution sets out how the Council operates regarding how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution sets out the basic rules governing the manner in which the Council conducts its business.

The Constitution includes a Scheme of Delegation whereby functions and decision-making responsibilities are allocated between the full Council, the Cabinet, individual Cabinet Members, regulatory boards and committees and officers.

The Council has a Member/officer protocol which has been provided to all Members of the Council and forms an appendix to the Officer Code of Conduct. The protocol encourages the effective transaction of business by setting out the respective roles of Members and officers and guidelines for good working relationships between them.

The Council publishes a Forward Plan which contains details of key decisions to be made by the Cabinet, and Chief Officers under their delegated powers.

3.5 Developing, communicating and embedding codes of conduct, defining the standards of behavior for members and staff

The Localism Act abolished the requirement for councils to have a statutory standards committee, although it is still a statutory requirement to have a code of conduct for councillors, the only stipulations being that the code when viewed as a whole must comply with the seven principles of public life (the Nolan Committee principles) and contain appropriate provisions in relation to pecuniary and non-pecuniary interests.

The Council resolved to have a voluntary standards committee to replace its statutory standards committee when the standards provisions in the new Act came into force.

The Council's voluntary Standards Committee comprises of Councillors, Parish Council Representatives and Independent Members. It is cross-party and has 14 members comprising of:

- 8 Councillors
- 3 Independent Members
- 3 Parish Council Representatives

3.6 Reviewing and updating Standing Orders, Financial Regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The financial management of the Council is conducted in accordance with the rules set out in the Constitution, Standing Orders and Financial Regulations. The Council has designated the Director of Financial Services as the officer responsible for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972.

The Council has in place a 3-year Medium Term Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.

The Council is required to set a budget in line with its objectives which is both balanced and sustainable, and takes account of advice given by the Director of Financial Services on the appropriateness of the level of the Council's reserves following an assessment of the risks inherent within the proposed budget. Once the budget has been agreed each service area monitors and manages its spending and income to remain within the allocated budget.

Asset management planning optimizes the utilization of assets in terms of service benefits and financial return.

The Council has a robust system for identifying, evaluating and managing all significant risks. The Council maintains and reviews a register of its corporate business risks linking them to strategic objectives and assigning ownership for each risk. All service plans identify risks which service directors are actively managing.

3.7 Ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Council's Chief Financial Officer:

- Is a key member of Leadership team, helping it to develop and implement strategy and resource to deliver the Council's strategic objectives sustainably and in the public interest
- Is actively involved in and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the Council's financial strategy
- Leads the promotion and delivery by the whole organization of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- Leads and directs the finance function that is resourced to be fit for purpose
- Is professionally qualified and suitably experienced.

3.8 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council's Audit Committee provides independent assurance of the adequacy of the audit and risk management frameworks and the associated control environment. The Audit Committee also oversees the financial reporting process and provides independent scrutiny of the Council's financial and non-financial performance.

3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Council has designated the Director of Legal and Democratic Services as Monitoring Officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations.

All reports to Cabinet requiring decisions take account of a range of control factors including risks and uncertainties, financial implications, and policy and performance implications.

3.10 Whistle-blowing and for receiving and investigating complaints from the public

The Council has a Confidential Reporting code for staff and a comprehensive Complaints Procedure.

3.11 Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance and Development Review Scheme. Individuals' targets are derived from service and team plans.

Induction courses and e-learning packages are available for new Members and officers. A comprehensive programme of development activities (including induction) and training are specifically designed to improve the knowledge, skills and abilities of elected Members in their individual or collective roles in meeting the Council's corporate objectives. The programme is also designed to ensure that all Members are fully supported to carry out their increasingly complex roles. Members' individual development needs are identified in personal development plans.

A Programme of seminars is run each year on topical governance issues for both Members and officers.

3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council entered into a range of public consultation exercises in developing the vision for Rotherham. The Corporate Plan reflects important issues identified by local communities.

Rotherham's Communications and Marketing Strategy is aimed at ensuring that citizens link continuous service improvements with the Council's core and associated brands, leading to increased satisfaction rates and enhanced reputation.

3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

The Council has issued comprehensive guidance to Directors covering expected good practice in respect of managing the four key areas of Partnerships risk:

- Governance Arrangements
- Financial Management Arrangements
- Performance Management Arrangements
- Ethical Arrangements

4 REVIEW OF EFFECTIVENESS

Rotherham Metropolitan Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers within the authority who have responsibility for the development and maintenance of the governance environment, the Director of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are outlined below in relation to the role of:

4.1 The Strategic Leadership Team

The Council's Strategic Leadership Team (SLT), chaired by the Chief Executive, is responsible for putting in place corporate governance arrangements that will safeguard the Council's financial transaction, its assets and its reputation.

SLT reviews all key reports before they are presented to Members, including many of the reports listed below, to ensure the Council's standards, policies and procedures are complied with.

4.2 The Executive (Council / Cabinet)

Cabinet has continued to update the Corporate Plan and the Council's Policy Framework is reviewed annually.

Cabinet received regular Revenue and Capital Budget Monitoring Reports throughout the financial year. The Council responded positively to the Credit Crunch and the Economic Downturn, including making budget provision to support the response.

Cabinet receives regular progress reports on the implementation of the Local Development Framework, which that is a key driver to delivering sustainable development.

During 2013/14 the Cabinet considered and reviewed the following good governance related issues:

<p>Vision / Strategy:</p> <ul style="list-style-type: none"> • Housing Rent Increase 2014/15 • Digital Region • Rotherham Local Plan Steering Group • Amendments to the Code of Conduct • Sheffield Region: Inter- Authority Agreement • Local Development Scheme • Local Plan: Public Consultation • Submission of Rotherham’s Core Strategy • Rationalization of Property Portfolio • Members’ Training and Development Panel • Improving Standards in the Private Rented Sector by Adopting New Strategic Interventions • Yorkshire and Humber Grid for Learning – Trading Arm Development • New Discretionary Rate Relief Applications – Top Up Applications • New Application for Hardship Relief 2013/14 • Rotherham Biodiversity Action Plan 2012 • Downsizing Policy Report • Universal Credit: Local Support Services Framework • Home Affairs Select Committee – Child Sexual Exploitation and the Response to Localized Grooming • Urgent Care Centre Consultation • The Implications of the DCLG Technical Consultation on the Local Government Finance Settlement for 2014/15 and 2015/16/ Consultation Response • Appointment of Deputy Leader • Combined Authority Consultation • Proposed Restructure of RMBC Pupil Referral Units • Core Strategy Examination • Investing to Stimulate Further Development at the Advance Manufacturing Park • Re-Commissioning of Leaving Care and Looked After Children’s Services • A Strengthened Approach to Enforcement 	<ul style="list-style-type: none"> • Amended Home to School Transport Policy • Public Health Outcomes Framework • Local Plan – Consultation on Main Modifications to the Core Strategy • Sheffield City Region Combined Authority – Appointment of Representatives • Director of Public Health Annual Report • Public Health Commissioning Plan • Formation of a Trading Company for Yorkshire Purchasing Company <p>Financial Management :</p> <ul style="list-style-type: none"> • Capital Receipts Update • Capital Programme Outturn 2013/14 and Updated Estimates 2013/14 to 2015/16 • Revenue Account Outturn • Revenue Budget Monitoring • Capital Programme Monitoring 2013/14 and Capital Programme Budget 2014/15 to 2016/17 • Treasury Management Strategy & Prudential Indicators Monitoring 2013/14, 2014/2015 to 2016/2017 • Non-Domestic Rate Discretionary Relief Policy • Capital Programme Monitoring Report • Proactive Insolvency for Council Tax and Non Domestic Rates • General Fund - Budget Principles 2014/15 and Onwards 2014/15, Proposed Budget Setting Timetable and 2013/14 Reporting in Year Financial Budget Performance • The Implications of the 2013 Spending Round for Council’s Financial Projections • Adult Community Learning Fees and Funding Policy • Additional Long Term Loan Finance in Support of the Redevelopment of No’s 25-29 High Street, ‘The Three Cranes’, and No. 29A High Street • Calculation of Council Tax Base 2014/15 • Retained Business Rates Estimates 2014/15 • Budget Savings Proposals – Integrated Youth Support Services • Schools Funding 2014/15 • Proposed Revenue Budget and Council Tax for 2014/15
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<ul style="list-style-type: none"> • Housing Complaints – Designated Persons, Housing Ombudsman Service and Housing Complaint Procedure • Revision of RMBC'S Council Housing Allocations Policy <p>Corporate Governance :</p> <ul style="list-style-type: none"> • Welfare and Benefits Reform • Annual Governance Statement • Supporting People Programme – Proposed Governance Arrangements Localism Act 2011 and Standards Regime – Appointment of Independent Person <p>Performance Management :</p> <ul style="list-style-type: none"> • Members Training and Development Panel • School Improvement Strategy <p>Risk Management :</p> <ul style="list-style-type: none"> • Corporate Risk Register <p>Internal Audit :</p> <ul style="list-style-type: none"> • Audit Committee Annual Report 	<ul style="list-style-type: none"> • Non Domestic Rates – Proposed Retail Relief Scheme for 2014/2015 and 2015/16 • Debt Management and Recovery Policy for Adult Social Care Debt <p>External Inspections / Reviews :</p> <ul style="list-style-type: none"> • Scrutiny Review of Continuing Healthcare - Response • Scrutiny Review – Fuel Poverty • Magna Trust Loan Request • Autistic Spectrum Disorder Scrutiny Review and Response to Review • Ground Maintenance Scrutiny Review • Rotherham Environment and Climate Change Strategy and Action Plan Review 2013 • Community Amateur Sports Clubs Review • Scrutiny Review of RMBC Residential Homes • Response to the Review by the Improving Places Select Commission of Grounds Maintenance and Street Cleansing Services • Review of Assisted Areas • Scrutiny Review of Carers • 2014/15 Budget – Review of the Provision of Household Waste Recycling Centres • Review of Council Office Accommodation in the South of the Borough
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4.3 The Audit Committee

During 2013/14 the Audit Committee provided independent assurance about the following good governance related issues:

<p>Internal Control, Corporate Governance & Risk Management :</p> <ul style="list-style-type: none"> • Annual Fraud Report • Risk Management Update • Localism Act Update • Managing the Risk of Fraud – Anti Fraud and Corruption Arrangements /Strategy • Corporate Risk Register • Annual Governance Statement • Transfer of Public Health Services – Risk and Risk Management Arrangements • Local Authority Governance – Consultation • Anti-Fraud and Corruption Action Plan • Risk Management and Mitigation in the Housing Revenue Account 30 Year Business Plan 	<p>Financial Management :</p> <ul style="list-style-type: none"> • Treasury Management Report, Actual Prudential Indicators and Investment Strategy • Mid-Year Treasury Management and Prudential Indicators Reports • Final Accounts Closedown • Statement of Accounts and Unaudited Statement of Accounts • Budget Settlement • Housing Rents • Revised Financial Regulations <p>External Audit :</p> <ul style="list-style-type: none"> • KPMG Annual Audit Letter • Statement of Accounts and Unaudited Statement of Accounts
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<ul style="list-style-type: none"> • Annual Review – Insurance and Risk Management Performance • Assessment of Current Local Government Risks – KPMG Audit Committee Institute <p>Internal Audit :</p> <ul style="list-style-type: none"> • Audit Committee Annual Report • Internal Audit Annual Report • National Fraud Initiative • Audit Commission - National Fraud Initiative – Review and Developments • Audit and Inspection Recommendations Update Report • Internal Audit Plan/ Review of Progress against the Audit Plan 	<ul style="list-style-type: none"> • KPMG Grants Report • KPMG Interim External Audit Report • Update on External Inspection Recommendations
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4.4 Overview and Scrutiny Management Board

During 2013/14 the Overview and Scrutiny Management Board considered and reviewed the following good governance related issues:

<p>Vision / Strategy :</p> <ul style="list-style-type: none"> • Children’s Commissioner’s Take-Over (11 million take over day) • Overview and Scrutiny Management Board Work Programme • Scrutiny Annual Report • Sheffield City Region Combined Authority • Ground Maintenance Review • Centre for Public Scrutiny Annual Survey • Process to Strengthen the Code of Recommended Practice on Local Authority Publicity – Consultation • Scrutiny Review of the Council’s Residential Homes • Corporate Priorities • Scrutiny Review – Monitoring Arrangements • Continuing Healthcare Scrutiny Review – Cabinet Response • Scrutiny Review on Residential Homes – Cabinet Response • DCLG Technical Consultation on the Local Government Finance Settlement 2014/15 and 2015/16 Consultation Response • Scrutiny Review of the Department for Work and Pensions’ Sanctions Regime • The Future of Tourism and the Visitor Economy in Rotherham • Scrutiny Review of Support to Carers 	<p>Performance Management :</p> <ul style="list-style-type: none"> • Safer Rotherham Partnership – Performance Update <p>Financial Management :</p> <ul style="list-style-type: none"> • Fuel Poverty – Review of Fuel Poverty • General Fund – Budget Principles 2014/15 and Onwards 2014/15, Proposed Budget Setting Timetable and 2013/14 Reporting in Year Financial Budget Performance • Living Wage <p>Risk Management :</p> <ul style="list-style-type: none"> • Corporate Risk Register <p>Corporate Governance :</p> <ul style="list-style-type: none"> • Localism Act 2011 • Housing Benefit Reform • Legislative Programme 2013/14 • Welfare Reform <p>Communications and Engagement :</p> <ul style="list-style-type: none"> • Equality Act • Public Engagement in Overview and Scrutiny
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4.5 The Standards Committee

During the last year the Standards Committee considered and reviewed the following good governance related issues:

Corporate Governance : <ul style="list-style-type: none">• Localism Act and Standards Regime• Monitoring Officer Update – Ballot of Parish Councils, Dispensations and the report of the Committee on Standards in Public Life, Standards Matter/Referral of matters under the Code of Conduct• Confidential Reporting Code• Appointment of an Additional Independent Person• Allegations of Breaches of the Code of Conduct• Update by the Monitoring Officer Regarding Handling of Complaints• Recruitment of Independent Members, Update from the Parish Council Joint Working Group and Summary Notes on the Role of the Independent Person	Capacity and Capability : <ul style="list-style-type: none">• Standards Regime
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4.6 Internal Audit

During 2013/14 Internal Audit reviewed all the Council's main financial systems, i.e. Council Tax; Business Rates; Creditors; Debtors; Payroll; Housing & Council Tax Benefits; Housing Rents. Internal Audit concluded that the overall control environment was satisfactory in all of these systems.

They reported an overall inadequate opinion in three areas during the period:

- Weaknesses in the arrangements for checking the contractor's applications for payment, on a major highways improvement scheme, were identified which led to significant overpayments. The majority of these were later identified and corrected by the contractor; however, Internal Audit concluded the overall control environment to be inadequate. Recommendations to address the weaknesses have been made and management's response to these is currently outstanding.
- During a furniture stores audit Internal Audit identified fundamental weaknesses in stock control, which placed the stock at significant risk of manipulation for fraudulent purposes. There was no monitoring and/or reconciliation of paid invoices to ensure all expenditure was genuine. Internal

Audit concluded that the overall control environment was inadequate and made a number of recommendations to address the issues.

- Internal Audit carried out a review of arrangements relating to the use of £2.1m Dedicated Support Grant for school improvement services. The review found significant weaknesses relating to commissioning, monitoring and reporting arrangements and a weak overall governance and control framework for the use of the funding. Recommendations have been made to management and some remedial actions have already commenced.

Control arrangements in relation to the above areas were regarded as inadequate, although they were not regarded as having exceeded the threshold requiring them to be shown in the Annual Governance Statement as 'Significant Weaknesses'.

In all cases follow up reviews have been planned for 2014/15 upon implementation of the recommendations.

4.7 External Audit (and other external review / assurance mechanisms)

KPMG reviewed the work Internal Audit were required to carry out on the main financial systems. They concluded that "We have gained an understanding of Internal Audit and the work of Internal Audit. We are satisfied that we can rely on Internal Audit as a function and the work of Internal Audit, where required for the audit of the financial statements".

Further, KPMG reviewed five of the main accounting systems working files prepared by Internal Audit and they concluded "we are satisfied by the work and used it accordingly in our audit approach in the audit of the financial systems of 2013/2014."

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Follow up on the 2012/13 significant governance issues

The 2012/13 AGS highlighted two significant issues from earlier years that remained incomplete and merited further assurances. Both these areas were resolved during 2012/13 as follows:

Swinton Community School

Swinton Community School had accumulated a deficit of over £876,000 at 31 March 2011.

Following a collective approach to the management of the situation involving the School, the Council's Financial Services function and the Children and Young

People Services Directorate, the School made substantial progress and anticipated achieving a balanced position for the 2013/14 financial year.

This was subsequently achieved.

Children and Young People's Services

There continued to be significant financial pressure on Children's Services.

Investment in placement services and improved commissioning of contracts had resulted in significant cost avoidance.

There was focus on moves towards a more cost-effective prevention and early intervention approach with a view to achieving further cost reductions in the longer term.

Consequently, pressure on Children's Services spending was successfully contained within the 2013/14 overall budget provision.

5.2 Review of arrangements 2013/14

Child Sexual Exploitation

In September 2013 the Council's Cabinet commissioned an independent inquiry into child sexual exploitation in Rotherham between 1997 and 2013, because it wanted to ensure young people are properly protected from the threat of exploitation.

The report resulting from the review was produced on 21 August 2014 and published on 26 August 2014. It raises a series of significant failings over time in the arrangements in place for protecting vulnerable children.

The Council and its partners have provided public reassurance that the services today are different, stronger and better co-ordinated. The Independent Inquiry confirms the findings of a series of recent inspections and reviews by other bodies and which have been undertaken since 2009. These have all found the Council's services have improved since being placed in formal Government intervention at the end of 2009, and continue to improve.

Notwithstanding this, the Council has agreed an action plan to address relevant issues raised in the independent report; to improve its own and multi-agency working arrangements even further, and to investigate any additional evidence indicating inappropriate actions taken by any officers or Members of the Authority.

A copy of the report and action plan can be found on the Council's website at <https://modern.gov.rotherham.gov.uk/ieListDocuments.aspx?CId=415&MId=12915&Ver=4>

There were no other matters to report following the review of arrangements.

6 DEPUTY LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT

We are satisfied that this Annual Governance Statement fairly reflects the governance arrangements in place at Rotherham Metropolitan Borough Council and the operation of the arrangements during the year.

We draw attention to the reference to the Independent Review of Child Sexual Exploitation referred to in Section 5.2. The Council has put in place an action plan to respond to the weaknesses raised in the report and will monitor the implementation of the action plan, to ensure the required improvements are achieved.

Signed

Councillor Paul Lakin, Deputy Leader, Rotherham Metropolitan Borough Council

Signed

Martin Kimber, Chief Executive, Rotherham Metropolitan Borough Council

Date 17 September 2014