

MAIDSTONE BOROUGH COUNCIL

CABINET

13 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 Audit Committee considered this draft Annual Governance Statement at its meeting on 11th June 2012. A verbal update will be given by officers to Cabinet on any recommendations arising from the consideration of the statement by Audit Committee.

1.2 Recommendation of the Chief Executive

1.2.1 It is recommended that Cabinet approve the Annual Governance Statement attached at APPENDIX A.

1.3 Reasons for Recommendation

1.3.1 The Accounts and Audit (England) Regulations 2011 (The Regulations) 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 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.
- 1.3.5 The review of the system of internal control covered by the Annual Governance Statement as required by Regulation 4 of the Regulations is dealt with by this report. Once approved and signed the statement will return to a later meeting of the Audit Committee accompanying the Statement of Accounts for formal approval by the Committee.
- 1.3.6 With reference to Regulation 6 of the Regulations the Audit Committee has considered 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. Officers will provide a verbal update to Cabinet on the opinion of the Audit Committee on this review.
- 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 If Cabinet feels that there are any errors or omissions in the Statement then the Statement can be revised and returned to the July meeting of Cabinet for consideration.
- 1.3.9 Best practice has identified that the External 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. Other evidence will be provided to the Auditor during their audit of the Statement of Accounts.

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. 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 by 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?

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This is a Key Decision because:

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Wards/Parishes affected:

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