

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

18 JULY 2011

REPORT OF THE CHIEF EXECUTIVE

Report prepared by Paul Riley
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1. ANNUAL GOVERNANCE STATEMENT

1.1 Issue for Decision

1.1.1 To consider the draft Annual Governance Statement for 2010-11 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 submitted to Audit Committee for approval following the annual external audit in September 2011. A draft report to the Committee is elsewhere on this agenda.

1.1.3 Cabinet considered the Annual Governance Statement at its meeting on 13 July. A verbal update to the Committee on the outcome of that meeting will be given by officers.

1.2 Recommendation of the Chief Executive

1.2.1 It is recommended that Audit Committee:

- a) 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.
- 1.3.4 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.
- 1.3.5 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 approval. The statement will return to the next meeting of the Audit Committee as a signed element accompanying the Statement of Accounts for formal approval by the Committee.
- 1.3.6 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.
- 1.3.7 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.
- 1.3.8 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

1.3.9 Attached at **APPENDIX A** 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.

1.3.10 Officers' views have been obtained on the revised Statement along with external validation, particularly through external audit assessment. The draft Annual Governance Statement has been reported to Cabinet on 13 July 2011 and any response or actions taken will be reported to the Audit Committee at the meeting. If the 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.

1.3.11 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.

1.3.12 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.

1.4 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 September 2011.

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 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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