

MAIDSTONE BOROUGH COUNCIL
DRAFT ANNUAL GOVERNANCE STATEMENT
2009/10

1. SCOPE OF RESPONSIBILITY

- 1.1 Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Maidstone 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.
- 1.2 In discharging this overall responsibility, Maidstone Borough Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- 1.3 Maidstone Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government". A copy of the Code is on the website at www.digitalmaidstone.gov.uk or can be obtained from the Council at Maidstone House, King Street, Maidstone, Kent ME15 6JQ. This statement explains how Maidstone Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 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 ongoing process designed to identify and prioritise the risks to the achievement of Maidstone Borough

Council's policies, aims and objectives. It evaluates the likelihood of those risks being realised and the impact should they be realised then provides a means of managing the risks efficiently, effectively and economically.

- 2.3 This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2010 and up to the date of approval of the annual report and Statement of Accounts.

3 THE GOVERNANCE FRAMEWORK

- 3.1 The following elements represent the key elements of the corporate governance and internal control environment:
- 3.2 The Council's long-term objectives are set out within the Sustainable Community Strategy. The Strategic Plan then reflects those objectives and establishes medium and short-term objectives that compliment them. Monitoring against the key measures of success is reported quarterly to Cabinet. National and Key Performance Indicator outturns are subject to review by Cabinet, Overview and Scrutiny committees and, ultimately, by the full Council.
- 3.3 The Council's Constitution specifies the roles and responsibilities of Members and Officers and lays down financial and contract procedural rules for the efficient and effective discharge of the Council's business. The Constitution includes the roles and responsibility of the Standards and Audit Committees.
- 3.4 The Council has wide ranging arrangements to consult and work with both partners and the public on issues directly related to Corporate Governance. These parties are consulted on the Council's long term vision, the key priorities of the Council and on resource issues relating to the budget strategy for the delivery of these key priorities. The major partnership is the Local Strategic Partnership (LSP) which delivers the requirement of the Local Area Agreement (LAA2). Partners and the public receive reports on the actual performance of the Council in delivering its priorities and there is also consultation on the effectiveness of these reporting arrangements.
- 3.5 Policy and decision-making is facilitated through reports from Officers to Cabinet and individual Cabinet Members. Each Cabinet Member has a specific portfolio and will take decisions on matters relevant to the portfolio. The Overview and Scrutiny Committees which broadly mirror the specific Cabinet portfolios have the opportunity to 'call-in' the decisions of Cabinet and recommend changes to decisions or policies.
- 3.6 The Audit Committee reviews all aspects of Corporate Governance and Risk Management. In particular, it considers regular reports from Internal and External Audit and gives observations and recommendations to Cabinet. It also considers the Annual Statement of Accounts and recommends them to Council.

- 3.7 Compliance with established policies, procedures, laws and regulations is achieved through:
- a) The establishment of a Corporate Governance Officer Working Party chaired by the Chief Executive.
 - b) A well established and effective Internal Audit section which works to an approved three year audit plan. Individual audit reports are produced for the relevant managers, with a copy to the Chief Executive, the S151 Officer and appropriate Director, and six monthly reports to Audit Committee which evaluate the overall internal control environment tested through the audit work. An annual review of audit work and effectiveness, supported where appropriate by a Peer Review or a review by External Audit every three years, is produced for Audit Committee.
 - c) External Audit, who produce a number of reports which are reported to management and Members. Recommendations and comments are considered and, where necessary, action is taken to address any issues raised.
 - d) The Council has a Treasury Management Code of Practice and Strategy and Prudential Indicators which are monitored on a daily basis.
 - e) Financial Monitoring with regular reporting to Officers authorised to spend, Management Team and Cabinet which facilitates the effective control of the budget.
 - f) An Annual Corporate Planning Cycle approved by Cabinet which facilitates the effective planning of service delivery, including the identification of risks, and budgeting.
 - g) Quarterly meetings held with each Head of Service to monitor performance and ensure compliance with a range of corporate policies with summaries of each meeting cycle being reported to Management Team.
 - h) The Council's established complaints system backed up by a database linked to the Council's Customer Relationship Management System (CRM) which monitors action taken in relation to individual complaints through an audit trail, facilitates the escalation of complaints to Stage 2 and provides a mechanism for managers to ensure that complaints are dealt with within the prescribed timescales. The system also provides strategic information on complaints which is reported regularly to Management Team and Standards Committee.
 - i) An agreed Risk Management Strategy with identified corporate strategic risks and Management Action Plans. The Strategic Risk Register is subject to regular review. Risks to service delivery

(operational risks) have been accepted as the responsibility of individual authorised officers and incorporated into Service Plans. Heads of Service are responsible for ensuring that their service managers retain an effective operational risk register. Risk management is a standard heading for consideration of all reports to Management Team and Members. A formal risk assessment is required for reports which require decisions on strategic issues or which seek approval for significant projects.

- j) Effective professional relationships between the Council and its external auditors and inspectors.
- k) Service delivery by trained and experienced people. The Council has had an Investors In People award for a number of years, which involves regular appraisals, service and training planning, training evaluation forms, recruitment and selection procedures and initiatives such as Work/Life Balance. Further details of HR-related initiatives are set out in an approved People Strategy. Members receive regular planned training and have received a Members' Training Charter.
- l) Performance Management, which is achieved through 'Reach the Summit' and the Council's Performance Plan. Procedures are in place to regularly review the performance of the Council across all sections and in a timely manner. Regular reports are presented to Management Team and Cabinet and Overview and Scrutiny Committees.
- m) The Council's policy of early closure of the accounts which enables presentation of the statutory Statement of Accounts to Members to meet the statutory timetable. This facilitates good financial management and allows the historic accounts to be an effective influence to future financial management.
- n) The Council's effective overview and scrutiny process which has a nationally recognised reputation. This contributes significantly to the internal control environment.
- o) Standards and Audit Committees that monitor and improve the arrangements for Corporate Governance within the Council.
- p) The Cabinet agreeing a Local Code of Corporate Governance which is reviewed and reported to Cabinet on an annual basis by the Corporate Governance Officer Working Party.
- q) The Council appointing a Monitoring Officer and Head of Legal Services to oversee its compliance with laws and statutory obligations. The Monitoring Officer, who is a Member of Management Team, reports on a regular basis to the Council's Standards Committee.

- 3.8 Corporate Governance is at the heart of everything the Council does, for staff this is incorporated into the six core values (STRIVE) in the delivery of services. This incorporates key elements such as customer service, delivery of targets, integrity in high standards of Corporate Governance, Value for Money and efficiency and equality.

4 REVIEW OF EFFECTIVENESS

- 4.1 Maidstone Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of corporate governance and internal control. This is undertaken by the Corporate Governance Officer Working Party. An internal review was undertaken during 2009/10. The review of effectiveness of the system of corporate governance and internal control is informed by the work of the internal auditors and the Council's executive officers who have responsibility for the development and maintenance of the overall governance environment, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Council is keen to allow itself to be the subject of external scrutiny, challenge and peer review and has an effective internal mechanism for regularly reviewing governance controls.
- a) The Council responds positively to the inspection activity associated with the Direction of Travel, Use of Resources and Value for Money judgements. The critical but constructive comments from those processes are incorporated into improvement plans and have been and continue to be acted upon.
 - b) In December 2009, the Council commissioned the Improvement and Development Agency (IDeA) to provide an Organisational Productivity Peer Review. This review focused on seven key areas for a productive organisation and identified areas of strength and those for development. The results of the review will enable the Council to focus on the areas where the review team saw opportunity for improvement.
 - c) In March 2010 the Council again commissioned the IDeA to provide a peer review of the Safer Maidstone Partnership. The results of this review have been received and will be considered for further action during 2010/11.
 - d) Other examples of external challenge are the annual external audit process, regular reviews of benefit processes by the Audit Commission and other assessments, such as those involved in the Chartermark and Beacon status. Benchmarking and other comparisons are also regularly used.

- 4.3 Six monthly internal audit reports have been presented to the Audit Committee. The Annual Internal Audit Report gave the Head of Internal Audit's view on the overall internal control environment, which has subsequently been agreed. The annual internal audit report includes an analysis showing the 'internal control/assurance level' that was given for each audit review at the time of the audit and the reassessed assurance level that was given at the time of the follow up. Improvements in control are therefore demonstrated individually for each review and collectively as an overall "direction of travel" improvement.
- 4.4 The effectiveness of the system of Internal Audit for 2009/10 was confirmed by a combination of an internal self-assessment, customer satisfaction survey, a three yearly review by external audit and an earlier comprehensive peer review. The results of the exercise were reported to the Audit Committee in May 2010 and concluded that the Internal Audit section was effective in operating an internal audit service for 2009/10.
- 4.5 Risk Management is included in service planning, project planning and decision making. Progress in this area has been acknowledged by the External Auditors' assessment within previous annual audit letters. Significant action will be taken during 2010 to update and refocus the Strategic Risk Register to more closely address the key objectives contained in the Council's Strategic Plan.
- 4.6 Management Team and Cabinet receive regular reports on performance across the Council and also take the opportunity to review processes and procedures. This has resulted in resources being redeployed to problem areas of concern. In 2009/10 the Council acquired a new performance management system. The new system is to be implemented for the first quarterly reporting cycle of 2010/11. The system will bring improved data analysis and links to the monitoring of the LSP, Strategic Risk Register and Sustainable Community Strategy.
- 4.7 The Responsible Financial Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control, application of the various Codes of Conduct and, within Management Team, have specific responsibility for the relevant aspects of Corporate Governance.
- 4.8 The Cabinet has agreed a Local Code of Corporate Governance which is reviewed and reported to Cabinet on an annual basis.
- 4.9 The Corporate Governance Working Group has advised on the implications of the results of the review of the effectiveness of the corporate governance system and a plan to address the issues identified and ensure continuous improvement of the system is in place.

5 **SIGNIFICANT GOVERNANCE ISSUES**

- 5.1 The Statement of Internal Control for 2008/09, considered in May 2009, contained a small number of issues which were to be addressed during

2009/10 and these are detailed below:-

- a) Engagement Strategy – The council’s communication strategy, adopted in May 2009, was informed by the duty to involve. The strategy and in particular the consultation section was amended to reflect the importance the Council places on engagement and the ways in which the Council engages with stakeholders. During 2009-10 the consultation handbook was reviewed and updated to provide a Practical Toolkit for Community Engagement, Involvement and Consultation. The toolkit sets guidance for levels of involvement. It has been presented to Senior Management Team and Unit Managers. A new resource has been added to the intranet, which includes the toolkit and an online corporate checklist. In October 2009 the council agreed a work programme and an action plan to take forward the council’s priority engagement activities, including neighbourhood forums and customer insight. This work will continue in 2010-11 and the strategy will be reviewed as a result of those priorities.
- b) Audit reports with a level of assurance lower than substantial – four areas were outstanding at March 2009 relating to aspects of Section 106 Agreements, Refuse Collection Contract Management, Gypsy sites and Freedom of Information. The six monthly follow-up review by Internal Audit on these areas has confirmed that the level of control assurance increased during the year to substantial.
- c) Partnership Working – further work has been carried out during 2009/10 to build on work currently undertaken by the Council with partners on delivering outcomes for the public. The Council is currently completing a resource mapping exercise on behalf of the LSP that will identify the totality of the resources utilised within the borough and their service focus. A risk management workshop has been arranged so that the LSP can identify and then manage risks to the delivery of key objectives.

5.2 During the review of the effectiveness of Corporate Governance in 2009/10, the following areas have been identified for further work in 2010/11:-

- a) Audit reports with a level of assurance lower than substantial – two areas were outstanding at March 2010 relating to IT Disaster Recovery and the Business Transformation Programme.
- b) Consideration of and improvements to the role of the Audit Committee have commenced with formal approval to changes to the role by Standards Committee and Council in early 2010/11 and a focused review by the IDeA during the year.
- c) As identified by the IDeA Organisational Productivity Peer Review there are a number of identified actions to be taken which have been identified in the Council’s Corporate Improvement Plan for action in 2010/11.

d) Further work with strategic partners is required during 2010/11 to develop the means to ensure the delivery of key outcomes.

5.3 Over the coming year it is proposed that steps to address the above matters will be taken to further enhance the Council’s governance arrangements. These steps will address the need for improvements that were identified in the review of effectiveness and their implementation and operation will be monitored as part of the next annual review.

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Chief Executive

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Leader