

AGENDA ITEM: 11 Page nos. 117 - 135

Meeting	Audit Committee
Date	6 September 2011
Subject	Annual Governance Statement
Report of	Director of Corporate Governance
Summary	This report seeks approval of the Annual Governance Statement

Officer Contributors	Maryellen Salter - Assistant Director of Finance - Audit and Risk Management 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 approve the Annual Governance Statement for inclusion with the Statement of Accounts for 2010/11.**

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 The Council's objectives include the priority "Better Services with Less Money" within which is the further aim "To improve the effectiveness and transparency of decision making within the Council".
The Annual Governance Statement is a public document that shows that the Council recognises that there are areas for improvement; the Committee's scrutiny of their progress supports above stated Council objectives.

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 Sound corporate governance is at the heart of effective use of resources. Embedding the AGS framework within the business planning and performance management framework will ensure a robust corporate approach is maintained for the future.

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) requires 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 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 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.

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. (Section 5 of the Statement, attached, identifies the Improvement Areas for 2011/12)
- 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 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. Since the Draft Statement was reported to the Committee on 16 June 2011, the Council's External Auditors have commented upon the Draft and these comments have been considered and appropriate revisions made to the text that was approved by members at the previous meeting.
- 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 2010/11 which is considered later on the Agenda.
- 9.3.4 The Audit Committee is asked to approve the Annual Governance Statement 2010/11 for the purpose of the statutory reporting requirement. The AGS for 2010/11 is attached at Appendix A.

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

ANNUAL GOVERNANCE STATEMENT 2010/11

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 economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including 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 Government. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

The Director of Corporate Governance has completed his biennial review of the Code of Corporate Governance.

2. The Purpose of the Governance Framework

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

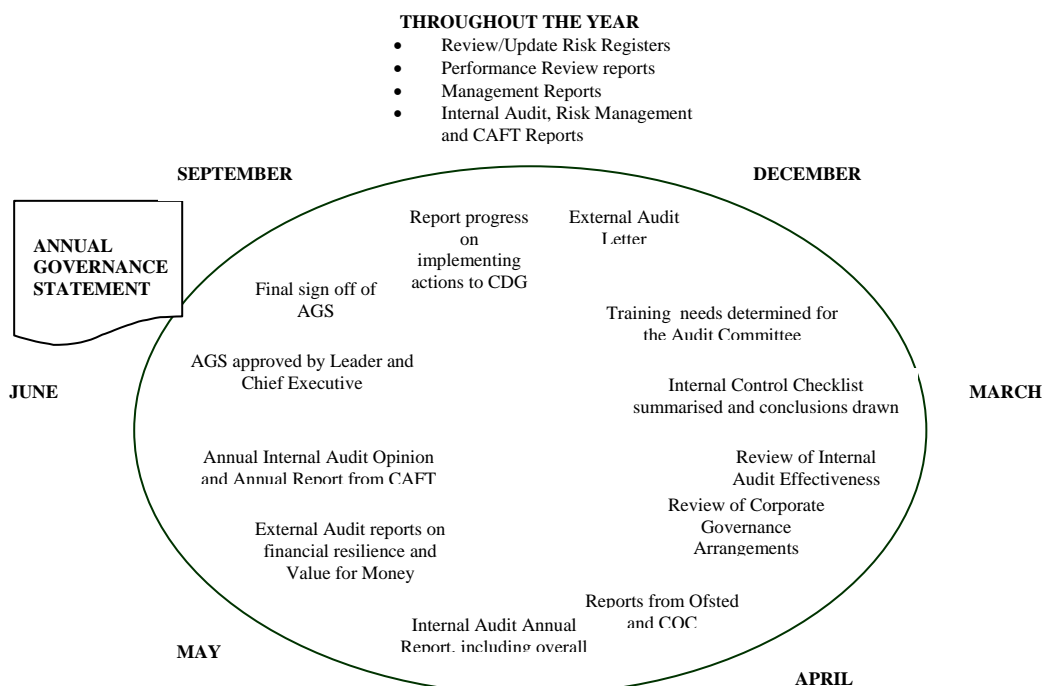
Internal Control Environment:

The Internal Control Environment is a system of checks and balances designed to manage risk, facilitate policy and decision making and deliver effective performance management in a cost effective and efficient manner thereby ensuring the Council uses its resources effectively:

- Performance Management System
- Corporate Strategy and Business Planning
- Annual Budget and Monitoring
- Code of Corporate Governance
- Project Management
- Anti Fraud Policy (and the work of the Corporate Anti Fraud Team)
- Financial Regulations and Procedures
- Code of Conduct
- Whistle Blowing Policy
- Risk Management Framework
- Complaints Policy
- HR Policies
- Equalities Framework
- Information Standards
- Standards Committee
- Scrutiny Panels
- Audit Committee
- Contract Procedure Rules
- RIPA Policy

The Governance Framework:

The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts. The governance cycle adopted by the Council is as follows:-

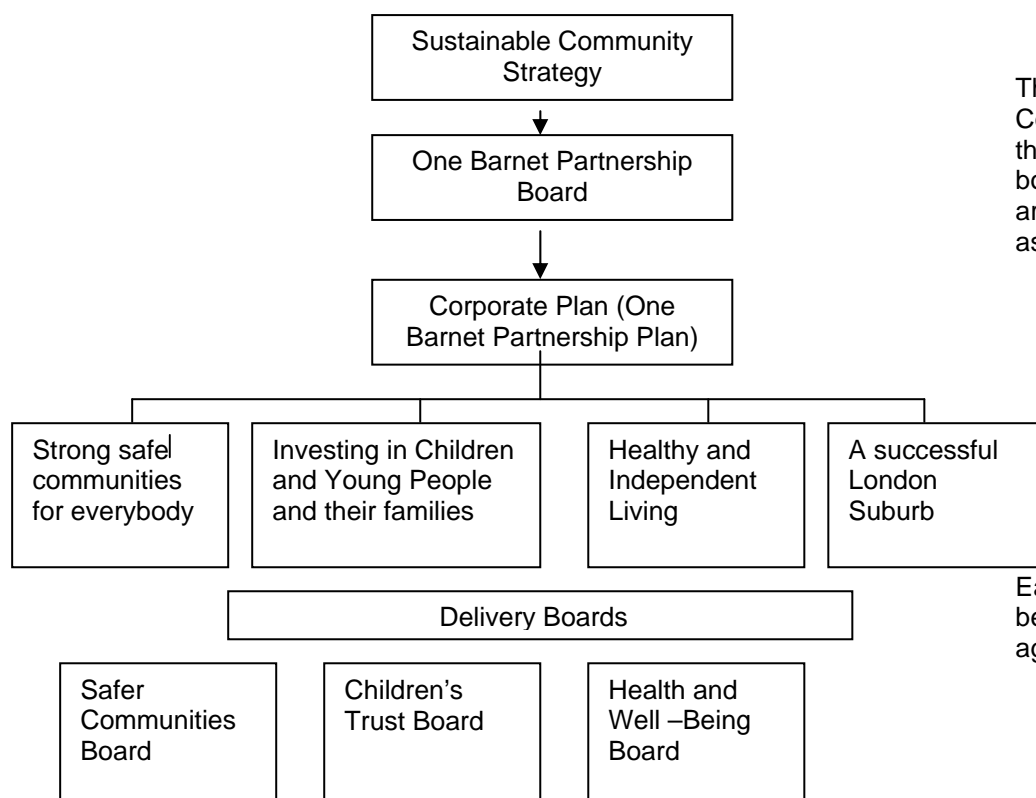


3. The Corporate Governance Environment

The Council's governance environment is consistent with the six principles of the CIPFA/SOLACE framework.

Principle 1: Identifying and Communicating the Council's Vision and Purpose

The diagram below outlines the relationship between the local strategic plans:-



The One Barnet Sustainable Community Strategy sets out the ten year vision for the borough. This vision is framed around achieving four strategic aspirations which are:

- Successful London Suburb
- Healthy and independent living
- Investing in Young People and their families
- Strong safe communities for everybody

Each of these aspirations will be delivered through multi-agency partnerships

Since May 2008 the Council has been developing its transformation programme. The transformation programme, known locally as the One Barnet Programme, becomes increasingly relevant as we work to deliver better services for our residents at a time of increasing population, rising expectation and reduced public budgets. The over-arching feature of the One Barnet programme is to create a citizen-centred Council which enables Barnet citizens to get the types of services they need to lead successful lives and which ensure the borough continues to be a successful place. This is based on three key principles:

1. A new relationship with citizens

Redefining a new relationship with citizens so that they can work with us as a part of 'Big Society' taking responsibility themselves where they can.

2. A one public sector approach

Working seamlessly with our partners to develop a new public sector approach which will require us to better co-ordinate our work and exploit the efficiencies and benefits of joint working.

3. A relentless drive for efficiency

Focusing relentlessly of efficiency to ensure every public pound is spent wisely.

The One Barnet Partnership Board has strategic oversight of the One Barnet Programme. It is chaired by the Leader of the Council, and also includes the Deputy Leader, as well as Chief Executive, Deputy Chief Executives and Representatives from key public sector local strategic partners. The Board is intended to be a consultative body only and does not take decisions in its own right. The Board will consider matters before it and make any recommendations as necessary to the Council's Cabinet or any other of the Council's decision making bodies.

The Council's Directors Group (CDG) acts as the Programme Board, approving the initiation of projects to deliver the programme's aims and monitoring progress of the programme.

Local Strategic Partnership (LSP) and One Barnet Programme Board

The Council recognised that it needed to review the potential overlap between the One Barnet Board and the LSP, although regular reports on the former were made to the latter for information. A project was included within the One Barnet programme, to review governance to ensure that both sets of structures were integrated as far as possible, and partnership governance arrangements were fit for purpose and provided options for partners to share authority jointly within a framework of democratic accountability. During this review a number of LSP members highlighted the overlap in membership between the two bodies, while a number of Government initiatives which formed the basis of the LSP's work plan, such as Comprehensive Area Assessment and Local Area Agreements, have been scrapped.

The One Barnet Programme Board on 18 November 2010 agreed that the LSP be collapsed into the One Barnet Partnership Board, which would still fulfil any residual functions of the LSP. Terms of reference and membership of the new Board were agreed.

During 2011/12 a report will be submitted to Cabinet to formally create a One Barnet Partnership Board which takes on LSP functions, and to make the required amendments to the Council's constitution.

During 2010-11 the One Barnet Overview and Scrutiny Committee was in place to review the proposals being taken to the Programme Board as part of its activities to ensure early engagement in their development. The Panel evaluated and challenges business cases, reviews options appraisals, examines linkages between the strands of the One Barnet programme, oversees implementation and refers issues to the One Barnet Programme Board and/or Cabinet as appropriate. Going forward the scrutiny arrangements for the programme will be performed by the Budget and Performance Overview and Scrutiny.

Principle 2: Members and officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

Elected members are collectively responsible for the governance of the Council. The Local Government Act 2000 introduced new executive arrangements whereby full Council, following proposals from the Executive, agrees the Council's policy framework, budget and key strategies. The Executive (the Cabinet), which comprises elected members, is responsible for implementing them and is responsible for exercising all functions of the Council except to the extent they have been categorised as non-executive functions (e.g. planning, licensing, elections and other miscellaneous functions).

This effectively separates decision-making and scrutiny of those decisions. The Chief Executive, Section 151 Officer, Monitoring Officer and other senior managers are responsible for advising the Cabinet and scrutiny committees in legal, financial and other policy considerations.

Executive Roles:	<p>The Cabinet comprises a Leader and nine executive Members with the following portfolio responsibility (during the review period):</p> <ul style="list-style-type: none"> • Leader of the Council Strategy & Communications • Deputy Leader of the Council Education Children and Families • Customer Access and Partnerships • Community Safety and Cohesion • Resources and Performance • Environment • Housing Planning and Regeneration • Adults • Governance and Civic Affairs • Public Health
Clear Decision Making:	<p>Formal procedures and rules govern the Council's business:</p> <ul style="list-style-type: none"> • Constitution • Scheme of Delegations • Financial Regulations • Scrutiny Process Guidance • Terms of reference for the Pension Fund Panel
Compliance:	<p>Specific statutory responsibility rests with:</p> <ul style="list-style-type: none"> • Chief Executive (Head of Paid Service) • Director of Corporate Governance (Monitoring Officer) • Deputy Chief Executive (Section 151 Officer)

Monitoring:	<ul style="list-style-type: none"> • Financial and operational data is reported to the Cabinet and Review panels quarterly • Work programmes of the Overview & Scrutiny Committees and the Audit Committee include a challenge to both policy development and performance review • Performance monitoring has further improved in 2010/11 for example with the inclusion of risks in business and financial planning information • The institution of a dedicated Budget and Performance Overview & Scrutiny Committee has also enabled more effective Member oversight of the Council's performance
Value for Money:	<p>The Council has been very successful at driving the efficiency Agenda with the costs being one of the lowest in London. However there is still much to do. Recognising this the new streamlined corporate plan has 'better services with less money' as one of only three key priorities. Some key activities to take this agenda forward are:</p> <ul style="list-style-type: none"> • Establishment of an Investment Advisory Board • Service savings targets • Improved performance management/service planning • London Efficiency Challenge • Benchmarking exercises • One Barnet Programme • Every committee or Delegated Powers report has a corporate requirement to detail the value for money implication of the issue under consideration
Partnerships:	<p>Partnership working is pivotal to Barnet's success. The One Barnet Partnership Board is key to this success. These other strategic partnership boards will be responsible for managing the delivery of the strategic outcomes -</p> <ul style="list-style-type: none"> • Safer Communities Board • Children's' Trust Board • Health and Well-Being Board

Principle 3: Values of Good Governance and Standards of Behaviour

The Council recognises that good governance is underpinned by shared values demonstrated in the behaviour of its Members and staff.

The Director of Corporate Governance is the Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution. However Directors have the primary responsibility for ensuring that decisions are properly made within the operations of the Directorates. The standards of conduct and behaviour expected of Members and officers are clearly set out in a number of the codes of conduct for Members and for officers.

- Members' Code of Conduct
- Officers' Code of Conduct
- Protocols for Member – Officer Relations
- Members' Licensing Code of Practice

- Members' Planning Code of Good Practice

Training programmes for both members and staff support these codes.

An induction programme immediately following the local elections in May 2010 with associated documentation and intranet area provided Members with the above documents and ensured relevant information, such as declarations for the Register of Members' Interests was collected. The principles of a Member Development Programme for 2010-12 were agreed in March 2010 and that programme continues to provide sessions on a variety of subjects. Those sessions most relevant to good governance and standards of behaviour include:

- Code of Conduct including Planning requirements
- Social Media including Code of Conduct
- Equalities
- Health & Safety (corporate Health & Safety responsibilities for Members)
- Safeguarding (Adults and young people)
- Corporate Parenting
- Audit & Risk Management
- Treasury Management

Additional sessions specifically for planning related governance and decisions making also took place.

These sessions as well as other informational and personal development sessions will continue in 2011/12.

The Deputy Chief Executive is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Chief Internal Auditor has direct access to all three statutory officers and has well established reporting lines to Members.

Core Principle 4: Making Transparent Decisions Which are Subject to Scrutiny and Risk Management

The Council recognises that all of its decisions must be legal and reasonable in the knowledge that all decisions are challengeable. The Council must therefore be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations.

Scrutiny Function

The Scrutiny function works effectively to challenge performance and policy development which is supported by focussed reviews undertaken by Task and Finish Groups (such as remodelling older peoples housing with support and the Council's response to cold weather) and Scrutiny Panels (such as the One Barnet Scrutiny Panel and the Housing Allocations Scrutiny Panel).

Overview & Scrutiny Committees, which comprise non-executive members, question and challenge the policy and performance of the Cabinet and also the Council's policy and performance in respect of non executive functions. The successful instilling of a culture of pre-decision Scrutiny is integral to the continued effective operation of the Scrutiny function, allowing meaningful member oversight of and contributions to major strategic and policy items.

Scrutiny has also had an ongoing role in the Council budget process, allowing member oversight of the long and short term financial picture, together with guiding the Council's direction with regard to budget consultation. The budget papers for the 2011-12 medium term financial plan were scrutinised by the Budget and Performance Overview and Scrutiny Committee throughout the year. The Committee's meeting in October 2010 considered the outline proposals, the December meeting scrutinised the budget headlines, and the January meeting considered some detailed evidence in respect of the impact on the voluntary sector. This Committee also scrutinised the Treasury Management strategy in November.

A full review was undertaken in 2010/11 of the Council's Overview & Scrutiny arrangements that had been in place since 2009. The findings of the review were considered by the Business Management Overview & Scrutiny Committee, the Policy and Performance Overview & Scrutiny Committee and the Special Committee (Constitution Review) in March and April 2010. Following on from these considerations, the recommendations of the Special Committee (Constitution Review) were adopted at the Annual Meeting of Council on 17 May 2011.

Audit Committee

A strength of the internal control system is the role of the Audit Committee. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee's membership has been significantly enhanced during the current financial year by the inclusion of two independent members that provide additional skills and knowledge to the assurance processes.

To achieve its overall aim, the Committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, including review of summary internal audit reports, and seeks assurances that action has been taken as necessary;
- Consider, where appropriate, the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken to mitigate risks;
- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;

The Chief Internal Auditor completes an annual review of the effectiveness of the Audit Committee, which found that they have been largely effectively in their role in meeting their objectives.

Standards Committee

The Standards Committee is responsible for:

- Promoting high standards of conduct
- Assisting members to observe the Code of Conduct
- Advising the Council on the adoption of revisions to the Code of Conduct
- Monitoring the operation of the Code of Conduct
- Provision of training on the Code of Conduct
- The granting of any dispensations
- Monitoring and reviewing an annual report of the Register of Members' interests and declarations
- Monitoring and reviewing the Council's Ethical Governance Assessment
- Assessing and reviewing Member complaints alleging a breach of the Code of Conduct

Robust Risk Management Arrangements

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during the financial year. Formal risk management arrangements provide for risk identification, analysis and ownership. Service Plans utilise service based risk registers in their objective setting and overarching or corporate wide risks are identified within the Corporate Risk Register. Arrangements for risk management are now 'live' as they are managed through the Council's risk management system JCAD. This system allows for regular updating and reporting.

All Cabinet and Committee reports include a section on risks ensuring members make fully informed decisions.

Quarterly risk management and fraud forums are held to share best practice and to agree procedural improvements and the Internal Control Checklist process to aid managers proactively manage their service risks. Service and Corporate risks are included within quarterly performance reports, these reports are presented to the Council Directors Group (CDG) and Cabinet Resources Committee

As part of the budget setting process the Chief Financial Officer will assess the financial risks facing the Council and will recommend to the Council a prudent level of reserves, provisions and balances having taken into account those risks.

The Internal Audit Function

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, in addition the work of the Service reflects professional best practice which is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

There is a 'managed audit approach' with the Council's external auditor which ensures that there is no duplication of effort on audit activity and that key concerns are shared and adequately planned for. Key documents such as the Internal Audit Strategy and the Internal Audit, Risk Management and CAFT Plan are shared with external audit prior to Audit Committee approval. External audit review the work of internal audit during the year with a view of placing reliance on their work over controls feeding into the year end accounts process.

Management is responsible for operating a sound system of internal control and having arrangements for the prevention and detection of fraud and other irregularities. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such internal audit relies on management to provide them full access to their accounting records and transactions for the purposes of their audit work and to ensure the authenticity of these documents.

Effective and timely implementation of recommendations by management is important for the maintenance of a reliable internal control system. Progress reports are prepared for the Audit Committee on a quarterly basis; these include summaries of all reports that were issued with limited or no assurance. The Audit Committee is able to follow up areas of fundamental weakness through quarterly exception recommendation reports.

The internal audit service aspires to creating a positive culture of improvement, there have been a number of improvements to the service during 2010-11 to ensure that it assists the Council in improving areas of high risk. The areas of improvement in the current year include:

- Refocusing communications with services to ensure the areas of significance are highlighted;
- The implementation of a timely follow-up process on priority one (high risk) recommendations;
- Reinstatement of customer satisfaction surveys to better understand areas of development
- Better reporting to the Audit Committee of audits with limited or no assurance
- Raising the profile of internal audit within the Council
- Joining up plans with Corporate Anti-Fraud Team (CAFT) for the most efficient use of resources

Internal Audit has concluded overall, based on the findings of work undertaken at Barnet Council that only limited assurance can be given on the systems of internal financial control in place. The Annual Audit Report identified a number of key themes that the Council needs to address going forward, which are included as key governance issues going forward in this report.

Corporate Anti-Fraud Team (CAFT):

Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Director of Corporate Governance has the delegated authority for providing and maintaining this service.

The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority

CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate. The council has a zero tolerance approach to fraud and other irregularity including any Money Laundering activity.

The CAFT operate under the Council's approved Counter Fraud and Anti Money Laundering Frameworks. The purpose of these Frameworks is to ensure that we have an appropriate set of policies and guidelines in place in order to ensure fraud and money laundering activity is minimised through effective prevention,

detection, investigation and deterrent measures and that we have a unified cohesive approach to reflect best practice.

The work and effectiveness of the Team is reported regularly to the Audit Committee. Improvement has occurred for 2011-12 in the development of the proactive fraud plan which seeks to allocate resources to areas of fraud risk to any uncover any potential or actual cases of fraud., Proactive work is used to identify areas of concern before they lead to actual fraud whereas the reactive work that CAFT completes generally looks to review procedures after an actual fraud has occurred. As discussed previously, this has joined up resources with internal audit and risk management.

Strong Financial Management:

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. Internal financial controls include:

- The establishment of key controls within the accounting systems of the Council
- A robust system of budgetary control including formal detailed quarterly monitoring including projected outturns, and additional summary reports. Provisional outturn statements are produced and presented as close to the end of the financial year as possible followed by Final outturn
- Budget challenge sessions to periodically review all areas of the Council
- Financial reports which indicate financial performance up to year end and include action plans for dealing with pressure areas
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets as well as forecasts
- A clear and concise capital appraisal process for prioritising and approving all capital projects and financing
- Adherence to Prudential Indicators approved by Council to ensure that the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers;
- Financial Training for new budget holders through out the financial year and in preparation for year end
- Provision of Project Management training

We are also committed to presenting more information to the public in the interests of transparency, for example we were early adopters of publishing the £500+ expenditure report. Work also continues in making our financial information understandable and relatable to how we spend taxpayer's money, the Council's infograph breaks down expenditure by service.

External Audit:

The Council's external auditors are Grant Thornton UK LLP. Officers of the Council meet with the external auditor on a monthly basis to discuss regular business and to address any areas of concern the auditors may have. The external auditors also meet with the Chairman of the Audit Committee in private at least once a year as a matter of good governance. The external auditor produces a number of key documents for the Council to review in the year that contribute to our assessment of the governance arrangements. Their work has changed during the year with a reduction in inspection from five key areas around use of resources to a focus on financial resilience and value for money. There is a continual focus on the financial statements and key financial systems that feed into that process.

Core Principle 5: Developing the Capacity of Members and Officers to be Effective

The Council needs people with the right skills to direct and control staff. To this end both Members and staff need to have the right skills to drive the organisation forward. The Council's learning and development needs are met through training, e-learning and other methods.

Members

- All new members are provided with a detailed induction programme into the operations, objectives, partnerships, and codes of the Council.
- As stated in Core Principle 3, a two year Member Induction and Development Programme was developed in consultation with Members and Officers, and was implemented at the start of the municipal year 2010/11. The sessions included within the programme cover governance and standards, as well as developmental sessions on subjects like Effective Chairmanship and informational sessions on subjects such as Complex Procurement. A larger Partnerships event in Autumn 2010 ran as part of the Member Development Programme and supported the ethos of One Barnet.

Officers

The Council has implemented a new Employee Performance Management strategy to strengthen the relationship between corporate objectives and individual performance.

Aims of the Employee Performance Management are:-

- To drive organisational and cultural change
- To develop a culture of continuous improvement
- To integrate performance management into everything we do

It is through the delivery of this strategy that performance standards and expectations have been reset, for employees:-

- Live our values and behave in a way that always puts the customer first
- Fair and equitable performance management process
- Recognise good and address poor performance
- Develop and retain the right skills mix for today and the future
- Invest in high potential employees ensuring readiness to take up future roles

Core Principle 6: Engaging with Local People and Stakeholders

The Council is committed to engaging with its citizens. Community participation and engagement is essential to secure sustainable improvement in public services and to engage citizens in the public decision making processes that affect their lives.

There is a range of consultation and engagement mechanisms to identify local people's views and priorities. The Council is responsive to local views and is particularly sensitive to the needs of vulnerable people. Planning recognises local needs in more disadvantaged areas.

The Council adopted a Consultation and Engagement Strategy in 2004, which was re-launched in January 2010 as an Engagement Strategy. As a consequence some traditional modes of communication have been used such as Residents Forums, and a Civic Network. However, in recent years communication vehicles have gone through radical change. This change and the economic climate has led to less use of some more traditional means of engagement and the Civic Network, while running two meetings in the review year, ceased to exist in April 2011.

The Council has maximised the use of these new opportunities of communication during the review period, including:-

Website:	<ul style="list-style-type: none"> • Website re-launched in 2009, which is being significantly redeveloped for 2011/12. The council's website is an area the council is developing to assist with ensuring a transparent decision making process and to encourage public engagement with the council and the decision making process. • Social networking links from home page and increased use of social media • 'Improved ability for citizens to post comments • 'Fix My Street' – ability for residents to post issues • Pledge Bank – opportunity for communities to obtain funding by making a part commitment • Citizen's Space – central portal for access to all consultation
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	activities in the borough
Ward Walks:	<p>The Chief Executive met with Ward Members in their wards in a programme of ward visits. Officers from all departments variously joined each walk and the resulting group walked around a selection of areas in the ward. The walks occasionally included organised interviews with local groups or residents but mainly these interactions were ad hoc and less forced, allowing a snapshot of local opinion to complement the issues raised by the ward Members. Ward Members were able to raise issues both large and small for a response from Directorates or in some cases, partner organisations such as Barnet Homes and NHS Barnet.</p> <p>The walk acts as a movable round table discussion, seeing the issues and successes on the ground and encouraging officers to interact with each other and with Members in a less formal setting. The Ward Walk programme is set to continue in 2011/12.</p>
Budget Consultation:	<p>The council ran two stages of consultation on the 2011/12 budget.</p> <p>Stage one took place ahead of the publication of budget proposals. An "Ideas Website" crowd-sourced suggestions from residents. The site contained a video with the Cabinet Member for Resources explaining the council's spending constraints. This video had around 1000 views. The site generated over 200 suggestions and over 300 comments. It had 3,041 unique visits and 21,991 page views. It was promoted in Barnet First and the magazine contained a tear-out sheet so that residents without web access could also comment.</p> <p>The Council also ran service specific consultations on barnet.gov.uk using the survey monkey tool.</p> <p>The second stage of on-line consultation allowed residents to comment online on each line of the budget proposals. A separate event was held with the Citizens' Panel gathering similar feedback.</p> <p>Services also held events with service users on specific proposals.</p>

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Head of Internal Audit's annual report, and any comments made by the Council's external auditors and any other review agencies and inspectorates. In addition, the Council has assessed its group relationships (Barnet Homes) as part of this review framework.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework which includes the following:-

Monitoring:	Financial and operational detailed monitoring presented to senior managers, the Cabinet Resources Committee, and Scrutiny Committees on a quarterly basis and an additional two summery reports.
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Internal Audit:	<ul style="list-style-type: none"> • Monitored by Audit Committee in year • Further strengthening of resources and profile enhanced • Implementation of revised reporting procedures
Year End Processes:	<ul style="list-style-type: none"> • No significant issues identified in year end service control reports • Statutory Officer assurances obtained on internal control and governance arrangements • Review and cross referencing of inspection and audit reports and no issues identified.
Risk Management:	All risk registers, service and corporate, are available on the Council's risk management system 'JCAD' and is considered a 'live' system available to review by those that have access.
Statutory Officers Group	Monthly meetings held between the Chief Executive, Monitoring Officer, Section 151 Officer and attended by the Head of Internal Audit, Deputy Section 151 Officer and Assistant Chief Executive. These meetings are held to discuss key governance and control issues around the Council.
Standards Committee:	Met regularly and covered work programme in addition to fully operating the system of local regulation through Sub-Committee assessment meetings and hearings. For the third successive year the Committee presented its Annual Report to the meeting of Council in July 2010. Amongst other matters the Committee oversaw the introduction of the online Register of Members Interests and the production of the third Ethical Governance Assessment.
Audit Committee:	Met regularly throughout the year Regular reports received on:- <ul style="list-style-type: none"> • Risk management • Internal Control • Anti fraud • Governance • Financial Reporting
Overview & Scrutiny	Overview & Scrutiny reviews its effectiveness on a yearly basis, with the findings reported with its annual report to Full Council.
Special Committee (Constitution Review)	Special Committee (Constitution Review) reviews the Council's Constitution over the course of the municipal year to ensure that good governance is maintained by it accurately reflecting current legislation and practice. The Committee met in October 2010, February 2011 and twice in April 2011. Recommendations from the Committee were adopted at the Annual Meeting of Council on 17 May 2011

Significant Governance Issues:

A number of areas for improvement were identified in the 2009/10 Annual Governance Statement. An update of those issues is set out below:

Key Improvement Area for 2009/10	Current position
CAFT Pro Active Fraud Programme 2010/11 will include high risks areas based on outcomes from previous CAFT investigations, 'No Assurance' IA reports, and national areas of concern for local government. This includes the impact of the recession on local authority fraud risks.	The Internal Audit, Risk Management and Corporate Anti-Fraud Team (CAFT) produced a joint annual plan for 2011-12 in order to use their resources more efficiently.

An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management	Whilst a significant amount of work has been undertaken in further developing individual policies and procedures, the overarching IMS has not progressed. It is and will be a priority action for the corporate Information Governance Council and the recently appointed Head of Service in 2011/12
A detailed action plan for addressing the data protection issues highlighted in the ICO Audit Data Protection Audit Report	Substantial progress was made on implementing the detailed action plan. The Council most recently had a follow-up audit by the Information Commissioner's Office who gave 'reasonable assurance' that procedures were adequate for data protection. This demonstrated a significant improvement on the previous assessment. However our own internal view is that this is an area where there is a need for ongoing improvements particularly in respect of ensuring better security of paper documents in 2011-12.
Internal audit will provide quarterly progress reports to the Audit Committee on performance against the agreed annual plan.	This work has been addressed through-out the year with quarterly progress reports presented to the Audit Committee.
Internal Audit will work with directors and senior managers on strengthening the risk management system	There has been considerable work completed to improve risk management and the roll-out of the 'live' risk management system called JCAD. Reporting has improved to the Audit Committee.
A comprehensive training programme for Members of the Audit Committee will be prepared and delivered to enhance the Committee's performance	A training programme was devised which had the needs of members considered. This work is on-going into 2011-12 but no longer remains a significant governance issue.
Improving the Overview & Scrutiny structure to maximise the effectiveness of the Scrutiny function, including entrenching a pro-active culture of pre-decision Scrutiny.	A review of the Scrutiny arrangements has taken place and a new Scrutiny structure has been implemented at the Annual Council Meeting in May 2011.
Ensure partnership governance arrangements fit for purpose, specifically of the LSP	Work continues to address the partnership governance and to refocus the One Barnet Partnership Board since the demise of the LSP. Partnerships is carried forward into 2011-12.
Raise the profile of risk management within the organisation and embed within the business planning process.	Work completed in 2011-12 to further embed risk management within business planning processes. Work will continue however is not a serious governance issue for 2011-12.

5. 2011/12 Improvement Areas

Key Improvement Area:	Assigned To:
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An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management	Director of Commercial Services
Contract Management/Procurement – work is underway to ensure that the Council has an accurate and complete contracts register and that centrally there is a process to monitor spend in accordance with the contract procedure rules (CPR).	Director of Commercial Services and All Directors
Data Quality – all services are to review their arrangements to have reliable, accurate, timely, complete, relevant and valid data, in particular services will review their quality assurance processes and work with the Assistant Chief Executive to perform 'spot checks' of current arrangements.	Assistant Chief Executive
Oversight of devolved processes – work is required to set a series of expectations for Assistant Director level and below for the level of internal controls required to 'meet the grade'.	Assistant Director of Human Resources/Deputy Chief Executive
Measuring success of strategies – work is underway to better join business and financial planning and to ensure that strategies are reviewed from the previous period and included within forward looking plans.	All Directors/Deputy Chief Executive
Data protection – the Council has completed a large scale review to address concerns raised by the Information Commissioner in respects of personal data which has largely addressed major concerns, however during 2011-12 the focus will be on the security of paper documentation containing personal information.	Director of Corporate Governance
IT functionality – a detailed action plan has been devised to take forward the current arrangements within the IT service, work around project management arrangements will seek to address some IT dependencies within the Services.	Director of Commercial Services
Partnerships – work is underway to make the best use of partnerships by agreeing mutual responsibilities, accountabilities and expectations. This includes forming a better understanding of neighbouring boroughs and their fit within key decision making bodies.	Assistant Chief Executive
Work is required to understand how the Localism Bill will impact upon the Council's governance arrangements and also affect our relationship with the community particularly in the context of the provision for local authorities to work with locally established Neighbourhood Forums to prepare Neighbourhood Plans. The Bill is progressing through Parliament and Royal Assent is not expected until late 2011 with the main provisions implemented in 2012.	Director of Corporate Governance
As the One Barnet Programme progresses work is required to set out the principles on how the relationship between a potential provider and the Council will work in a way that clearly defines roles and responsibilities, supports good governance and openness and provides transparency in decision making.	Director of Commercial Services/Deputy Chief Executive

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 in 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: _____