

## **AUDIT COMMITTEE**

**30 JUNE 2010**

### **ANNUAL GOVERNANCE STATEMENT**

Report from: Deborah Upton, Monitoring Officer

Author: Deborah Upton, Monitoring Officer

#### **Summary**

To explain the requirements for reporting and approving an Annual Governance Statement (AGS) (formerly known as the Statement on Internal Control (SIC)) covering the financial year 2009/10, and to seek comments and approval of the Statement.

#### **1. Budget and Policy Framework**

1.1 The purpose of the report is to provide Audit Committee with details of the Annual Governance Statement for comment and approval. The Annual Governance Statement is within the budget and policy framework and is a matter for the Audit Committee to consider.

#### **2. Background**

2.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.

2.2 The Council approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. This statement explains how the 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.

2.3 There is a prescribed layout for the AGS that requires the Council to set out its governance arrangements and key elements of internal control and the sources of assurance; a review of the effectiveness of those governance and internal controls and a requirement to identify significant governance issues. The Council must ensure that it can provide evidence for any of the systems of internal control included in the AGS.

- 2.4 Guidance issued by CIPFA regarding the statement also recommends that a suitable independent management group should review the content of the AGS. The Council's Audit Committee will undertake this role. The Chief Executive and the Leader of the Council will sign the statement once the Audit Committee has approved it.

### **3. Annual Governance Statement**

- 3.1 The AGS (formerly known as the SIC) explains how the council has complied with the local code, how we are complying with 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. In addition, as before, there is a section setting out any future actions that may be needed to strengthen our corporate governance arrangements. The Annual Governance Statement (AGS) is the formal statement that recognises, records and publishes an authority's governance arrangements.
- 3.2 It is designed not only to give an opportunity for authorities to consider the robustness of their governance arrangements, but also provide an accurate representation of arrangements in place during the year and to identify areas where improvement is required.
- 3.3 Regulation 4 of the Accounts and Audit regulations (2003) (as amended) requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and to publish a statement on internal control each year with the Council's financial statements

### **4. Risk Management**

- 4.1 Failure to produce an Annual Governance Statement would lead to a serious weakness in the Council's internal controls and would be a breach of its statutory duty.

### **5. Financial implications**

- 5.1 There are no financial implications arising directly from this report.

### **6. Legal implications**

- 6.1 The legal implications arising directly from this report are set out in the main body.

### **7. Recommendations**

- 7.1 Members are asked to comment on and approve the draft Annual Governance Statement.

#### **Lead officer contact**

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**Background papers:** None.

**MEDWAY COUNCIL**  
**ANNUAL GOVERNANCE STATEMENT: 2009/10**

**1. Scope of responsibility**

Medway 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. The 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 a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council approved a local code of corporate governance at its meeting on 13 November 2008, and this is consistent with the principles of the CIPFA/SOLACE *Framework for Delivering Good Governance in Local Government*. A copy of the current Code is on our website at [www.medway.gov.uk](http://www.medway.gov.uk) and can also be obtained from the Monitoring Officer at Medway Council, Gun Wharf, Dock Road, Chatham (01634) 332133.

This statement explains how the 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 governance statement.

**2. The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The following section of the statement summarises Medway Council's governance framework that has been in place for the year ended 31 March 2010 and up to the date of approval of this Statement. The framework described reflects the arrangements in place to meet the six core principles of effective governance.

### **3. The Council's framework for ensuring compliance with the core principles of effective governance**

#### ***(a) Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area***

The council works with its partners through the Local Strategic Partnership to set the vision and priorities for the area. The council manages, on behalf of the LSP, a process of bringing together performance data, demographic information and consultation findings to determine key shared priorities. During 2009/10 the council led the process of developing Medway's sustainable community strategy for 2010-26. This was approved by the LSP board in March and full Council in April 2010. This sets the medium to long term strategic framework for the area.

The priorities for the local area agreement (LAA) are consistent with and form a subset of the sustainable community strategy. The LAA runs from 2008-11. It was refreshed during 2009/10 with several targets affected by the economic recession being re-negotiated.

The council's well established 'framework for managing performance' at Medway Council (attached at appendix 1) shows how the community strategy helps to inform and shape the council's own priorities. The full roll out of service planning and quarterly reporting against council priorities supported by Covalent performance management software, has enabled comprehensive monitoring of achievement of council priority outcomes on a quarterly basis for Members.

In 2010 the council again produced the council plan, its corporate business plan, to an aligned timetable with the resources strategy and budget. In February 2010 the council refreshed the council plan to agree the version for 2010-13. The plan was informed by consultation including the 2009 residents opinion poll. It forms an essential part of the council's governance framework, setting out the council's priorities and the measures against which success will be judged.

#### ***(b) Members and Officers working together to achieve a common purpose with clearly defined functions and roles.***

The Council has ensured that the necessary roles and responsibilities for its governance are identified and allocated so that it is clear who is accountable for decisions that are made. The Council has done this by:

- Appointing a Leader of the Council, and executive Members (Cabinet Members), with defined executive responsibilities, including appointing a lead member for Childrens Services, with responsibility for making sure the statutory functions for Childrens Services are carried out.
- Agreeing a scheme of delegated executive responsibilities to directors and senior officers, and protocols that make clear the respective roles of Members and officers and ensure effective communication between them.
- Annually appointing committees to discharge the Council's regulatory responsibilities
- Annually appointing committees to discharge the Council's overview and scrutiny responsibilities
- Setting clear role definitions for chairs of committees and councillors in their different roles
- Ensuring that the Constitution is regularly reviewed
- Making the Chief Executive (the Head of Paid Service) responsible and accountable to the Council for all aspects of operational management.
- Making a senior officer (the Monitoring Officer) responsible to the authority for ensuring the lawfulness and fairness of decision-making, and that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Making a senior officer (the Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- Making a senior officer responsible to the authority for ensuring that the statutory functions of children's services and adults services are carried out
- Ensuring significant partnerships and contracts with other public bodies, voluntary and community organisations, and the private sector have clear governance accountabilities, including effective and equitable financial arrangements
- Having in place effective and comprehensive arrangements for the scrutiny of services

***(c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour***

The Council promotes and maintains high standards of ethical conduct of members and officers through the work of its Standards Committee. The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct.

The Council has done this by establishing and keeping under review:

- The Council's Constitution
- A Members' Code of Conduct
- An Officers' Code of Conduct

- A protocol governing Member/Officer Relations
- A Members' Planning Code of Good Practice
- A Members Licensing Code of Good Practice
- Monitoring Officer Protocol
- Media Guidelines
- Contract Standing Orders and Financial Regulations

The Monitoring Officer is responsible for the review of the constitution, and for ensuring that it is kept up to date.

Conduct of Members is monitored by the Standards Committee, which also investigates allegations of misconduct by Members. The Council's Standards Committee has always had an independent chairman, and it has a total of six independent members. The Standards Committee has produced an annual report of its work for 2009/10, which was considered by the Council in April 2010.

The Council takes fraud and corruption very seriously and has the following policies that aim to prevent or deal with such occurrences:

- An anti-fraud and corruption policy
- A whistle blowing policy

The outcome of complaints made under the whistle blowing policy is reported to the Audit Committee on an annual basis, in order that they can keep it under review. This has recently been refreshed and strengthened by the Council, and the Monitoring Officer is now taking responsibility for reporting all whistle blowing, including data protection breaches, to Members. The Council's staff survey has confirmed that 83.5% of staff are aware of the whistle blowing policy and know what it is.

***(d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk***

The Council has ensured that the decision-making process includes a rigorous risk assessment including:

- Financial, legal and staffing implications
- Diversity and racial impact assessment
- Risks, mitigations and opportunities

All reports to the Council or Cabinet are checked by the Chief Finance Officer and the Monitoring Officer for financial and legal implications. The Council has been rigorous and transparent about how decisions are taken and recorded. Cabinet reports now also include a mandatory paragraph on risk to enable the Council to consider the implications of its decisions.

The Council has:

- Ensured the Cabinet make decisions in an open and transparent way and that information relating to those decisions is made available to the public, unless statutory rules allow otherwise
- Ensured that all decisions of regulatory committees of the Council are made in public and that information relating to those decisions is made available to the public, unless statutory rules allow otherwise
- Ensured that legal, financial and risk implications are recognised in all reports on which decisions are based
- Recorded all decisions that are made by committees.
- Rules and procedures, which govern how decisions are made.
- Developed and maintained an effective overview and scrutiny function which encourages constructive challenge
- Maintained an effective Standards Committee and Audit Committee

The Council has continued to develop its risk management strategy to enable the Council to manage and control risks in order to maximise the quality of its service provision and uphold its reputation, making a powerful contribution to continuous service improvement and the achievement of best value. The strategy is reviewed annually.

The Council has ensured that the risk management system:

- Formally identifies and manages risks
- Involves elected Members in the risk management process
- Includes the undertaking of a risk assessment of every key or strategic decision
- Maps risks to financial and other key internal controls
- Reflects business continuity planning; and
- Reviews and, if necessary, updates its risk management processes at least annually
- Detailed risk assessment of budgets carried out with signed acceptance form from managers highlighting risk areas

***(e) Developing the capacity and capability of Members and officers to be effective.***

The Council has ensured that those charged with the governance of the Council have the skills, knowledge and experience they need to perform well.

The Council has done this by:

- Retaining the Member Development Charter
- Developing leadership skills and capacity across the Council through an annual learning and development programme for staff
- Ensuring that the Chief Finance Officer and Monitoring Officer are both members of the Corporate Management Team
- Developing our approach to workforce planning

- Retaining Investor in People accreditation across all directorates
- Encouraging quality mark accreditation for services
- Maintaining and developing our personal development review system
- Cascading regular information to Members and staff by paper and electronic means, having regard to diversity issues

***(f) Engaging with local people and other stakeholders to ensure robust public accountability.***

The Council is committed to increasing public involvement in decision-making and devolving power to individuals and local organisations. We have sought and responded to the views of stakeholders and the community. The Council has done this by:

- Improving effective corporate consultation including maintaining effective mechanisms for ongoing engagement eg community cohesion group, Children in Care Council, Young Commissioners, Learning Disability Partnership Board, Tenants Forums, Medway Ambassadors Scheme and community profiling in Luton
- Carrying out in depth consultation exercises as required to inform policy development and service change – eg consultation on school academy proposals, deliberative citizens’ workshop on options for waste disposal
- Maintaining effective data exchange through the Corporate Research and Information Group to plan and coordinate consultation and to share findings
- Making use of local forums at ward, parish and neighbourhood level to maintain communication with all the Council’s communities and other stakeholders e.g. rural liaison committee with parishes, community futures workshops in our most deprived areas to inform the development of community owned action plans, participation in Partner and Communities Together (PACT) meetings
- Maintaining and reviewing an effective complaints procedure

**4. Review of effectiveness**

Medway Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by Chief Officers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

**(a) External Assessment**

The Comprehensive Area Assessment (CAA) for 2009 was carried out by the Audit Commission and reported in December 2009. This found no significant concerns or action needed (red flags) for Medway, and one green flag (exceptional performance or innovation that others can learn from) for stopping people from reoffending.



The Organisational Assessment for 2009 also found that overall, Medway Council performs well. It highlighted that most services are good quality and delivered at low cost, and that the Council is good at managing its money and making savings. It did report that some things where the Council is not as effective:-

- Recycling is improving but slowly and below the national average
- Results for children at schools in Medway are very mixed and in some cases not getting any better
- Achievement at age 11 is significantly lower than the average standards nationally

Ofsted rated Childrens Services as adequate, and noted the number of young people getting good GCSE results has increased and is similar to the national average. However there are high levels of NEETs (16-19 year olds not in education employment or training) and teenage pregnancies, and these are not reducing quickly enough.

The Care Quality Commission rated Adult Social Care as performing well and found that treatment and support is timely and well co-ordinated. The Council needs to progress faster with its programme of helping clients choose their support.

The Annual Audit and Inspection letter was considered by both Cabinet and the Audit Committee in November 2009. The audit and inspection letter draws from the 2009 use of resources judgements, service inspections and assessments carried out in the last year and the Comprehensive Area Assessment scorecard and direction of travel report published by the Audit Commission on 5 March 2009. It also summarises the findings of the 2008 review of the council's accounts.

The Audit Commission judged the council to have retained its 3 star status and to be improving adequately. In particular, it highlighted:-

- Integrated financial planning is a strength. The Council manages its financial partnerships with other local authorities; local NHS organisations; the voluntary sector and private sector partners well and there is effective leadership on financial matters.
- The appointed auditor has issued an unqualified opinion on the council's accounts
- The council has a track record of balancing the overall financial position though this is increasingly achieved through management action taken in the year with significant non recurring savings required to balance the 2009/10 budget

- The Council has introduced a performance management system “Covalant” across the Council which allows for tracking and monitoring of service plans and performance indicators.

The Audit Commission’s Direction of Travel report assessed the Council as “3 star, improving adequately”. The report found no failures in the Council’s governance arrangements and stated that “its systems of internal control continue to be sound.” Areas for improvement include:-

- In order to improve performance further, the Council should focus on delivering Medway’s ambitious regeneration agenda while finding innovative ways of working with strategic partners in the challenging economic climate. In particular, achievement of the Council’s target for affordable housing units will require careful management
- implementing the new Performance Management System (‘Covalent’) to enable the more systematic use of data and information, thereby supporting the service planning and performance monitoring approach
- delivering annual expenditure plans while balancing the overall financial position
- ensuring the medium term financial strategy remains sustainable while planning for reduced growth in the annual budget
- sustaining performance in those services where improvement is being reported (such as the Strategic Housing Service)
- achieving the targets set in the local area agreement where the Council has a lead role in delivering outcomes and taking action where performance is behind target
- keeping the Gateway procurement process under review, thereby securing further improvement in arrangements for commissioning and procuring goods and services
- implementing the value for money strategy, embedding the supporting delivery framework and securing efficiencies identified through the ‘star chamber’ process.

The External Auditor completed the CPA Use of Resources assessment during the year and awarded the Council a score of three overall. The Council’s arrangements regarding internal control were assessed in 2008/2009 by the external auditor as being good – scoring 3 out of a possible 4.

The Local Government Ombudsman made two findings of maladministration against the Council in August and September 2009.

The August 2009 report was in respect of seven complaints that the Council had failed to deal properly with the development of an all weather sports pitch at a school situated on the other side of a public footpath which ran along the bottom of their rear gardens. The Ombudsman found that the Council failed to take into account the relationship between the complainants’ homes and the sports pitches, and the potential for overlooking and loss of privacy. The Ombudsman recommended that the Council reimburse the complainants for the reasonable costs associated with increasing the height of their boundaries

and that the lead complainant be paid £250 for time and trouble. The Council accepted this recommendation on 12 November 2009. The Ombudsman recommended that the Council should take steps to ensure it keeps a more detailed record of Planning Committee meetings, and the Council now electronically archives the handwritten notes made by the committee co-ordinator.

The September 2009 report was in respect of a complaint made by the RNIB about the loss of concessionary travel schemes, which enabled companions to travel free with a disabled person. The Ombudsman concluded that when the Council decided not to offer location additions to the national scheme they failed to consider their duties under the Disability Discrimination Act 1995, amounting to maladministration. Medway was one of seven Councils named in the decision, and the Ombudsman recommended that the Council pay £100 compensation and reconsider whether it should put in place additional concessions to those provided under the statutory scheme. The Council accepted the recommendations and reconsidered this matter when setting its fees and charges in the budget set for 2010/2011.

### **(b) Internal Assessment**

An annual review of the code of corporate governance checks the control environment within the two directorates and the business support department, and the results of this review has been used to inform our assessment of significant control issues for the Council.

The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a regular basis. It also receives reports relating to risk management and monitors the corporate risk register, as well as being responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

The terms of reference for the Audit Committee reflect best practice, CIPFA guidance and CPA requirements. The Committee is a full committee of the Council emphasising the commitment to ensuring that there are high standards of internal control within the Council. The Committee is responsible for reviewing the financial performance, risk management and both Internal and External Audit performance and their findings and recommendations.

The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:

- He is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- He is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term

implications, opportunities and risks are fully considered, and alignment with the council's financial strategy; and he

- Leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion on the internal control environment in the areas examined. Their reviews include examination of the main financial systems, enabling them to provide the Section 151 Officer with an overall opinion on the main financial controls in place as well as risk management, internal control and governance arrangements across the authority. In addition the Internal Audit service undertakes fraud investigation and proactive fraud detection work.

Internal Audit reports four times a year to Audit Committee summarising audits issued since the previous meeting. The Audit Committee also reviews the effectiveness of the Council's system of internal audit. The review process has highlighted a number of areas for enhanced focus regarding the governance and internal control environment and these are briefly described below. For each one, action plans have been produced and agreed, and are in the process of implementation:-

The following is an extract from the Head of Internal Audit's annual report for 2009/10.

"Key Financial Systems - The overall operation of the key financial control is assessed as "Satisfactory". All but one of the key financial systems audited were assessed as "Satisfactory" or above. The exception was Housing Rents where control was assessed as "insufficient". None of the irregularity investigations are considered to have a material impact on the overall assessment.

Corporate Governance – Our audit work has confirmed that a sound system of corporate governance exists. However, improvements are required to strengthen the control environment in the risk management process and the Council's arrangements to prevent fraud and corruption.

The operational audit activity does not lend itself to the formation of an overall opinion, owing to the size and complexity of the nature of the activities carried out by the Council when compared with the extent of the audit coverage. However, we can state that the operational audit work has not identified any authority wide risk issues."

Internal audit reviews the effectiveness of controls to minimise risk and in the following audits, the management of risk was assessed as uncontrolled:-

### **Corn Exchange – Financial procedures**

- Expenditure may be unauthorised, inappropriate or represent poor value for money
- Income due may not be collected, retained securely or banked promptly

Management advised that the majority of actions recommended, or an appropriate alternative, had been fully or partially implemented by the time the final report was issued; 7 outstanding actions will be implemented by the end of September 2010 at the latest.

### **Highways Maintenance Contract**

- works procured may be not be completed to the required standard or on time,
- payments may be incorrect or made for incomplete works or unused materials,
- budgets may not be effectively monitored.

Management agreed to implement all audit recommendations.

### **Imprest Accounts**

- Imprest account expenditure may not be appropriate.

Finance staff have been tasked to review and amend the guidance notes to address the issues identified in the audit and to provide training to relevant officers.

### **Markets Income**

- Charges may not be formalised and/or approved by Members,
- All income due may not be identified or collected,
- Income collected may not be adequately protected against loss,
- All income collected may not be banked intact, or not in a timely manner.

All high priority recommendations were accepted by management, with an undertaking to implement the proposed actions, or an appropriate alternative, by the end of March 2010 at the latest. In particular, management are investigating the purchase of a markets management software solution that is already used by around 30 councils, which would address many of the concerns surrounding identification of rent due and income collected.

### **Medway Community College**

- Financial management,
- Purchasing,
- Asset and information security.

The interim executive agreed to implement all recommendations made.

### **Parklands Resource Centre**

- Expenditure may be unauthorised, inappropriate or represent poor value for money
- Income due may not be collected or banked promptly

Management agreed to implement all recommendations

### **Security of Social Care Case Records**

- There may be inappropriate access to current and historic social care case records.
- Access to Care Director cannot be effectively monitored to detect inappropriate access.
- There may be inappropriate access or loss of archived manual files.
- Files may be retained for longer than needed.
- Client records may not be destroyed appropriately.

Management agreed to implement all recommendations

Risk management has been improved in the Council. The Strategic Risk Management group provides guidance and feedback to directors and the Corporate Management Team. This is designed to ensure that risk management and the control process employed across the Council are reviewed appropriately taking account of legal and regulatory matters that may have a significant impact on risk and, any findings and recommendations of the external auditors, internal audit or other third party.

Performance management is carried out through the use of the Council's performance management framework (see appendix 1). This includes monthly performance reports to senior managers and quarterly reports to Members assessing progress and any management action required on a basket of critical success factors. LAA performance is monitored by the LSP operational group, thematic partnerships and the LSP Board, as well as by the Council through key performance indicator reports.

The annual review of governance arrangements and the control environment in 2009 highlighted the following areas for improvement:-

Improvement Area	Action Undertaken
The Annual Governance Statement to contain assurance from Corporate Management Team	<i>This Statement was considered by the Corporate Management Team on 16 June 2010</i>
The governance arrangements for the LSP should be agreed and signed by all partners	<i>This is still to be completed and has been raised as an issue in the 2010 review</i>

<p>The methods of obtaining service users views should be consistent across the Council</p>	<p><i>For 2009/10 the new council plan contains amongst its measures of success to track progress in achieving the council's priorities, a range of user/citizen perception measures. Service plans include information on how quality of service is monitored. This information will be reviewed after service plans are uploaded into the Covalent performance management system (October 2009). Reports outlining this information will be produced for each directorate. The findings will be reviewed by the cross directorate research and information group and an implementation plan will be developed – setting out appropriate measurement and dissemination of trend information</i></p>
<p>A central monitoring system should be put in place to ensure all Members receive induction training.</p>	<p><i>No records were held of training provided to other members during 2009/10 because of the introduction of the new I-share system. However, from the 2010/11 financial year reports can be produced from the system to show what training has been provided</i></p>
<p>That consideration be given to introducing a performance monitoring system for Members</p>	<p><i>The Member Development Advisory Group (MDAG) has recently considered some sort of an appraisal process for Members. However, they are not entirely convinced that it is a useful process in the context of Medway. Officers have been asked to investigate the issue further but have not been able to find another local authority that has successfully introduced an appraisal or 360 degree feedback process. It is noted that South East Employers have just launched a tool that authorities can purchase that includes an appraisal process and 360 degree feedback. MDAG will be looking into this further.</i></p>

The detailed findings indicate that, in general, Medway's Constitution, political and management structure and decision-making processes address the

requirements of the revised CIPFA/SOLACE framework and demonstrate the Council's commitment to openness and transparency. The six core principles set out in the CIPFA/SOLACE framework were assessed as "satisfactory".

Recommended actions in the 2009/10 review of corporate governance are set out below:-

- The LSP governance arrangements should be signed by all partners.
- The Monitoring Officer should report the outcomes of local investigations into complaints of breaches of the member code of conduct to the Standards Committee as quickly as possible.
- Training on the role and responsibilities of audit committees should be provided to the two current Audit Committee members who have not received it previously and potential substitutes should be appointed and trained from the Labour and Lib Dem groups.

The Corporate Management Team will consider this review in detail. The Corporate Management Team is aware of the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the systems is to be considered. This action plan will be monitored by the Corporate Management Team to ensure that actions are taken forward.

On an ongoing basis, we will be obtaining assurances from all Assistant Directors and Directors that key elements of the control framework are in place during the year in their divisions. They will also be asked to identify areas where control weaknesses have resulted in a significant issue arising for the divisions.

The procurement of the Council's waste contract was undertaken in 2009, under the competitive dialogue procedure, a process new to the Council. In September 2009 it became apparent that two errors had arisen in that:-

- A mistake in a spreadsheet had resulted in an incorrect scoring matrix being presented to Members and
- Legal advice indicated that the Council may have exceeded the amount of dialogue with a tenderer that it was entitled to have under the competitive dialogue procedure

As a result of the above, a decision was taken by the Cabinet to move back one stage in the procurement process for both the collection and disposal contracts to ensure that the procurement was robust. External consultants were appointed to complete the procurement, and the contract award stage was delayed by six months. Contracts were awarded by full Council on 15 April 2010 and a review of the process will be undertaken.

The Chief Finance Officer has completed a review of the effectiveness of the internal audit system and has confirmed that he is satisfied with the effectiveness of it. His report will be considered by the Audit Committee on 30 June 2010.



## **5. Governance: Key Areas of Focus**

The review process has highlighted a number of areas for enhanced focus regarding the governance and internal control environment and these are described briefly below. For each one, action plans have been determined by a responsible officer and are under implementation or are in the process of being prepared. A summary of the key elements of these are included below:

### ***(a) The areas for improvement identified in the organisational assessment will be addressed including:-***

- Rigorous and consistent application of performance management systems
- Consistent application of risk management
- Improved links between financial and performance information as part of the overall approach to value for money
- Continuing to challenge existing spending and planned priorities to ensure that the medium term financial plan continues to be soundly based

### ***(b) Address internal control issues highlighted by Internal Audit's work, namely:***

All internal audit reports include an agreed management action plan which specifies the actions to be taken, by whom and when. The previous section records management's response to the uncontrolled risks identified during audit work.

### **(c) A procurement review is underway**

PKF, the Council's external auditors, are assisting in taking forward a review of procurement across the council, including considering amendments to the Council's gateway based procurement process and whether commissioning decision making can be improved. Any improvement areas will be considered and taken forward.

## **6. Certification**

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year although we recognise the areas for additional focus identified in section 5. We are satisfied that these enhancements will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....  
Leader of the Council

.....  
Chief Executive

**MANAGING PERFORMANCE AT MEDWAY COUNCIL**

