

MAIDSTONE BOROUGH COUNCIL

CABINET

20 MAY 2010

REPORT OF THE CHIEF EXECUTIVE

Report prepared by Paul Riley

1. ANNUAL GOVERNANCE STATEMENT

1.1 Issue for Decision

1.1.1 To consider the draft Annual Governance Statement for 2009-10 to be signed by the Chief Executive and the Leader, and included in the Statement of Accounts. The combined Statements will be submitted to Council for approval on the 23 June 2010.

1.2 Recommendation of the Chief Executive

1.2.1 It is recommended that Cabinet:

- a) Consider and endorse the Annual Governance Statement attached at **APPENDIX A**.
- b) Refer the Statement to the Audit Committee.

1.3 Reasons for Recommendation

1.3.1 The Accounts and Audit Regulations, as amended, require that the Statement of Accounts includes an Annual Governance Statement signed by both the Chief Executive and the Leader of the Council. This statement identifies the key controls in operation within the Council to give assurance to the production of the Statement of Accounts.

1.3.2 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 and the revised Local Code of Corporate Governance, detailed elsewhere on this agenda, is based on this publication.

- 1.3.3 Cabinet are reminded that in 2006 the Regulations were amended to add the following:

Regulation 4 – this requires the findings of the review of the system of Internal Control (now the Annual Governance Statement) to be considered by a committee of the relevant body, or by members of the body meeting as a whole.

Regulation 6 – this requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of Internal Control referred to in Regulation 4.

- 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 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.

- 1.3.5 With reference to Regulation 6, the Audit Committee, at its meeting on 7th June 2010, will consider the report of the Head of Internal Audit and Risk Management which includes a review of audit work during 2009/10 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.

- 1.3.6 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 in June 2010.

- 1.3.7 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
- 1.3.8 Attached at **APPENDIX A** is the draft Statement for 2009-10 which has been compiled and updated based upon the Statement approved in June 2009 for the financial year 2008-09.
- 1.3.9 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.
- 1.3.10 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.
- 1.3.11 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.
- 1.3.12 If Cabinet are minded to endorse the Statement it will then be considered by the Audit Committee, which will be asked to approve it, after appropriate updates if necessary, along with the Statement of Accounts in June 2010.
- 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 Accounts and Audit Regulations require the full statement of Accounts to be agreed by Audit Committee before the end of June 2010.

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	

1.7.1 None.

1.8 Relevant Documents

1.8.1 Appendices

APPENDIX A – Annual Governance Statement

1.8.2 Background Documents

*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*

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:

.....