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| Meeting | Audit Committee |
| Date | 29 June 2009 |
| Subject | Draft Annual Governance Statement |
| Report of | Director of Corporate Governance |
| Summary | This report seeks approval of the proposed Draft 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 |
| For decision by | Committee |
| Function of | Council |
| Reason for urgency / exemption from call-in (if appropriate) | Not applicable |

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

1. RECOMMENDATIONS

- 1.1 To comment upon and approve the proposed Draft Annual Governance Statement for inclusion with the Statement of Accounts for 2008/9.

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. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 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 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.

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 2008/9. The Council's external auditors will comment on the robustness of the AGS when carrying out the external audit of the 2008/9 accounts. Those comments will be reported to the Committee at its meeting on 24 September 2009 in order to enable the Committee to take those comments into account before the statutory reporting deadline of 30 September 2009.

9.3.4 The draft AGS for 2008/9 is attached at Appendix A. 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: JEL

CFO: CM

PROPOSED ANNUAL GOVERNANCE STATEMENT 2008/09

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.

Barnet London Borough Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Governance. A copy of the Code will be included in the Constitution from May 2009.

The statement explains how Barnet London Borough Council has complied with the Code, 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

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 2009 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:

The Sustainable Community Strategy for Barnet sets out the vision for how the Council and other local organisations and agencies will work together to improve the economic, social and environmental well-being of the borough. Supporting the Strategy is the Council's Corporate Plan setting out the vision for the Council. It affirms the values and aspirations of Barnet 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 how it reviews progress to date.

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

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| The Sustainable Community Strategy (2008-2018), delivered by the Council and its partners: | <ul style="list-style-type: none">▪ Approved by the Local Strategic Partnership. The Strategy was refreshed in 2008/9▪ Published on the Council's Website |
| The Corporate Plan (2008/09): | <ul style="list-style-type: none">▪ Approved by Cabinet in April 2008▪ Published on the Council's Website |

Reviewing the Authority's vision and its implications for the Authority's governance arrangements:

One of the key objectives in the Corporate Plan 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. For 2008/09, the following are achievements in respect of some of the key priorities were identified under that objective:

- Establish the new AGS process and promote this as being a 'Governance Health Check' : *first AGS approved by Audit Committee in June 2008*
- Establish a Governance Framework for Barnet: *Code of Corporate Governance approved by the Audit Committee and then recommended for inclusion in the Constitution by the Special Committee (Constitutional Review) in March 2009*
- Implement second Council-wide Ethical Governance Assessment: *achieved and actions to implement recommendations agreed by the Standards Committee in December 2008*
- Revise FOI Publication Scheme: *achieved and new version published in December 2008*
- Work with the Council to review and reposition Scrutiny to perform a more effective role: *review complete and recommendations agreed by Council in July 2008, to be implemented in May 2009*

The on-going work on reviewing governance arrangements is captured in the new Corporate Plan 2009/10 and beyond.

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:

Corporate priority targets are established annually as part of the process of refreshing the Corporate Plan, and are then monitored through the corporate performance framework. Quarterly performance reports are considered at Cabinet Resources Committee and by Overview and Scrutiny.

Services must ensure that systems are in place to collect relevant, accurate and robust performance data, and that they comply with the Data Quality Policy, which was refreshed in March 2009. This policy establishes why data quality is important, the Council's commitment to data quality and the responsibilities in respect of maintaining data quality, as well as identifying the guidance and support available.

These processes have been developed to monitor business/service performance and have involvement at the highest Member and Officer levels within the Council. Value for Money reviews, Internal Audit reports and officer working also support this process.

Officers from all Directorates met regularly from the summer of 2008 to prepare for the 2009/10 budget Directorates were asked to consider the 2009/10 budget in light of the savings that would have to be made as a consequence of the projected financial settlement the Council would receive from central government. Consideration extended to options for both efficiencies and possible service reductions. Each proposal was subjected to challenge at Officer level before being presented to Executive Members for their consideration

The Council initiated a programme of value for money reviews in 2008. 3 reviews have now been completed by services and 7 more are in progress. The reviews both show delivered savings and make savings proposals. The completed reviews are undergoing a process of independent review by the Council's Business Improvement Team.

The quality and efficiency of Barnet's services is also assessed annual by the Audit Commission and its appointed external auditors. Previously this process was called Comprehensive Performance Assessment (CPA). This year a new regime has been introduced called Comprehensive Area Assessment (CAA), which places a greater emphasis on outcomes, partnership working, and planning for future challenges.

Barnet Council is currently working with its partners to produce a self-evaluation, using the CAA framework, as well as a self-assessment of the way that it manages performances and manages its use of resources. This supports Barnet and its partners to continuously review and improve their performance, whilst also generating evidence that the Audit Commission can use for its CAA judgements.

The annual Use of Resources assessment existed under CPA, but as part of CAA it is broader in scope and more challenging in expectation. It assesses how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people, and now embraces the use of

natural, physical and human resources and places a new emphasis on commissioning services for local people.

For 2007/08 Barnet achieved a three out of a possible four, which was consistent with the previous year. This year Auditors will produce a judgement for each of the following three themes:

- Managing finances - focusing on sound and strategic financial management.
- Governing the business - focusing on strategic commissioning and good governance.
- Managing resources - focusing on the effective management of natural resources, assets and people.

For Barnet, our initial draft assessment reveals good performance across many of the themes and Grant Thornton have provided an overall indicative score of 2 out of 4 under a much more challenging assessment framework. However further evidence is being identified with a view to improving the UoR score prior to the final announcement in late summer 2009.

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| Corporate Plan Performance Monitors: | Quarterly | <ul style="list-style-type: none"> ▪ Published on the council's website ▪ Reported to Cabinet Resources Committee and Overview and Scrutiny Committees ▪ Monitored by both internal Officer and Member meetings |
| Year End Performance Out turn: | | <ul style="list-style-type: none"> ▪ Reported in summary form to the public in the Annual Finance and Performance Report |
| New Corporate Plan 2009/10 | | <ul style="list-style-type: none"> ▪ Approved by Cabinet in March 2009, but has been significantly rewritten subsequently. |
| New Equalities Policy (an easy-read version is being developed to enhance the document's accessibility) | | <ul style="list-style-type: none"> ▪ Approved by Cabinet in December 2008 and underpins the service planning process |

Putting the Community First is also at the heart of all our corporate priorities. We endeavour to ensure that the services we provide meet the needs of all our communities. From April 2009, as part of the Local Government and Public Involvement Act 2007, local authorities will have a duty to inform, involve and consult with their residents and service users.

We have already established many excellent offline traditional methods of involving residents in decisions and service provisions, namely through: our Citizens panel; service user/resident surveys; service user groups; ad-hoc group discussions with our residents; area forums; councillor surgeries; youth board; consultation documents; customer access points; comments and complaint cards.

However, the Council recognises we are experiencing rapid social change and we need to build a stronger relationship with our citizens, having wider and deeper conversations to understand their needs and preferences. Our role is to provide the space for citizens to debate with the council and public agencies, and with each other, the competing priorities and build a consensus on priorities for the area, and explain how decisions were reached. We also want to give citizens greater control over their lives and the ability to make informed choices for themselves. To ensure all citizens have an equal opportunity to do all of this we need to find innovative forms of engagement and new ways of communicating with them.

As part of this recognition and new approach the council has recently developed a strong online presence, namely through our own social media website, whereilive.org. The council has also established a presence on facebook; twitter, flickr and the Leader of the Council has launched his own Leader Listens website.

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| Consultation portal | <ul style="list-style-type: none"> ▪ Procured for 2009/10. Will be a searchable online calendar to publish, search, track and help co-ordinate and report on consultations and also ensure action as result of consultation and engagement are clearly visible to residents |
| Focus groups | <ul style="list-style-type: none"> ▪ A particular example being a successful one with users following the introduction of Self-directed support providing useful feedback on the initiative |
| Citizens Panel Newsletter | <ul style="list-style-type: none"> ▪ Provides feedback on outcomes of consultations to Citizens Panel Members |
| Place survey | <ul style="list-style-type: none"> ▪ Conducted October-December 2008 and collecting data for National Indicators. Key findings were that: <ul style="list-style-type: none"> • Satisfaction with the local area has improved and is higher than the London and outer London averages • Satisfaction with the council has decreased but is still higher than London and outer London average |

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 and from May 2009 includes the Code of Corporate Governance. 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.

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| New/re-designed 'Governance' pages on the Council's website and Corporate Governance Intranet sites | <ul style="list-style-type: none"> ▪ To communicate and promote key sections of the constitution in a clear and concise way |
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New Scrutiny model/arrangements with streamlined roles and responsibilities ▪ To be implemented in May 2009

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.

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| Review/assessment of compliance with Member Code of Conduct | ▪ The Standards Committee annual report to Council in July provides a summary of all allegations of breach of the Member Code of Conduct assessed and determined during the year |
| Revision of Codes of Conducts | ▪ The Standards Committee responded in December 2008 to the Government's consultation on proposed changes to the Members' Code of Conduct and introduction of a statutory Officer Code of Conduct. They are being regularly updated in 2009 as appropriate |
| Council-wide Ethical Governance Assessment carried out in 2008 | <ul style="list-style-type: none"> ▪ Reported confidence improving in matters relating to the registration of interests and 100% awareness of Members of the register ▪ Actions agreed by the Standards Committee to further improve levels of staff awareness and confidence – to be implemented in 2009 |
| Standards Committee | ▪ To facilitate the operation of Local Regulation the Standards Committee was expanded in May 2008 involving a significant recruitment exercise and training programme. |

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 review carried out by the Special Committee (Constitution Review). Delegation is also dealt with in the Constitution and Officers are required to draw up a list of specific powers for approval to be delegated to them to be published in the Council's website.

The Risk Management Strategy was developed in 2007 and as part of best practice it has since been revised and approved, alongside the guidelines, by the Audit

Committee in June 2008. The Corporate Risk Register provides clarity and ownership of those potential risks that may have a direct impact to the corporate priorities. This is monitored, reviewed and updated quarterly by senior Council Officers and twice yearly at Audit Committee. Service level risk registers record risks and risk management progress relating to their service plan, team plans and all major projects.

The Finance & Performance Review (F&PR) 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 savings being incorporated in the budget. F&PR also reviews the financial risk registers and challenges Cabinet Members and officers on them. All Cabinet and 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.

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 Internal Control Checklist (ICC) process. This process is designed to enable managers to assess and improve the risk and control environment within their areas of control, in services across the Council.

A follow-up audit concluded in 2008/09 of the audit of the risk management function in 2006/7 provided a 'satisfactory' level of assurance that the development of corporate risk management is progressing adequately.

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 senior Council Officers, and forms part of the regular financial monitoring programme to Cabinet Resources Committee. It also forms part of the F&PR process and at officer level is routinely raised as part of the regular 'Section 151' contact that the Chief Finance Officer has with the Heads of Finance.

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 F&PR process and is also available to External Audit.

Internal Audit continue to review the ICC process across the Council and report on these arrangements and the ICC process in their interim and annual reports.

Further revision and simplification of the ICC Checklist for 2008/09 ■ All services completed the revised ICC in January 2009

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| Improvements in the use of the ICC | <ul style="list-style-type: none"> ▪ A tighter process for actions arising from the assessment of ICCs to feed into risk registers and service plans is being developed. ▪ Corporate Improvement Plans are managed by the Corporate Risk Officer and advised to the Council's Senior Officers whilst Service and Team Improvement Plans are dealt with within service areas and updated quarterly as part of the F&PR process. |
| Carrying out audits of the ICC process in all services | <ul style="list-style-type: none"> ▪ This work began in 2007/8 and will continue through to 2009/10 |
| Risk that outcomes for vulnerable children do not improve | <ul style="list-style-type: none"> ▪ Mitigated through the corporate risk framework resulting in the Annual; Performance Assessment confirming a decisive response to Joint Annual Review recommendations and rigorous performance management within the service. |
| Financial risk that the forward plan approved by Council identified a budget gap of £10m which needed to be bridged to deliver Council Tax in line with the medium term financial strategy. | <ul style="list-style-type: none"> ▪ Mitigating action resulted in Council tax being set in line with the medium term financial strategy. |

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.

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| Comprehensive training programme during 2008 | <ul style="list-style-type: none"> ▪ Provided to the whole Audit Committee through sessions incorporated into the formal meetings of the committee. |
| Carried out Annual Review of the Audit Committee Effectiveness | <ul style="list-style-type: none"> ▪ Reported to committee in April 2009 – recommendations agreed |

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful:

Various internal controls operate to ensure compliance with relevant laws and regulations as well as internal policies and procedures. This includes the role of the Monitoring Officer, Legal Services, Human Resources and the Corporate Anti-Fraud Team. Internal policies are particularly reviewed through the Corporate Plan process.

The roles of the Statutory Officers of the Council are set out on the Council's Website [hyperlink to follow] and the functions are set out in the Constitution. In particular, the Section 151 Officer exercises powers set out in the Council's Financial Regulations including ensuring that if decisions are likely to be taken that may incur unlawful expenditure this is reported. No such report had cause to be made in 2008/09.

Assurance on compliance with policies, procedures, 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. No notable non-compliance has been identified in 2008/09.

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. This includes the Council's Contract Procedure Rules.

The Council has a Corporate Procurement Team that has gone through changes in 2008/09 including the appointment of a new Head of Procurement and movement of the team to the Major Projects Directorate. This move means that advice and assistance is easily available for all larger procurements. However, the team's expertise also remains open to all departments for assistance and advice in any procurement matter. All Procurement Managers in the team are professionally qualified and suitably experienced in public sector procurement matters.

The Council's Corporate Procedure Rules and Procurement Code of Practice have been revised in 2009 to reflect a more robust and standardised method of ensuring compliance with relevant legislation and internal policies. The Council also operates a Gateway Review process for all procurements valued at more than £140k which checks the justification for any procurement, confirms compliance with internal procedures and confirms applicable European Procurement rules are being followed.

For all procurements over £25,000 the authority to proceed is also sought by the completion of delegated powers reports or by ensuring that the procurement is identified in the budget contract appendix presented to the Council. A delegated powers report is also completed at the completion of the procurement process before any contract award; this has to be approved by statutory officer review which includes Legal Services and Democratic Services.

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| Review of Financial Regulations | ▪ The Council's Financial Regulations were comprehensively revised by the Special Committee (Constitution Review) in October-March 2009 |
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(Arrangements for) Whistle-blowing and for receiving and investigating complaints from the public are in place and well publicised:

The Council has a whistle-blowing policy and counter-fraud guidance published on its website. The whistle-blowing 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, which is also publicised on Barnet Online.

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| New Customer Relations Management software | ▪ In the process of being implemented - to improve the visibility and consistency of reporting of complaints |
| Revised Whistle-blowing leaflet launched in Oct 2008 | ▪ To report the new 24 hour Whistle-blowing hotline number |
| Whistle-blowing Cases | ▪ The number of whistle-blowing cases investigated and the findings are summarised in an annual report [link to be included post June] |

Identifying the development needs of members and senior officers in relation to their strategic roles, and supporting with appropriate training:

An informal Member Development Panel with representatives of all three political groups meets to consider training and development for elected Members. Officers support the work of the Panel in seeking to develop a Member Development Strategy. Examples of programmes/events during 2008/09 are:

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| Equalities Training: Delivered by the Executive Director for Communities and the Strategic Equalities Adviser) | ▪ Offered to all Members in 2008 |
| Informal Evening on Digital Media and Blogs: Delivered by the Editor of the Hendon Times | ▪ Offered to all Members in 2008 |
| A Personal Development Programme, the charismatic and compelling Councillor: delivered by FECUND | ▪ Offered to all Members in 2008 |
| Individual Coaching: provided by SOLACE | ▪ Provided for individual Councillors |
| A full training plan for the Standards Committee | ▪ Provided to Independent Members only or the whole committee as appropriate |

The Council has officer learning and development policies embedded within its HR framework with responsibility for delivery devolved to service areas. The Council also has an appraisal scheme which identifies learning and development needs in relation to work objectives.

Development for Directors/senior officers during 2008/09

- Facilitated events
- Personal Development Plans
- Service-specific management events

Governance Development endorsed by the Institute of Leadership and Management (ILM) Managers programme: *Institute of Leadership and Management*

- All delegates were ILM certified at the end of the programme in December 2008
- Phase 2 of the programme to be launched in June 2009
- Aim to develop senior managers in the directorate as 'Ambassadors of Governance'

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, 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 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.

The Leader Listens initiative:

- Invites every household in a polling district to meet personally with the Leader of the Council
- Includes a blog to which residents can post and which is personally moderated by the Leader
- Has gained widespread local and national interest as an innovative means of consultation
- Met in 15 polling districts in 2008, inviting approximately 1150 residents to each and with an average of 28 attendees per meeting.
- Has expanded to 'Leader Listens to Faith', Leader Listens to Small Business', and supermarket events

Website improvements incorporating social networking

- Full re-launch of the Council's Website in early 2009 with new look and new features
- Range of social networking sites available from the frontpage of the website

- In particular, 'Where I Live' providing an opportunity to share thoughts about Barnet; the place and the people
 - Encourages a wider range of citizens to make their voices heard and publicised through Barnet First
- A new Ward Visit initiative
- Launched in March 2009 for the Chief Executive and Ward Members to walk the wards to meet residents and discuss local issues

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.

Schools are another example of group working and the adoption of the self-assessment tool for Financial Management Standard in Schools (FMSiS) has been a key ingredient of good governance and development of effective financial management in schools. All secondary schools were required to pass the standard

by 31 March 2007 and under the three-year renewal process will be required to be re-accredited in 2009/10. All Primary and Special Schools are required to pass by the end of 2009/10. All self assessments and evidence prepared by schools to date have been assessed independently through Council's Internal Audit and Ethical Governance.

| | |
|---|--|
| Terms of reference and a constitution for the LSP (incorporating the Audit Commission's good practice guidance) | <ul style="list-style-type: none"> Agreed by Cabinet 3 April 2008 and incorporated into the Constitution |
| All partnerships that report directly to the LSP | <ul style="list-style-type: none"> Have recently reviewed governance arrangements |
| A new Partnership Register and toolkit | <ul style="list-style-type: none"> These provide a focus for partnership work and will be used in future training and workshops. The toolkit was finalised in June 2008 and the register was completed in March 2009 |
| New reciprocal arrangements with the PCT | <ul style="list-style-type: none"> The Special Committee (Constitution Review) in February 2009 approved proposals for the Chief Executive of the PCT to attend Executive meeting, including matters related to health from which the press and public were excluded and for the Director of Communities to attend PCT Board meetings |
| Schools FMSiS | <ul style="list-style-type: none"> At 31/03/09 18 out of 19 secondary schools had met the standard with the remaining secondary school having met it since. 61 out of 87 primary schools had met the standard and all 4 Special schools in the borough. |

4. Review of Effectiveness

As with all Local Authorities, the Council operates through a governance framework. This is an inter-related system that brings together an underlying set of legislative requirements, governance principles and management processes. This operates across the Council but the Council has a Corporate Governance Directorate with a stated aim *"to promote the highest standards of conduct, accountability and transparency in the way the Council and its partnerships operate"*.

The governance framework must conform to principles of good governance and the Council has in 2008/09 agreed a Code of Corporate Governance that aims to demonstrate how the Council does this. This Code identifies the supporting principles and the requirements associated with them and, most importantly, the means through which the Council achieves these.

The Council routinely reviews the effectiveness of its governance framework,

including the system of internal control and thereby its compliance with the Code of Corporate Governance, through various means, including this Annual Governance Statement. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, appropriate committee structures, the work of the internal auditors and by comments made by the external auditors and other inspection agencies. The role of and the processes used by the following are particularly highlighted:

The Council:

The Council has responsibility for the budget and statutory policy framework as well as constitutional and quasi legislative functions. It delegates to Council committees many regulatory functions.

The Executive:

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.

Overview and Scrutiny Committees:

There is a comprehensive Scrutiny function which holds the Executive to account. A new Scrutiny model and arrangements will be in place from May 2009, designed to further strengthen this function and raise the profile of Scrutiny across the Council.

The Audit Committee:

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. It receives 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).

The Standards Committee:

The Standards Committee have met regularly throughout the year to consider and review issues relating to the conduct of Members and report annually to the Council on their work. There is an agreed annual work programme, which in 2008/09 focussed on implementing Local Regulation and the biennial Ethical Governance Assessment; the findings from which were received in December 2008 and an action plan agreed. There are agreed protocols and criteria for assessments and determinations and initial assessments have gone well

Internal Audit:

The 2008/09 annual audit plan is risk based and was prepared in consultation with the Directors before being approved by the Audit Committee on 19 March 2008. In delivering the audit plan, reports were issued to the Directors and relevant stakeholders at the conclusion of each audit. These reports capture management actions against reported risks and include the timing of the follow-up audit to confirm implementation of the agreed actions. At the conclusion of each planned follow-up audit during 2008/09 on the audits from 2007/8, management were provided with revised opinion on the level of post audit assurance.

The Audit Committee were kept informed of the progress of the annual plan through the Internal Audit Interim Annual Report 2008/09 on 9 December 2008 and the Internal Audit Annual Report on 29 June 2009. The Council's external auditors review aspects of internal audit each year specifically in order that they can place reliance on the audit work.

Based on the work completed in 2008/09, the Head of Internal Audit and Ethical Governance concluded that there were no significant and material weaknesses in internal controls. Where weaknesses have been identified, management actions have been agreed to mitigate reported risks. Key areas for improvement identified by the Head of Audit include: the Meals Service and Customer Billing, Data Protection Framework, Drug and Alcohol Service, Parking Pay and Display Maintenance and Cash Collection, and Use of Consultants in Environment and Transport.

During 2009/10 consideration will be given to extend the coverage provided by Internal Audit as part of the process to strengthen the internal control environment across the council.

Risk Management:

A Corporate Risk Register exists, which the Council's senior officers use 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 by the Council's senior officers 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.

Members role on risk management will be developed further in 2009/10 and this will include providing members of the Audit Committee an opportunity to review and challenge Directorate risk registers. The Audit Committee reviewed and challenged the Corporate Risk Register during 2008/9.

Performance Monitoring:

The Councils' performance framework monitors internal and externally driven indicators through the quarterly reporting to Scrutiny Committees, Finance and Performance Review and Member Challenge meetings with Members and First Stat challenge meetings.

Year-end processes:

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

5. Significant Governance Issues

No significant issues affecting the Council's governance framework were identified in 2007/08. However, the Council's Corporate Plan included an objective to 'enhance corporate governance' and a number of actions were identified in 2007/08 to further strengthen existing systems. The position in 2008/09 in respect of those issues is set out below:-

| Improvement area: | Present position: |
|--|---|
| A Local Code of Corporate Governance will be introduced during 2008/09 | <ul style="list-style-type: none"> ▪ Has been agreed and will be included in the Constitution from May 2009 |
| Building on previous work on Member development, as referenced above, the training/development plan for Members will be further developed in 2008/09 | <ul style="list-style-type: none"> ▪ The Member Development Panel planned a number of innovative programmes/events to support and develop Members on 2008/09 (exampled in section 3) ▪ In May 2009 work will commence on drafting Member Development and Support Strategy for 2009/10 and beyond |
| 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 | <ul style="list-style-type: none"> ▪ This work is complete. All Council services have mapped the partnerships that they are involved in |
| A review of the established delegated powers arrangements will take place in 2008/09 | <ul style="list-style-type: none"> ▪ Review complete and report/recommendations being considered by the Director of Corporate Governance initially |
| Following a recent Member-led review, recommendations will be implemented to increase the effectiveness of the Council's scrutiny arrangements in 2008/09 | <ul style="list-style-type: none"> ▪ The review findings and recommendations were approved by Council in July 2008. Following ratification at the Annual Meeting, new arrangements will be implemented in 2009/10 |
| 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 | <ul style="list-style-type: none"> ▪ A new BC Plan template was adopted for 2008/09, with all services updating their plans in the process. A service by service challenge of all plans took place at the end of 2008 |
| 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; | <p>The General Functions Committee, on 14 January 2009, approved the following policies:</p> <ul style="list-style-type: none"> ▪ Acceptable Usage (New) ▪ Data Protection (Updated) ▪ Information Security (Updated) ▪ Internet and E-mail (Updated) ▪ Password (New) |

| Improvement area: | Present position: |
|--|--|
| <p>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;</p> | <ul style="list-style-type: none"> ▪ There has been a change in responsibility in this area during 2008/09. Guidance on the Intranet has been reviewed and training provided to Link Offices across the Council. General awareness training for all staff is planned for 2009/10. ▪ Information Governance Index is now published on the intranet. The index is populated with list of documents we should eventually have to enable staff access to key IG policies and guidance from single source |
| <p>An internal audit review of the established arrangements for complying with Data Protection Act has been commissioned for 2008/09</p> | <ul style="list-style-type: none"> ▪ Internal audit review of the arrangements for complying with Data Protection completed and final report issued on 16 February 2009 |
| <p>The Internal Control Checklist process specifically within the Corporate Governance Directorate will be reviewed in 2008/09.</p> | <ul style="list-style-type: none"> ▪ The ICC process for Corporate Governance was audited in 2008/09 - with Limited Assurance. All recommended actions were agreed |
| <p>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;</p> | <ul style="list-style-type: none"> ▪ The Standards Committee established Sub-committees in May 2008. During the year it has agreed Protocols and Criteria for Assessment and Determination and used the former in making and reviewing assessments |
| <p>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;</p> | <ul style="list-style-type: none"> ▪ Management agreed action plan is issued to clients in the majority of the follow-up audits at least one month before the follow-up is due to take place to ensure that management have put in place the agreed actions ▪ Further, at the exit meeting stage of the main audit clients are encouraged to be more realistic on the agreed implementation date |
| <p>A Counter Money Laundering Policy will be put in place to support the Council's already wide range of counter fraud policies and initiatives;</p> | <ul style="list-style-type: none"> • An Anti Money Laundering Framework has now been produced which consists of a set of documents detailing the Legislation, Money Laundering Response Plan, Money Laundering Reporting Toolkit and the CF2ML Referral form. It is awaiting authorisation |
| <p>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;</p> | <ul style="list-style-type: none"> ▪ This has not been addressed in 2008/09. To discuss further with the interim Head of HR |
| <p>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:</p> | <ul style="list-style-type: none"> ▪ To be implemented in 2009 |

Significant Issues and Key Priorities for 2009/10:

In 2008/09 some weaknesses have been identified in respect of the system of internal control; the two most significant being a failure at the operational level to

adhere to the Council's Treasury Management Strategy and failures in overall project design and project management leading to a significant overspend against the original budget on the Aerodrome Road bridge project. In relation to the performance of investments with the Icelandic banks and the apparent non compliance to the Treasury Management Strategy two external reviews have been commissioned. The first review assessed the effectiveness of the system of internal control generally across the Council. The second review led by an Ad Hoc Scrutiny Committee appointed by the full Council has commissioned an external independent investigation and will review both management and performance in relation to the introduction, implementation and monitoring of the Treasury Management Strategy. Raising awareness of the importance of the various elements of the system of internal control will be a high priority in 2009/10; to be addressed in various ways including some of those identified below.

The Corporate Plan still identifies enhancing corporate governance as an important objective for the Council and therefore the following have been identified for 2009/10:

| Key Priority/Improvement area: | Owners: |
|---|----------------------------------|
| Implementation of the new Scrutiny arrangements as agreed at Annual Council May 2009 to ensure effective challenge of the Executive | Democratic Services |
| The balance of responsibility between service managers and the various systems of internal control to be clarified to ensure robust systems of internal control are in place across the Council | Senior Officers |
| Initiating a system and identifying a programme for post-implementation reviews of projects, re-structures and major changes in procedures etc in order to capture lessons learnt for future work and re-inforce the requirements for rigorous project management | Senior Officers |
| Continuation of improvement in Member Development ensuring a progressive and responsive development programme for changing modes of service delivery | Director of Corporate Governance |
| Re-introducing statutory officer meetings for a variety of purposes including developing the Annual Governance Statement through the year and strengthening the link between it and the Internal Control Checklist | Chief Executive |
| Reviewing the Scheme of Delegation on recommendation from the Standards Committee as part of the action plan for the Ethical Governance Assessment findings and to ensure a robust and clearly communicated scheme operates | Senior Officers |
| Strengthen the role and profile of regulatory committees to ensure their fully effective operation | Senior Officers |
| In the context of the Comprehensive Area Assessment to further develop partnership working towards a goal of 'one public service', including meeting the challenge of new leadership at the Council and the other three leading public services | Director of Strategy |
| Ensure that governance remains central, rigorous and responsive through changing requirements in service delivery including through the Future Shape programme | Senior Officers |
| To further investigate and remedy any concerns raised through the Internal Control Checklist in order to improve internal control | Senior Officers |

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: _____