

**MAIDSTONE BOROUGH COUNCIL**  
**RECORD OF DECISION OF THE CABINET**

Decision Made: 13 July 2011

**ANNUAL GOVERNANCE STATEMENT**

**Issue for Decision**

To agree the Annual Governance Statement 2010/11.

**Decision Made**

1. That the Annual Governance Statement, as attached at Appendix A to the report of the Chief Executive, be endorsed.
2. That the Statement be referred to the Audit Committee.

**Reasons for Decision**

The Accounts and Audit (England) Regulations 2011 recognise the Annual Governance Statement as a key statement in its own right. To this end it is no longer required to be "included in" the Statement of Accounts. From 31<sup>st</sup> March 2011 the regulations require that the Annual Governance Statement "accompanies" the Statement of Accounts instead.

The Annual Governance Statement will be signed by both the Chief Executive and the Leader of the Council. The statement must identify the key controls in operation in the Council to facilitate the effective exercise of its functions.

It should be noted that the June 2007 CIPFA/SOLACE publication entitled Delivering Good Governance in Local Government (Framework) is considered 'proper practice'. Therefore, the production of the Annual Governance Statement is based on this publication.

The Accounts and Audit (England) Regulations 2011 make only minor changes to the internal control requirements of the 2006 regulations. These are that:-

- a) The regulations now use the term "Annual Governance Statement" as the statement produced as a result of the necessary annual review of internal control.
- b) The Annual Governance Statement should remain a statement in its own right and accompany the Statement of Accounts rather than be included within it.

The review of the system of internal control covered by the Annual Governance Statement required by Regulation 4 is dealt with by this

report. Members are reminded that the Audit Committee will be considering the Annual Governance Statement and, in particular, the response to the Statement itself and the view taken by the Executive. If the Audit Committee feels that there are any errors or omissions then they will have a responsibility to refer this back to the Cabinet for consideration, and if they feel strongly that any issues have not been sufficiently addressed then the matter may be referred to Council.

With reference to Regulation 6, the Audit Committee, at its meeting in June 2011, considered the report of the Head of Internal Audit and Risk Management which included a review of audit work during 2010/11 with a recommendation that the Audit Committee consider the effectiveness of internal audit. This annual review is backed up by a three yearly review of Internal Audit by the external auditors which took place in 2008/09 and confirmed that Internal Audit meet all 11 standards of the CIPFA code of Internal Audit.

Best practice has identified that the Annual Governance Statement should be considered separately from and before consideration of the Statement of Accounts. The Statement of Accounts will be submitted for final approval in September 2011.

The Annual Governance Statement covers arrangements to:-

1. Establish principal statutory obligations and organisational objectives
2. Identify principal risks to achievement of objectives
3. Identify key controls to manage principal risks
4. Obtain assurance on the effectiveness of key controls
5. Evaluate assurances and identify gaps in control/assurances
6. Prepare an action plan to address weaknesses and to ensure continuous improvement of the system of internal control

Attached at Appendix A to the report of the Chief Executive is the draft Statement for 2010-11 which has been compiled and updated based upon the Statement approved in June 2010 for the financial year 2009-10.

Officers' views have been obtained on the revised Statement along with external validation, particularly through external audit assessment, but it would be helpful to have Cabinet's views prior to signing the Statement for submission to Audit Committee with the Statement of Accounts.

Best practice has identified that the auditors should be presented with a Statement of Evidence to back up the Annual Governance Statement and this has been produced and is available as part of the Local Code of Corporate Governance.

An action plan has been prepared including proposals to address those areas where the Statement identifies that further work would be beneficial

to the overall governance arrangements. The actions will be subsumed into the overarching Corporate Improvement Plan.

The Statement will be referred for consideration by the Audit Committee, which will be asked to approve it, after appropriate updates if necessary, along with the Statement of Accounts in September 2011.

### **Alternatives considered and why rejected**

The Annual Governance Statement is a necessary part of the Statement of Accounts and must, therefore, be ultimately agreed by Audit Committee. However, it is possible for members to disagree with the detail of the Statement, to ask for further details to be included or evidence to be produced. However, it must be acknowledged that the Accounts and Audit Regulations require the full Statement of Accounts to be agreed by Audit Committee before the end of September 2011.

### **Background Papers**

Minutes of the Corporate Governance Officer Working Group  
Local Code of Corporate Governance  
Accounts and Audit Regulations 2003 (as amended in 2006)  
Evidence to support the Annual Governance Statement

|   |
|---|
| Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: <b>20 July 2011</b> |
|---|