APPENDIX A

PROPOSED ANNUAL GOVERNANCE STATEMENT 2007/08

1.   SCOPE OF RESPONSIBILITY

Barnet London Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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 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, and which includes arrangements for the management of risk.

The statement explains how Barnet London Borough Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

2.   THE PURPOSE OF THE GOVERNANCE FRAMEW0RK

The Governance Framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and 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 that framework and is designed to manage risk to a reasonable level. The system also recognises that it is not possible, or even desirable in a value for money context, to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control and risk management 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 the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Barnet London Borough Council for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

3. THE GOVERNANCE FRAMEWORK

- *Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.*

For the relevant period the Council's corporate priorities were set out in its Corporate Plan 2007/8-2010/11. The Corporate Plan sets out the Council's vision for the organisation. It affirms the values and aspirations of Barnet for the place, the people and the organisation. The corporate priorities are clearly defined in the Corporate Plan which demonstrates how the Council will achieve its objectives over the four year period and reviews progress to date. The Corporate Plan is approved by the Council's Executive and is published on the Council's website.

Corporate priorities are cascaded through Service Plans and populate targets for service teams and individuals.

- *Reviewing the Authority's vision and its implications for the Authority's governance arrangements.*

Progress against corporate priority targets is monitored through the corporate performance framework. Targets are reviewed and revised upon receipt of final year end data. The vision is reviewed on an annual basis with the publication of a fresh Corporate Plan. One of the key objectives under Corporate Priority "More Choice Better Value" is to "enhance and further develop corporate governance". Governance arrangements are reviewed annually by the Special Committee (Constitution Review) whose recommendations are reported to the full Council for ratification.

- *Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring they represent the best use of resources.*

Monitoring of performance against the corporate priority objectives is via the FirstStat process, Finance & Performance Review meetings and Member Challenge. These processes have been developed to monitor business/service performance and have involvement at the highest Member and Officer levels within the Council. In addition, there are also quarterly performance reports to Overview & Scrutiny Committees and high level exception reporting to CRC within the monitoring reports.

During the relevant period the Business Improvement Team has collated data from services for Quarterly Performance Monitoring Tables and Best Value Performance Indicators. The information presented in the monitoring tables is assessed by the Business Improvement Team and Head of Service to provide a traffic light rating on performance for each key measure linked to service objectives. This information is then reported to Scrutiny Committees and Finance & Performance Review meetings.

Services must ensure that systems are in place to collect relevant performance data all year round. It is the Service's responsibility to ensure the accuracy of the data provided, the existence of detailed audit management trails supporting the data and that the data is robust. Adopting a Data Quality Policy and undertaking robust challenge and scrutiny through strengthened corporate governance (FirstStat, FP&R) has resulted in improving data quality and performance/service delivery improvement.

Ensuring best use of resources is delivered through a range of mechanisms including FirstStat and Finance & Performance Reviews, Value for Money reviews; Internal Audit reports and support on procurement exercises from the Corporate Procurement Team. Also Key Priorities Board, Capital & Assets Group and, at a lower level, programme boards.

The Council is also one of a number of London boroughs that participates in the annual Residents Survey which provides comparative data on satisfaction levels with service delivery for and between the different local authorities. Information from this and other consultation exercises assist in driving forward service improvements.

- *Defining and documenting the roles of the executive, non-executive, scrutiny and officer functions with clear delegation arrangements and protocols for effective communication.*

The Council has a Constitution that is subject to annual review by the Special Committee (Constitution Review). The Constitution sets out the governance arrangements operating within the Council. They are a Leader and Cabinet model of Executive. Council appoints a Leader and Cabinet. The Leader allocates executive responsibilities and the Council appoints committees to discharge regulatory and scrutiny responsibilities. All relevant roles, terms of reference and delegated responsibilities are set out in the Constitution which is published on the Council's website. The Constitution also includes Protocols for Member – Officer Relations.

- *Developing communication and embedding codes of conduct, defining the standards of behaviour for members and staff.*

Councillors and co-opted members are required to comply with the Members Code of Conduct which is set out in the Constitution. There are a number of other protocols which apply the principles of the Code to specific areas of Council activity. The Standards Committee is required to promote and maintain high standards of conduct by councillors and co-opted members. Officers are also subject to a code of conduct and a number of other policies and procedures relating to their employment. These policies and procedures are published on the Council's intranet.

- *Reviewing and updating standing orders; standing financial instructions; a scheme of delegation and supporting procedure notes/manuals which clearly define how decisions are taken and the processes and controls required to manage risks.*

The Council's Standing Orders and Financial Regulations are included within the annual reviews carried out by the Special Committee (Constitution Review) and

formed part of the 2007/8 review. Delegation is also dealt with in the Constitution and Officers are required to draw up a list of specific powers delegated to them to be published in the Council's website. These arrangements will be reviewed in 2008. The Constitution explains how decisions are taken and Governance pages on the Council's website help to facilitate understanding of the relevant processes.

There has been continuous improvement in the arrangements for risk management in 2007/8 with further development of embedding risks management across the Council, thereby providing the basis for effective risk management policies and procedures.

The Risk Management Strategy was developed in 2007 and as part of best practice it has since been reviewed and updated alongside the guidelines by the Audit Committee. The revised version reflects the transfer of responsibility for risk to the Head of Risk & Insurance. It is an essential part of the risk management toolkit as it ensures a consistent approach to the identification, mitigation and monitoring of risk across the Authority. An embedded approach to risk management cannot be demonstrated without a comprehensive Risk Management Strategy.

An assessment of the Authority's Internal Control Checklist (ICC) is carried out annually to test and prove the internal control environment within the Council. The process supports the Internal Audit planning process, the Finance and Performance Review process and is also available to External Audit. Quarterly risk management forums are held to share risk management best practice, agree changes to the risk management procedures, identify risk management training needs and agree the format of the ICC process. Comprehensive risk registers are maintained by services to record risks and risk management progress relating to their service plan, team plans and all major projects.

The Corporate Risk Register is monitored, reviewed and updated quarterly at Council Directors' Group and twice yearly at Audit Committee.

Internal Audit continue to review and report on risk management arrangements in their interim and annual reports, and provide a statement on the adequacy of risk management arrangements across the Council.

The Finance & Performance Review process continues to review high level risks through individual service risk registers whilst encompassing close monitoring of service delivery performance, performance against budgets and budget reduction targets thus minimising the chances of unachievable saving being incorporated in the budget. F&PR also reviews the financial risk registers and challenge Cabinet Members and officers on it.

All committee reports include a section on risks, which contributes to Members being better informed prior to deciding on policy and decision making. This also raises the awareness and increases Member and Officer understanding of risk and the risk management process. There is also now a single Use of Resources section to all committee reports.

A comprehensive Corporate Risk Register exists, providing clarity and ownership of those potential risks that may have a direct impact to the corporate priorities. Progress on the management of these risks and the inclusion of new corporate

risks is discussed and agreed at Directors Group. Updates are then taken to the Audit Committee.

As part of the annual budget and Council Tax setting, the Chief Finance Officer identifies the potential financial risks and contingent liabilities facing the Authority in reaching his view on the adequacy of balances and reserves. These risks are captured and monitored in a comprehensive financial risk register which also tracks the mitigating actions required to minimise the likely impact on the Council.

The financial risk register is controlled by the Chief Finance Officer but is owned by all members of the Council Directors Group, and forms part of the regular financial monitoring programme to Cabinet Resources Committee. It also forms part of the F&PR sessions, and at officer level is a standing item on the regular "Section 151" meetings that the Chief Finance Officer has with the Heads of Finance.

- *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.*

The Audit Committee's comprehensive terms of reference as set out in the Constitution incorporate the core functions as identified by the CIPFA document. The Committee has a membership of non-Executive Members and is chaired by an Opposition Councillor. It has 5 meetings a year programmed into the Council's Calendar of Meetings. The Committee approves its own work programme for each Council year.

- *Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.*

Assurance on compliance with policies procedure laws and regulations is provided, in part, by Internal Audit which conducts risk based audits on the highest risk areas. Other sources of assurance come from external audit, other external inspectors (e.g. OFSTED, CSCI) and from service management's own internal control arrangements.

The Council has comprehensive policies and financial regulations which are reviewed at regular intervals. These arrangements are directed at ensuring compliance with all applicable regulations and other relevant codes.

- *(Arrangements for) Whistleblowing and for receiving and investigating complaints form the public are in place and well publicised.*

The Council has a whistleblowing policy and counter-fraud guidance published on its website. The whistleblowing policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith. The counter-fraud guidance is designed to assist in both the detection and reporting of fraud. The Council has a well established three stage corporate complaints process*.*

- *Identifying the development needs of members and senior officers in relation to their strategic roles, and are supported by appropriate training.*

The Council has Officer training and development policies embedded within its HR framework. The aim of the policies is to assist in the achievement of the organisation's aims and objectives by providing opportunities for staff to gain the necessary skills and knowledge required to deliver high level performance for the authority. The Council also has a performance appraisal scheme which provides all staff with regular assessments of their performance and development needs in relation to their work objectives. A Member Development Panel with representatives of all three political groups meets to consider training and development for elected Members. Induction and other courses are run internally for Members with both in-house and external speakers.

- *Establishing clear channels of communication with all sections of the community and other stakeholders ensuring accountability and encouraging open consultation.*

The Council actively engages with all relevant stakeholders when developing its vision and strategies. Residents Forums, Leader Listens meetings, a Civic Forum, a Citizen's Panel and other extensive consultation arrangements are all elements of this active engagement. All Committee meetings are open to the public and both agendas and minutes are available on the Council's website. The 'People' section of the Corporate Plan's Vision and Values recognises the richness of Barnet's diversity and the importance of having an effective dialogue with faith, black and minority ethnic groups and with those who are disabled. The Plan emphasises that the Council needs to find innovative forms of engagement and new ways of communicating with citizens. This will ensure they all have an equal opportunity to participate in the discussions that will help the Council understand their needs and preferences and help them take greater control over their lives and have the ability to make informed choices for themselves.

- *Incorporating good governance in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.*

The success of the Council rests on its leadership role in bringing together other public services, the voluntary and community sector and the business community.

This work is co-ordinated through the Local Strategic Partnership (LSP). An Executive chaired by the Leader of the Council, brings together the most senior leaders from the main agencies that deliver public services in Barnet. The Council also holds a Civic Network twice a year to bring together the widest range of organisations in Barnet to help shape future strategy.

Barnet's Sustainable Community Strategy 'Barnet: A First Class Suburb' was launched on 1 April 2006 following extensive analysis of the issues facing Barnet and residents' priorities. It sets out a shared vision for Barnet in 2016 and contains four themes:-

- o Investing in children and young people
- o Safer, stronger, and cleaner Barnet
- o Growing successfully

o   Healthier Barnet (including older people).

Each of these is supported by more detailed ambitions and an Action Plan of activities that will make a real impact on these priorities is updated annually and overseen by the LSP.

A process was put in place during 2007/08 to incorporate the relationship between the Council and the LSP into the Council's Constitution. The relevant article in the Constitution sets out the role of the LSP, where decision making responsibilities rests, the role of the Executive in ensuring appropriate governance arrangements for the LSP and its subsidiary boards and in ensuring that a partnership register is maintenance by the Council's officers and that the Council puts appropriate scrutiny arrangements in place.

4.   REVIEW OF EFFECTIVENESS

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies.

In year review mechanisms include the following:-

•   The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a regular basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

•   There is a comprehensive Scrutiny function which holds the Executive to account.

•   The Standards Committee have met regularly throughout the year to consider and review issues relating to the conduct of Members. Their work has included reviewing the Code of Conduct for Members and preparation/training for the new requirements for dealing with investigations into Members' conduct.

•   The Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met 5 times during the year receiving regular reports on risk management, internal control, anti-fraud and governance matters. There are also regular reports from the External Auditor, including the report to those charged with governance (the ISA260 report).

•   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, risk management and governance arrangement. In addition, the Corporate Anti-Fraud Team undertakes fraud investigation and proactive fraud detection

work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit and the Corporate Anti-Fraud Team are reported to senior management and the Audit Committee. Both Internal Audit and the Corporate Anti-Fraud Team produce annual reports to the Audit Committee.

- The External Auditor's Annual Audit and Inspection Letter is considered by the Audit Committee, the Executive and the Council's Directors Group.

- The External Auditors completed their CPA Use of Resources key lines of enquiry assessment during the year and awarded the Council's internal control arrangements a score of 4 overall. The Use of Resources assessment overall retained a score of 3.

- The Business Improvement Team monitors Best Value and other Performance Indicators on a quarterly basis.

- A Corporate Risk Register exists, which the Council Directors Group uses throughout the year to review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks. Services regularly review their risk registers and any issues they consider to be a corporate risk are discussed at Council Directors Group prior to inclusion in the Corporate Risk Register. Corporate risk management support services in this process by attending management teams when requested.

The year end review of the governance arrangements and the control environment included:

- Obtaining reports from Services that key elements of the control framework were in place during the year in their departments. They were also asked to identify areas where control weaknesses had resulted in significant issues arising for the department and their comments are reflected in this statement.

- Obtaining assurances from other senior management, including the S.151 Officer and the Monitoring Officer, that internal control and corporate governance arrangements in these essential areas were in place throughout the year.

- Validating assurances obtained by reference to documentation held and by comparing the assurances provided to an evaluation of the effectiveness of the control environment.

- Reviewing external inspection reports received by the Council during the year, the opinion of the Head of Internal Audit and ethical Governance in his annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address any weaknesses and ensure continuous improvement of the systems is in place.

5. SIGNIFICANT GOVERNANCE ISSUES

In previous years the Statement on Internal Control identified items which required improvement, and the Council has taken significant action to address those issues in particular a considerable amount of work has been done in the areas of governance of partnerships.

There were no significant issues affecting the Council's governance framework in 2007/08, however, the Council is constantly looking to improve the governance framework and so has identified a number of actions needed to further strengthen existing systems:-

- a Local Code of Corporate Governance will be introduced during 2008;

- a training/development plan for Members will be developed in 2008;

- the Council's partnership register is being extensively reviewed to ensure that it will record the detail of all the Council's significant partnerships;

- a review of the delegated powers arrangements will take place in 2008;

- scrutiny arrangements will be made more effective in 2008;

- business continuity planning and support deficiencies to be addressed;

- a review of information management, particularly security of data in emails and on laptops/data sticks, will take place in 2008;

- arrangements to be put in place to ensure effective and proper local handling of Member code of conduct complaints;

- steps will be taken in 2008 to reduce proportion of follow-up audits still being given limited or no assurance;

- a Counter Money Laundering Policy will be put in place;

- further steps will be taken to ensure that appropriate risk management and health and safety responsibilities are incorporated into managers job descriptions;

- implementation of a computerised risk management system to enable easier reporting and greater visibility through wider access to include partnerships and Members.

6. CERTIFICATION

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified Section 5. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied

that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader of the Council: _____
Date:_____

Chief Executive: _____
Date: _____