

**MEETING**  
**AUDIT COMMITTEE**

**DATE AND TIME**  
**THURSDAY, 25 SEPTEMBER 2008 AT 7PM**

**VENUE**  
**BARNET HOUSE, 1255 HIGH ROAD,**  
**WHETSTONE, N20 0EJ**

**TO: MEMBERS OF THE COMMITTEE (Quorum 3)**

Chairman: Councillor Jeremy Davies  
Vice Chairman: Councillor Daniel Webb

**Councillors:**

Danish Chopra	Geof Cooke	Tom Davey
Mukesh Depala	Marina Yannakoudakis	

**Substitutes:**

**Councillors**

Wayne Casey	Dean Cohen	Monroe Palmer
Hugh Rayner	Alan Schneiderman	Agnes Slocombe

You are requested to attend the above meeting for which an Agenda is attached.

Janet Rawlings, Democratic Services Manager  
Democratic Services contact: Katy Lam 020 8359 2015

CORPORATE GOVERNANCE DIRECTORATE

To view agenda papers on the website: <http://committeepapers.barnet.gov.uk/democracy>

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## ORDER OF BUSINESS

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2	ABSENCE OF MEMBERS		
3	PUBLIC QUESTION TIME	-	-
4	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-	-
5	MEMBERS' ITEMS	-	-
6	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2007/08	DDR&CFO	1-3
7	Annual Governance Statement 2007/8	DoCG	4 - 31
8	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-	-

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**AGENDA ITEM: 4**

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Meeting	Audit Committee
Date	25 September 2008
<b>Subject</b>	<b>External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2007/08</b>
Report of	Chief Finance Officer
Summary	To consider the detailed reports from the external auditor on matters arising from the audit of the 2007/08 accounts. This includes the pension fund accounts.

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Officer Contributors	Head of Strategic Finance Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	ISA260 report – Statement of Accounts 2007/08 (to follow)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Andrew Filby, Finance Manager (020 8359 7114) or Jonathan Bunt, Head of Strategic Finance (020 8359 7249)

## **1 RECOMMENDATIONS**

- 1.1 That the matters raised by the external auditor relating to detailed aspects of the 2007/08 accounts, including the pension accounts, audit be noted.**
- 1.2 That the officer response to matters raised by the external auditor be noted.**
- 1.3 That the Committee notes that at this stage in the audit there are no adjustments identified by the External Auditor that will not be processed by officers.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The Statement of Accounts for 2007/08 were approved, subject to audit, by the Audit Committee on 30 June 2008.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Review of reports made under the International Standard on Auditing (ISA)260 are an integral part of corporate governance.
- 3.2 The Corporate Plan includes an objective for a 'enhancing and further developing corporate governance' within 'More Choice, Better Value.

## **4 RISK MANAGEMENT ISSUES**

- 4.1 A positive external audit opinion on Barnet's Statement of Accounts plays an essential and key role in providing assurance that Barnet's financial risks are managed in an environment of sound stewardship and control.

## **5 EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

## **6 USE OF RESOURCES IMPLICATIONS (FINANCE, PROCUREMENT, PERFORMANCE & VALUE FOR MONEY, STAFFING, ICT, PROPERTY, SUSTAINABILITY)**

- 6.1 External Audit's opinion on the Statement of Accounts, as summarised in the ISA260, is the main factor that determines the Council's score in the Financial Reporting theme of the Use of Resources assessment. As a result, it plays a key role in determining the Council's overall Use of Resources score.

## **6. LEGAL ISSUES**

- 6.1 None other than what may be contained in the body of the report.

## **7. CONSTITUTIONAL POWERS**

- 7.1 Within the Council's Constitution, the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance".

## **8 BACKGROUND INFORMATION**

- 8.1 In accordance with International Standard on Auditing (ISA) 260, the External Auditor is required to issue detailed reports on matters arising from the audit of the Council accounts and pension fund accounts.
- 8.2 The ISA 260 report has to be considered by "those charged with governance" before the External Auditor can sign the accounts, which legally has to be done by 30 September 2008. As the ISA 260 shows the outcome of the audit it cannot be circulated with this report as the audit has yet to be finalised. Officers will be meeting with Grant Thornton the week commencing 8<sup>th</sup> September to agree any account audit issues that need to be reported.
- 8.3 The ISA 260 report contains matters raised by the auditor, his recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting. To assist members in reviewing the external auditor's comments the Statement of Accounts 2007/08 are attached for information.

## **9 LIST OF BACKGROUND PAPERS**

- 9.1 None

Legal: MM

CFO: JB

## **AGENDA ITEM: 5**

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Meeting	Audit Committee
Date	25 September 2008
<b>Subject</b>	<b>Annual Governance Statement 2007/8</b>
Report of	Director of Corporate Governance
Summary	This report seeks approval of the Annual Governance Statement 2007/8

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Officer Contributors	Jeff Lustig, Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A - Report to the Audit Committee 30 June 2008 Appendix B - Annual Governance Statement
For decision by	Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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Contact for further information: Jeff Lustig, Director of Corporate Governance -Tel: 020 8359 2008

## **1. RECOMMENDATIONS**

- 1.1 To approve the Annual Governance Statement for 2007/8.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee 5 December 2007 approved the arrangement for preparing an Annual Governance Statement.
- 2.2 Audit Committee 30 June 2008 approved the proposed Annual Governance Statement for inclusion with the Statement of Accounts for 2007/8.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Under the Council's Corporate Plan 2008/9 to 2011/12, one of the corporate priorities is "More Choice Better Value" and a key objective within this priority is "enhance and further develop corporate governance".

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Referred to in the body of the report.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Good governance arrangements are necessary to ensure that the Council is meeting its equalities and diversity obligations and objectives.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 None in the context of this report.

## **7. LEGAL ISSUES**

- 7.1 Referred to in the body of the report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Audit Committee's responsibilities include "to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption".

## **9. BACKGROUND INFORMATION**

### **9.1 Background to the Annual Governance Statement**

- 9.1.1 The Committee is referred to Appendix A.

### **9.2 Content of the AGS**

- 9.2.1 The Committee is referred to Appendix A.

### **9.3. Process**

- 9.3.1 The Committee is referred to Appendix A.

9.3.2 Since this matter was last reported to the Audit Committee on 30 June 2008, the Council's External Auditors have commented on the robustness of the proposal Annual Governance Statement. Those comments have been taken on board and revisions have been made to the proposed Annual Governance Statement approved by the Audit Committee at its last meeting. Further work has also been undertaken by Officers to "fine tune" the document before its final approval by the Audit Committee prior to the statutory reporting deadline of 30 September 2008. The document has been agreed by the External Auditors.

9.3.3 The changes made to the Annual Governance Statement include:-

Section 3 – The Governance Framework

The section on "Establishing clear channels of communication with all sections of the community and other stakeholders ensuring accountability and encouraging open consultation" has been slightly re-worded following consultation with the Council's Strategic Equalities Advisor.

Section 4 – Review of Effectiveness

Further clarification given to the bullet points dealing with the Standards Committee; the External Auditor's Annual Audit and Inspection Letter; the Corporate Risk Register; the statutory officer assurances; validation of assurances and the review of external inspection reports.

Section 5 – Significant Governance Issues

The bullet points setting out the actions identified to further strengthen existing systems have been expanded to provide a clearer and more contextual explanation of those actions.

9.3.4 The Audit Committee is asked to approve the Annual Governance Statement 2007/8 for the purposes of the statutory reporting requirement.

## **10. LIST OF BACKGROUND PAPERS**

10.1 CIPFA/SOLACE - Delivering Good Governance in Local Governance Framework.

CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English Authorities

CIPFA/SOLACE Financial Advisory Network: The Annual Governance Statement.

10.2 Any person wishing to view the background papers should telephone Jeff Lustig, Director of Corporate Governance – Telephone: 020 8359 2008.

Legal: JEL

CFO:



## APPENDIX A

### **AGENDA ITEM: 8**      Page nos. 35 - 39

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Meeting	Audit Committee
Date	30 June 2008
<b>Subject</b>	<b>Annual Governance Statement</b>
Report of	Director of Corporate Governance
Summary	This report seeks approval of the proposed Annual Governance Statement to be included in the annual accounts

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Officer Contributors	Jeff Lustig, Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – Annual Governance Statement (to follow)
For decision by	Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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Contact for further information: Jeff Lustig, Director of Corporate Governance -Tel: 020 8359 2008

## **1. RECOMMENDATIONS**

- 1.1 To approve the proposed Annual Governance Statement for inclusion with the Statement of Accounts for 2007/8.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee 5 December 2007 approved the arrangement for preparing an Annual Governance Statement.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Under the Council's Corporate Plan 2008/9 to 2011/12, one of the corporate priorities is "More Choice Better Value" and a key objective within this priority is "enhance and further develop corporate governance".

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Referred to in the body of the report.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Good governance arrangements are necessary to ensure that the Council is meeting its equalities and diversity obligations and objectives.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 None in the context of this report.

## **7. LEGAL ISSUES**

- 7.1 Referred to in the body of the report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Audit Committee's responsibilities include "to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption".

## **9. BACKGROUND INFORMATION**

### **9.1 Background to the Annual Governance Statement**

- 9.1.1 Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) required a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.
- 9.1.2 The requirement for an authority to produce a SIC has been replaced by a requirement to prepare an Annual Governance Statement (AGS).

9.1.3 Circular 03/206 issued by the DCLG in August 2006 stated that proper practice in relation to internal control would include guidance in the “Corporate Governance in Local Government. A keystone for Community Governance (Framework and Guidance Note)” produced by CIPFA/SOLACE in 2001. The CIPFA/SOLACE framework was revised in 2007 and it is this new framework which requires authorities to produce an AGS rather than a SIC to meet the requirements of the Accounts and Audit Regulations 2003 (as amended).

9.1.4 The new CIPFA/SOLACE framework is titled “Delivering Good Governance in Local Government”. It sets out the following core principles of corporate governance. They are:-

1. Focussing on the purpose of the authority and outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust accountability.

9.1.5 In essence, the AGS is the formal statement that recognises, records and publishes the authority’s governance arrangements as defined in the framework. It is a statement which has now subsumed the SIC just as the SIC subsumed the statement on internal financial control from 2003/4.

## **9.2 Content of the AGS**

9.2.1 The AGS should incorporate a review to ensure that the Council has effective governance, risk management and internal control processes in place. Actions being taken or required to be taken should be identified.

9.2.2 The best practice framework provides guidance on what the AGS should contain including:-

- Responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control).

- Indication of the level of assurance that the systems and processes that form the governance arrangements can provide.
- Brief description of the key elements of the systems and processes that have been applied in maintaining and reviewing the effectiveness of the governance arrangements.
- An outline of the actions taken, or proposed to deal with significant governance issues, including an agreed action plan.

9.2.3 By way of comparison with the SIC, the purpose of the SIC was to report on the robustness of the internal control environment based on identification of key risks; identification and assessment of controls to mitigate risks; evaluation and identification of gaps in control and assurance and plans to close control gaps and improve assurance. The purpose of the AGS is to report on the Council's governance arrangements and covers all systems processes and controls, spanning the whole range of its activities. Pretty much all that the SIC covered will also feature in the AGS, but it has a corporate governance dimension on top of that.

### **9.3. Process**

9.3.1 The new framework requires the AGS to be reviewed at least once a year. The AGS document is required to be included in the annual statement of accounts, the statutory deadline for which was brought forward by the Accounts & Audit Regulations to the end of June from the 2005/6 financial year. The statutory reporting requirement for the AGS, however, is linked to the publication of the authority's statement of accounts which is 3 months after the deadline for approval (i.e. end of September).

9.3.2 Part of the review process includes this reporting to the Audit Committee, which is responsible for assessing that the arrangements in this respect are effective to determine if their work during the year has identified issues of significant weakness.

9.3.3 If the Committee approves the AGS it will be incorporated into the statement of accounts for 2007/8. The Council's external auditors will comment on the robustness of the AGS when carrying out the external audit of the 2007/8 accounts. Those comments will be reported to the Committee at its meeting on 25 September 2008 in order to enable the Committee to take those comments into account before the statutory reporting deadline of 30 September 2008.

- 9.3.4 The draft AGS for 2007/8 is attached at Appendix A (to follow). Further work following upon the review may result in updating of the position and some changes to the content of the AGS when the matter next comes before the Audit Committee in September.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 CIPFA/SOLACE - Delivering Good Governance in Local Governance Framework.

CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English Authorities

CIPFA/SOLACE Financial Advisory Network: The Annual Governance Statement.

- 10.2 Any person wishing to view the background papers should telephone Jeff Lustig, Director of Corporate Governance – Telephone: 020 8359 2008.

Legal: MM

CFO: CM

**SPECIAL AUDIT COMMITTEE – 7PM, 30 JUNE 2008**  
**Item 8 – Annual Governance Statement**

**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 FRAMEWORK**

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 from 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:-

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

- 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 maintained 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 arrangements. 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: \_\_\_\_\_

## 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 FRAMEWORK

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 Cabinet Resources Committee 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. Evidence of embedded Risk Management arising out of this process is the operation of Corporate (CIP), Service (SIP) and Team (TIP) Improvement Plans. CIP's are managed by the Corporate Risk Officer and reported to the Council's Directors Group whilst SIP's and TIP's are dealt with as service improvement plans within service areas and reported quarterly to F&PR.

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.

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.

An audit of the risk management function provided a 'satisfactory' level of assurance that the development of corporate risk management is progressing adequately. As there was some non-compliance and poor practice in services, Internal Audit intend to undertake audit of the Internal Control Checklist (ICC) process, which is designed to enable managers to assess and improve the risk and control environment within their areas of control, in services across the Council.

In 2007-8, Internal Audit completed a review of the ICC process within the Resources Directorate. Although a level of 'no assurance' was provided on this review, the assurance level improved to satisfactory at the follow-up audit.

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 challenges Cabinet Members and officers on them.

All committee reports include a section on risks, which contributes to Members being better informed prior to deciding on policy and other 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. The Corporate Risk Register is monitored, reviewed and updated quarterly at Council Directors' Group and twice yearly at 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 from 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 supporting with 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 Network, a Citizen's Panel and other extensive consultation arrangements are all elements of this active engagement. All appropriate 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 all of its diverse residents. The Council's Equality Scheme emerged through a range of discussions with all people from different communities. The Council is committed to using a range of innovative forms of engagement and communication with citizens and using this information to enrich its understanding of the needs of our local residents. This information is of particular value in supporting the Council in its approach to promoting choice and independence for some of our more vulnerable residents

- *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:-

- Investing in children and young people
- Safer, stronger, and cleaner Barnet
- Growing successfully
- 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 maintained 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. There were no investigations into allegations of members breaching the Code of Conduct in 2007/08 and no other conduct or ethical governance issues required the Standards Committee to respond. However it progressed with a proactive work programme. 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. They 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. An unqualified opinion and value for money conclusion on the accounts was given and direction of travel was deemed as continuing to be good.
- The External Auditors completed their Use of Resources key lines of enquiry assessment during the year and an overall score of 3 retained. Within this a score of 4 was given for the assurance framework.
- 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. This system of monitoring and review has proved effective in maintaining the profile of risk management and strategic risks.

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. These assurances were given unreservedly.

- Validating assurances obtained by reference to documentation held and by comparing the assurances provided to an evaluation of the effectiveness of the control environment. This comparison revealed no discrepancies or causes for concern.
- A review of the 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. All of these were satisfactory.

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.

The Internal Audit Annual Report for 2007/8 to the Audit Committee from the Head of Audit and Ethical Governance Opinion did not report concerns on the adequacy and effectiveness of the Council's overall system of internal control resulting from the work carried out.

## 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 area of the 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. The Council's Corporate Plan includes an objective to 'enhance corporate governance' and therefore a number of actions have been identified to further strengthen existing systems:-

- a Local Code of Corporate Governance will be introduced during 2008/09;
- building on previous work on Member development, as referenced above, the training/development plan for Members will be further developed in 2008/09;
- the partnerships register that has been compiled of all sub partnerships and groups reporting to the LSP is to be improved to be a register of all the council's partnerships, including contractual partnerships. This work is in progress.
- a review of the established delegated powers arrangements will take place in 2008/09;
- following a recent Member-led review, recommendations will be implemented to increase the effectiveness of the Council's scrutiny arrangements in 2008/09;
- business continuity planning is a priority for the Council but some deficiencies in the support for this have been identified and these are to be addressed;
- given the high profile of a few serious cases recently, a review of the Council's



information management, particularly security of data in emails and on laptops/data sticks, will take place in 2008/09 to ensure the highest standards of best practice and compliance are being consistently applied;

- it has been identified that staff guidance information governance is patchy and not available from one clear source; therefore work is planned to review, consolidate and publicise the guidance on the intranet;
- an internal audit review of the established arrangements for complying with Data Protection Act has been commissioned for 2008/09.
- the Internal Control Checklist process specifically within the Corporate Governance Directorate will be reviewed in 2008/09.
- arrangements have been put in place and are being further developed to ensure effective and proper local handling of Member code of conduct complaints under the new system of Local Regulation;
- steps will be taken in 2008/09 to further reduce the approximately 20% of follow-up audits that are still being given limited or no assurance;
- a Counter Money Laundering Policy will be put in place to support the Council's already wide range of counter fraud policies and initiatives;
- further steps will be taken to ensure that appropriate risk management and health and safety responsibilities are incorporated into the job descriptions of all managers;
- a computerised risk management system is to be implemented to enhance current processes by enabling easier reporting and greater visibility through wider access; this access to include partners 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: \_\_\_\_\_