

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

11 JUNE 2012

REPORT OF CHIEF EXECUTIVE

**Report prepared by Paul Riley,
Head of Finance & Customer Services**

1. ANNUAL GOVERNANCE STATEMENT

1.1 Issue for Decision

1.1.1 To consider the draft Annual Governance Statement for 2011/12 to be signed by the Chief Executive and the Leader, and accompany the Statement of Accounts. This is as required by the revised Accounts and Audit (England) Regulations 2011, which came into force on 31st March 2011.

1.1.2 The Statements will be resubmitted to Audit Committee following the completion of the external audit of the Statement of Accounts in September 2012.

1.1.3 Cabinet will consider this draft Annual Governance Statement at its meeting on 13th June 2012. A verbal update to Cabinet on the views of this Committee will be given by officers at that meeting.

1.2 Recommendation of the Chief Executive

1.2.1 It is recommended that Audit Committee consider and endorse the Annual Governance Statement attached at APPENDIX A.

1.3 Reasons for Recommendation

1.3.1 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 31st March 2011 the regulations require that the Annual Governance Statement "accompanies" the Statement of Accounts instead.

1.3.2 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.

- 1.3.3 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 and in accordance with the Accounts and Audit (England) Regulations 2011.
- 1.3.4 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 statement appended to this report is for final consideration. The statement will return to a later meeting of the Audit Committee as a signed statement accompanying the Statement of Accounts for formal approval by the Committee.
- 1.3.5 With reference to Regulation 6, the Audit Committee is to consider the report of the Head of Internal Audit and Risk Management which included a review of audit work during 2011/12 with a recommendation that the Audit Committee consider the effectiveness of internal audit.
- 1.3.6 The Annual Governance Statement covers arrangements to:-
- a) Establish principal statutory obligations and organisational objectives
 - b) Identify principal risks to achievement of objectives
 - c) Identify key controls to manage principal risks
 - d) Obtain assurance on the effectiveness of key controls
 - e) Evaluate assurances and identify gaps in control/assurances
 - f) Prepare an action plan to address weaknesses and to ensure continuous improvement of the system of internal control
- 1.3.7 Attached at APPENDIX A is the draft Statement for 2011/12 which has been compiled and updated based upon the Statement approved in July 2011 for the financial year 2010/11.
- 1.3.8 Officers' views have been obtained on the revised Statement. The draft Annual Governance Statement will be reported to Cabinet on 13 June 2012 and the decisions of Audit Committee will be reported to Cabinet at the meeting. If the Committee feels that there are any errors or omissions then they have a responsibility to refer this 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.

1.3.9 Best practice has identified that the auditors should be presented with a Statement of Evidence to back up the Annual Governance Statement and where possible the link to the evidence is given in the statement.

1.3.10 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 specific service plans but monitored as a group through the Covalent performance management system.

1.4 Alternative Action and why not Recommended

1.4.1 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 statement is signed by the Chief Executive and the Leader of the Council and must accompany the Statement of Accounts to be agreed by Audit Committee before the end of September 2012.

1.5 Impact on Corporate Objectives

1.5.1 The Statement incorporates best practice as anticipated by the Core Values included in the Strategic Plan.

1.6 Risk Management

1.6.1 The Statement incorporates the essential elements of a well managed Council which ensures that many elements of the Strategic Risk Register are addressed.

1.7 Other Implications

- 1. Financial
- 2. Staffing
- 3. Legal
- 4. Equality Impact Needs Assessment
- 5. Environmental/Sustainable Development

- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

1.8 Relevant Documents

1.8.1 Appendices

Appendix A – Draft Annual Governance Statement 2011/12

1.8.2 Background Documents

- Minutes of the Corporate Leadership Team
- Local Code of Corporate Governance
- Accounts and Audit Regulations 2011
- Evidence to support the Annual Governance Statement

IS THIS A KEY DECISION REPORT?

Yes No

If yes, when did it first appear in the Forward Plan?

.....

This is a Key Decision because:

.....

Wards/Parishes affected:

.....