Governance, Audit and Risk Management Committee AGENDA

DATE: Tuesday 4 September 2012

TIME: 7.30 pm

VENUE: Committee Room 5
Harrow Civic Centre

MEMBERSHIP (Quorum 3)

Chairman: Councillor Bill Phillips

Councillors:

Sue Anderson	Amir Moshenson
Mano Dharmarajah	Chris Mote
Victoria Silver (VC)	Richard Romain

Reserve Members:

1. Ben Wealthy	1. Tony Ferrari
2. Ajay Maru	2. Kam Chana
3. Krishna Suresh	3. Anthony Seymour
4. Varsha Parmar	

Contact: Daksha Ghelani, Senior Democratic Services Officer
Tel: 020 8424 1881 **E-mail:** daksha.ghelani@harrow.gov.uk

Harrow COUNCIL LONDON

AGENDA - PART I

1. **ATTENDANCE BY RESERVE MEMBERS**

   To note the attendance at this meeting of any duly appointed Reserve Members.

   Reserve Members may attend meetings:-

   (i)   to take the place of an ordinary Member for whom they are a reserve;
   (ii)   where the ordinary Member will be absent for the <u>whole</u> of the meeting; and
   (iii)   the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
   (iv)   if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. **DECLARATIONS OF INTEREST**

   To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

   (a)   all Members of the Committee;
   (b)   all other Members present in any part of the room or chamber.

3. **MINUTES** (Pages 1 - 12)

   That the minutes of the meeting held on 26 June 2012 be taken as read and signed as a correct record.

4. **PUBLIC QUESTIONS**

   To receive questions (if any) from local residents/organisations under the provisions of Committee Procedure Rule 17 (Part 4B of the Constitution).

5. **PETITIONS**

   To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

6. **DEPUTATIONS**

   To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

7. **REFERENCES FROM COUNCIL AND OTHER COMMITTEES/PANELS**

   To receive references from Council and any other Committees or Panels (if any).

8. **REPLACEMENT OF COUNCILLORS ON COMMITTEES**

   To note, in accordance with Council Procedure Rule 1.5, that the Conservative Group has given notice of the replacement of Councillor Stephen Wright with Councillor Kam Chana as 2nd Reserve Member.

9. **INFORMATION REPORT - APPOINTMENT OF EXTERNAL AUDITORS**   (Pages 13 - 18)

    Report of the Assistant Chief Executive.

10. **AUDIT PROGRESS REPORT 2011/12 ACCOUNTS**   (Pages 19 - 22)

    Report of the Corporate Director of Resources.

11. **ANNUAL GOVERNANCE STATEMENT 2011/12**   (Pages 23 - 64)

    Report of the Assistant Chief Executive.

12. **MANAGEMENT ASSURANCE REPORT 2011/12**   (Pages 65 - 86)

    Report of the Assistant Chief Executive.

13. **INFORMATION REPORT - CHANGES TO THE RESOURCES DIRECTORATE STRUCTURE AFFECTING FUTURE GARMC REPORTING**   (Pages 87 - 90)

    Joint Report of the Corporate Director of Resources and Assistant Chief Executive.

14. **ANY OTHER URGENT BUSINESS**

    Which cannot otherwise be dealt with.

AGENDA - PART II - Nil

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GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE

MINUTES

26 JUNE 2012

Chairman: *   Councillor Bill Phillips

Councillors: *   Sue Anderson   *   Richard Romain
                     *   Amir Moshenson   *   Victoria Silver
                     †   Chris Mote   *   Ben Wealthy (1)

*   Denotes Member present
(1) Denotes category of Reserve Member
†   Denotes apologies received

160.   Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Member:-

Ordinary Member   Reserve Member

Councillor Mano Dharmarajah   Councillor Ben Wealthy

161.   Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 10 – Green and Amber Internal Audit Reports
Councillor Bill Phillips declared a personal interest in that he was a Trustee of Harrow Association of Voluntary Services (HAVS). He clarified that the report did not make specific reference to HAVS and that he would remain in the room whilst the matter was considered and voted upon.

Councillor Sue Anderson declared a prejudicial interest in relation to 'Grants to Voluntary Organisations – Follow Up', which had been referenced to in the report, in that she had been a Member of the Grants Advisory Panel. She left the room whilst the matter was considered and voted upon.

Agenda Items 12 – Annual Health and Safety Report 2011/12
Councillor Sue Anderson declared a personal interest in that her husband was Chair of Governors at a school. She would remain in the room whilst the matter was considered and voted upon.

Agenda Item 14 – 2012/13 Internal Audit Plan
During consideration of this item, Councillor Sue Anderson declared a personal interest in relation to Integration of Public Health, as she was a Health Trainer. She would leave the room if, during the discussion, her interest became prejudicial.

162. Appointment of Vice-Chairman

RESOLVED: That Councillor Victoria Silver be appointed Vice-Chairman of the Committee for the Municipal Year 2012/13.

163. Minutes

RESOLVED: That the minutes of the meeting held on 29 March 2012, be taken as read and signed as a correct record.

164. Public Questions, Public Questions and Deputations

RESOLVED: To note that no petitions were received, questions put or deputations received under the provisions of Committee Procedure Rules 17, 15 and 16.

165. References from Council and other Committees/Panels

None received.

RESOLVED ITEMS

166. Terms of Reference of the Governance, Audit and Risk Management Committee

The Committee received its Terms of Reference, which were for noting.

The Chairman stated that he had had discussions on the Terms of Reference with the Nominated Member and they had felt that aspects, including terminology used, needed to be revised. For example, words such as "To Review / Monitor / Consider / Scrutinise" needed clarification in the context of the Committee's Terms of Reference. Additionally, section (g) had been inherited and was the only section that had sub-paragraphs included. It was appropriate to either delete these or to include sub-paragraphs within other sections.

Another Member agreed and referred to the definitions set out in various legislation which may not apply in this instance. He was of the view that it would be helpful to list the aims of the Committee and a general definition would be appropriate for inclusion within the Terms of Reference.

In response, the Corporate Director Resources stated that the Terms of Reference were for noting only but that any proposed amendments should be the subject of a further report so that an informed decision could be made whilst assessing the impact of any changes proposed. The Corporate Director invited Members to submit amendments for a response by way of a further report to the Committee. Any changes approved by the Committee would subsequently have to be agreed by full Council before they could take effect.

The Chairman stated that he would lead on this matter and invited changes to the Terms of Reference to be submitted to him in the first instance.

RESOLVED: That the Corporate Director Resources submit a further report to the Committee, assessing the implications of the proposed changes to the Committee's Terms of Reference submitted by Members.

167. **INFORMATION REPORT - Green and Amber Internal Audit Reports**

The Committee received an information report of the Assistant Chief Executive, setting out the follow up actions taken in relation to reviews undertaken in respect of Cannon Lane Junior School, Customer Services Standards, Grants to Voluntary Organisations, CCTV and Vaughan Primary School.

The Chairman drew attention to the follow up action in relation to the Grants to Voluntary Organisations and noted that 12 of the 32 recommendations had not been fully implemented and he enquired about the boundaries that the Committee could operate within to ensure that all the recommendations were implemented. He added that his discussions with the Voluntary Sector organisations had shown that the Service Level Agreements (SLAs) had become onerous. Moreover, conditions imposed could be considered as being unreasonable.

Another Member stated that it would have been helpful if the Divisional Director Community and Culture had been invited to the meeting, and he was of the view that the report did not provide any reassurances. The grants appeal process raised issues of concern and he questioned whether or not the SLAs were deliverable. The Chairman stated that he would consider extending an invitation to the Divisional Director Community and Culture to attend the next meeting.

A Member stated that full Green and Amber Internal Audit reports should be submitted to the Committee with appropriate officer attendance.

RESOLVED: That the report be noted.

168.   INFORMATION REPORT - Internal Audit Year-End Report 2011/12

The Committee received a report of the Assistant Chief Executive, which set out progress against the 2011/12 Internal Audit Plan and key issues arising from the work undertaken. Members also considered a confidential appendix in the context of the report.

An officer outlined a performance target which had been met, including those that remained outstanding. She referred to the new Corporate audit indicators and outlined their impact, firstly it impacts on the rate of improvement to the control environment and secondly the audit team spend more time than necessary chasing managers impacting on our ability to achieve the audit plan.   Whilst internal audit considered the overall control environment as adequate, a key issue was inconsistency and confirmed that internal control was the responsibility of individual managers.

In response to a question, the officer clarified that the expected high number of audits to be given red or red/amber assurance had fallen to 30% in 2011/12 and this was a positive improvement when compared to 42% in 2010/11 and 50% in 2009/10.

In response to another question, the Corporate Director Resources stated that support from the Leader of the Council and the Portfolio Holder for Finance in ensuring improvement of financial controls was going to be paramount. Additionally, Members of the Committee had a role to play in the control the environment and where recommendations were not responded to. In her capacity as Section 151 Officer, the Corporate Director's role was crucial, as she had powers of direction in order to ensure compliance. Additionally, relevant Members were briefed of any non-compliance by officers. However, a balance needed to be struck in relation to non-compliance and this would depend on the scale of the issue.

Individual Members commented as follows:

- an explanation was required where targets were missed, including reasons;

- in relation to Treasury Management, the significant weakness identified was of concern and it was important for the Committee to be aware of the skills required and whether these were available within the Council;

- a review of the governance arrangements across the Council was welcomed;

- whether Internal Audit was adequately resourced;

- how the Committee could assist in ensuring compliance thereby avoiding continuous chasing. Perhaps the use of a Star Chamber leverage was essential, as a delay of four months on compliance was unacceptable;

- the application of Contract Procedure Rules (CPRs), the numbers of CPRs and those that had resulted in actual contracts;

- detailed explanations were required in future reports about the numbers of respondents involved, delays in responses, including explanation for the delays;

- assurances were required that Members of the Committee would be briefed on Capital Investigation. It was essential that the Committee or individual Members of the Committee were briefed, as the Committee's role was an executive one;

- CIPFA guidance appeared to be 'soft' in nature, staffing levels in internal audit were inadequate and compliance with recommendations by Management was poor and unacceptable;

- whether there were issues with the IT software used.

In response, the Corporate Director Resources and an officer stated that:

- staffing levels were appropriate and their skills adequate, including those relating to the monitoring of Treasury Management;

- that guidance from CIPFA for reviews, such as that for Treasury Management, were available and the skill was in assessing internal controls in place to mitigate risk;

- details of the CPRs would be provided, as requested. CPRs were cross cutting and generally involved a large number of respondents. Methodologies were in place in dealing with Risk Management;

- delays in responses were prioritised according to associated risk levels and escalated, where appropriate, to a Manager. Often there were plausible reasons for late responses. If there was a major weakness in a control which was financially risky, the matter would be escalated to Managers and Directors. Additionally, red recommendations were also escalated but, generally, a balance had to be struck on how matters were escalated;

- Members would be briefed on red reports and issues of material overspend in order of hierarchy and there was also the issue of what was to be done with the information when the issue was raised;

- risk registers of Directorates were reviewed but there were no trends in emerging risks. Additionally, there appeared to be no emerging risks in relation to the localisation of Council Tax support and that this was as a result of internal audit's involvement from the outset in the process;

- work was underway on payment of invoices where in some instances these were received before orders had been raised. Whilst there were

no quick solutions, the culture within the organisation, including systems, were being examined.

RESOLVED: That the report, including the comments, be noted.

169. **INFORMATION REPORT- Annual Health and Safety Report 2011/12**

The Divisional Director Risk, Audit and Fraud introduced the report, which summarised the Council's Health and Safety performance from April 2011 - March 2012, whilst providing an update of activities and information on outcome measures such as training, audits and accidents.

The Divisional Director referred to the Peer Review conducted by the Health and Safety Manager from Coventry City Council and added that the report would build on the Peer Review. A two year improvement plan had been developed to enable the Council to produce a robust health and safety management system. Last year had been another demanding year for the Health & Safety Service across the organisation with the Service implementing the requirements of year one of the improvement plan.

The overall accident trend from 2010/11 - 2011/12, excluding schools, showed a steady decrease in accidents across the Council, with accidents that were reportable to the HSE remaining the same in both years. The types of accidents occurring and the occupations affected were similar for both years, there were no new trends. Since the accident database was relatively new, the two years of statistics gave limited scope to analyse trends but this would improve as the database expanded. Schools had the highest number of accidents but the trend was downwards.

In response to questions from Members, an officer undertook to provide figures for physical assaults, including details of the analysis conducted. He added that physical assault figures had been broken down further to avoid distortion. Officers would be assessing and measuring the dangers of various occupations and how risky these were. In relation to Health & Safety, officers were looking to provide training across the Council and details would be provided in future reports. Moreover, Health & Safety training was mandatory. A training matrix was also available for use by Managers and that new starters were being captured at the start of their employment with the Council. The role of a Fire Officer was captured in the roles of other staff as it had been difficult to recruit to this specific role. In terms of the Civic Centre, a tannoy system had been installed and the new evacuation procedures needed to be tested.

The Divisional Director outlined the value of the Directorate Health and Safety Groups. A Member stated that these should not be kept going purely to meet indicators, unless they provided value for money. With regard to the staffing levels, a compliment of five posts existed, two of which had been filled.

RESOLVED: That the report be noted.

170.   INFORMATION REPORT - Risk, Audit & Fraud Division Activity Update

Members received a report of the Assistant Chief Executive, which outlined the current work streams of the Risk, Audit & Fraud Group of services, including the progress made across the Division.

The Divisional Director Risk, Audit & Fraud reported that the Emergency Planning team was at full complement and had planned and were prepared for the Olympics. In relation to the main activity, a tender exercise to secure the council's liability and property insurance which was due to expire on 31 March 2012, a saving of £70k per annum was guaranteed for at least the next two years, with no reduction in the levels or quality of cover. In response to a question from the Chairman, the Divisional Director stated that the LEAN Review of Fraud Investigation Acceptance Gateway had struggled due to issues with the system which had not produced helpful reports. In regard to benefit fraud, there had been a time lag between the cases referred and those that were subsequently closed/dealt with. In future, the number of cases investigated, including their details, would be included in reports.

The Divisional Director referred to the question on assurance mapping, which had commenced during 2011. He explained that this was a comprehensive exercise to identify and map out sources of assurance that the organisation received through various means, against the Council's strategic risks. The work was being undertaken to inform a review of assurance / governance to ensure an appropriate framework was in place which is both appropriate for the needs of the Council and sufficiently streamlined to avoid duplication.

A Member asked if assurance mapping also applied to the Council's Partners. In response, the Assistant Chief Executive stated that these were emerging risks and agreed that there would be value in doing an exercise at a basic level. A rudimentary Partnership Risk Register would be of significant value.

RESOLVED: That

(1)   the progress across the Division be noted;

(2)   proposals for a Partnership Risk Register be reported to a future meeting of the Committee.

171.   2012/13 Internal Audit Plan

The Committee received a report of the Assistant Chief Executive setting out the 2012/13 Internal Audit Plan, Delivery Plan and Strategy.

An officer reported that the Internal Audit Plan was a moving document and included the following:

- Reliance/Assurance Reviews – items were reviewed at regular intervals, three yearly and tests were carried out to ensure that systems were operating as required. Reviews were also conducted if significant changes were observed. Management Assurance was carried out by asking Divisional Directors to provide assurances on key

matters which culminated into a Corporate document signed off by the Chief Executive. Internal Audit participated in the Corporate Governance Group which was chaired by Legal and Governance. A Corporate Strategic Risk Group provided a link between internal audit and risk management.

- Professional Advice – which had identified areas that would benefit from advice, such as the Business Support Hubs, Modernising Terms and Conditions, Shop4Support and Access Harrow, the latter of which sought advice on risk and internal control as processes were reviewed using LEAN principles.

- Corporate Risk Based Reviews – helped to ensure processes were consistent, fit for purpose, robust and transparent and were being complied with.

A Member asked about the different types of Financial Regulations and why it would take some 10 days to review these. He asked how debt was recovered, profit obtained, if any, the extent of internal audit involvement in property maintenance, agency staff levels, overall staffing levels and the terms of reference of Internal Audit.

An officer responded as follows:

- with regard to the Council's Financial regulations, a bench-marking exercise had been undertaken with other local authorities and CIPFA guidance examined. Prior to undertaking a detailed review, a review of time was considered but that the 10 days allocated may alter. A Member commented that he remained to be convinced about the time allocated;

- debt recovery was being examined with a view to commercialising the operation. It was essential that the Council followed a pattern of invoicing, collecting, chasing the debt which were all strands of a commercial project. Moreover, the operations were broken down amongst different individuals and all elements were being examined with internal audit having an overview;

- property maintenance processes were examined by internal audit and it was acknowledged that the report would benefit from a better description under this heading;

- the terms of reference for Internal Audit required updating and would be submitted to the Committee;

- the number of audit days available for 2012/13 was based on a headcount of 5 staff and would be revisited when the headcount had gone up to 7, with details being submitted to the Committee. A mid-year review would also be conducted with Managers.

RESOLVED: That

(1)   the 2012/13 Internal Audit Plan be approved to fulfil the CIPFA Code of Practice for Internal Audit requirement to approve but not direct the Internal Audit Plan;

(2)   the Internal Audit Delivery Plan be noted.

172.   Revenue and Capital Outturn 2011/12

The Corporate Director Resources introduced the report, which set out the Council's Revenue and Capital Outturn position for 2011/12. She explained that the report had been approved by Cabinet and was referred to the Committee for information only.

RESOLVED: That the report be noted.

173.   Treasury Management Outturn 2011/12

Members received a report of the Corporate Director Resources setting out the summary of Treasury Management activities for 2011/12 which was noted by June 2012 Cabinet meeting and referred to the Committee to scrutinise.

The Corporate Director Resources and an officer explained the background to the Counterparty Policy, which had been approved by Council in February 2012. The Council was cautious in its investments but not overly so and the Policy ensured a reasonable return on investments made. They added that a small surplus was expected although, as the Council was prudent in its budgeting, a nil variance had been forecasted.

An officer added that the Counterparty Policy restricted maximum maturities to 3 months for most banks and up to 36 months for the part nationalised banks. Since the new policy had been adopted, no new investment had exceeded 12 months maturity. The change to the housing subsidy system by the government had resulted in the Council having to pay £88 million towards the HRA.   The officer explained the options available to lenders and borrowers after 5 years, the setting of interest rates and associated risks. He added that appendix 1 set out the affordability element of Prudential Indicators and whether the actions taken were prudent and sustainable. Table 3 of the appendix showed that net debt had increased. The Council was intending to reduce the cash held and had no plans to borrow. Table 6 of the appendix set out the ratio of net to gross borrowing, the difference being cash in hand. Officers were looking at improving the ratios to make them more meaningful.

The Committee was informed that apart from the involvement of Cabinet, officers met with Sector, a leading and independent provider of capital financing, treasury advisory and strategic consulting services to UK public service organisations, on a quarterly basis and benchmarking was carried out of the return and risk on cash portfolio. Members were of the view that training in this area would be helpful in understanding the issues involved.

A Member suggested that a risk analysis ought to be provided in relation to LOBO modeling and it was noted that table 8 of the appendix which set out the maturity profile of debt was based on the LOBO loan interest resent dates being taken as the maturity date. The same Member suggested that a method of presentation that could be clearly understood was required and he questioned whether the Council could afford the debt.

The Corporate Director Resources advised that a full review of the Counterparty Policy had been undertaken in the last quarter of 2011 seeking security of investments yet allowing opportunities to generate income. She assured Members that imaginative work had been carried out with Sector and the Council's budget position had been improved as a result of the Counterparty Policy. In response to a question, Members were informed that the Council did not have any current investments with Santander.

RESOLVED: That the outturn position for Treasury Management activities for 2011/12 be noted.

174. Committee Lead Member Update

The Divisional Director Risk, Audit & Fraud introduced the report, which set out the current position regarding the appointment of Lead Members. A Member, who was also a Lead Member, explained the role of Lead Members and the requirement to report back annually to the Committee on key issues affecting their particular area.

RESOLVED: That the Divisional Director Risk, Audit & Fraud seek volunteer Lead Members by contacting all Members of the Committee.

175. Any Other Urgent Business

Action List
The Chairman recommended that the 'Action List' should be retained in order to keep a track of the actions taken and imposed.

Training
The Chairman referred to a suggestion from the nominated Member and agreed that training sessions should be held an hour prior to the Committee meetings with the following subjects being earmarked for the September Committee meetings:

- 4 September 2012 – Treasury Management
- 24 September 2012 – Council Accounts.

Members welcomed the proposal and it was noted that the clerk would inform Members of the training sessions.

Meeting with External Auditors
In response to a question, the Corporate Director Resources suggested that the meeting with the External Auditors be held in September. She would advise Members of the date.

176. **Exclusion of Press and Public**

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item for the reason set out below:

Agenda Item No	Title	Description of Exempt Information
20.	INFORMATION REPORT - Internal Audit Year-End Report 2011/12 (Appendix B)	Paragraphs 1 and 7 - information relating to individuals and information relating to actions taken in connection with the prevention, investigation and prosecution of crime.

177. **INFORMATION REPORT - Internal Audit Year-End Report 2011/12**

The Committee received a confidential appendix, which set out suspected financial irregularities in the context of the progress against the 2011/12 Internal Audit Plan and key issues arising from the work undertaken.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.31 pm, closed at 9.55 pm).

(Signed) COUNCILLOR BILL PHILLIPS
Chairman

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REPORT FOR:	GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE
Date of Meeting:	4 September 2012
Subject:	Appointment of External Auditors **INFORMATION REPORT**
Responsible Officer:	Tom Whiting, Assistant Chief Executive
Exempt:	No
Enclosures:	Appendix: Audit Commission Appointment Letter

Section 1 – Summary and Recommendations

This report sets out the Audit Commission's confirmation of the Council's External Auditor from 2012/13 to 2016-17.

Recommendations:

The Committee is requested to note the appointment of Deloitte LLP as the Council's external auditors.

Reason:

The Council's external auditors provide independent assurance to the Committee as part of its core function as an Audit Committee.

FOR INFORMATION

Section 2 – Report

Background

2.1   One of the core Statutory functions of the Audit Commission is to appoint external auditors to the majority of public sector bodies, including Local Authorities.

2.2   In August 2010 the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission and an intention to transfer the Commission's in-house Audit Practice to the private sector.

2.3   The Audit Commission provides some of the external auditing services to the public sector through its own audit practice, the remainder are appointed by the Commission from the private sector.

2.4   When the Audit Commission is wound up, public bodies will be required to appoint their own external auditors through a procurement exercise rather than having them appointed by the Commission.

2.5   In order to manage the transition towards this, the Commission consulted on a transition strategy in March 2011 and as part of the strategy the Commission stated that, where external auditors were already appointed from the private sector, they expected to re-appoint the current external auditors unless there were specific reasons why a change would be appropriate.

2.6   Deloitte's have been the Council's auditors since 2003/04 and a strong working relationship has been built over that time. Therefore the confirmation that Deloitte LLP will remain the council's external auditors will cause minimum disruption and will give the council ample time to prepare for the procurement of new arrangements from April 2017.

Section 3 – Further Information

3.1   None.

Section 4 – Financial Implications

4.1   The fees for external auditor work are budgeted for each year and the Committee has a role in monitoring value for money.

Section 5 – Corporate Priorities

5.1   A sound financial control environment is a platform for delivering all corporate priorities.

Name: Julie Alderson	X	Chief Financial Officer
Date: 22 August 2012		

Section 6 - Contact Details and Background Papers

Contact: David Ward Tel: 020 8424 1781
david.ward@harrow.gov.uk

Background Papers: None

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31 July 2012

Mr Michael Lockwood
Chief Executive
London Borough of Harrow
PO Box 21
Civic Centre
Harrow
Middlesex
HA1 2UJ

| **Direct line** | 0844 798 2447 |
| **Email** | auditor-appointments@audit-commission.gov.uk |

Dear Mr Lockwood

London Borough of Harrow - Appointment of external auditor

I wrote on 16 April to consult you about my proposal for the appointment of an external auditor to London Borough of Harrow from 1 September 2012.

Auditor appointment

This letter confirms the appointment of Deloitte LLP as external auditor to audit the accounts of London Borough of Harrow for five years from 2012/13. This appointment is made under section 3 of the Audit Commission Act 1998 and was approved by the Audit Commission Board at its meeting on 26 July.

Audit quality and regulation

The Audit Commission will continue to regulate the local public audit market and monitor the performance of the firms providing audit services until the government implements a new local public audit regime. This will ensure that local public bodies receive high-quality and effective audit services which provide value for money to the local taxpayer. We will:

- assess each year auditors' compliance with their statutory terms of appointment;

- assess each year the quality of the audit work the firms carry out;

- consider and, if appropriate, approve auditors' requests for variations to the scale audit fee where they have had to carry out more (or less) work;

- consider and, where we are satisfied that the work does not create a threat to the auditor's independence, approve auditors' proposals to provide non-audit services to audited bodies; and

- monitor audited bodies' satisfaction with the audit services provided by the firms.

We will continue to report publicly on the results of our quality review programme each year. This provides you with assurance that the firms have put in place systems and processes to deliver audit work of an appropriate quality.

We are currently updating auditors' statutory terms of appointment, which specify the Commission's regulatory requirements. I will write to you again in early September with more information on these terms of appointment. I will also provide details of the standards of performance that auditors will be expected to meet.

Next steps

I have passed the contact details for London Borough of Harrow to the appointed firm and it will contact you about the arrangements for the audit in due course. In the meantime, if you have any questions about the appointment, please contact us via email at auditor-appointments@audit-commission.gov.uk.

Yours sincerely

Marcine Waterman
Director, Audit Policy and Regulation

cc   Deloitte LLP

REPORT FOR: **GOVERNANCE, AUDIT & RISK MANAGEMENT COMMITTEE**

Date of Meeting:	4 September 2012
Subject:	Audit Progress Report 2011-12 Accounts
Responsible Officer:	Julie Alderson, Corporate Director of Resources
Exempt:	No
Enclosures:	Nil

Section 1 – Summary and Recommendations

This report sets out the progress on the 2011/2012 audit of the Statement of Accounts.

Recommendations:

The Committee is requested to:

(i) Note progress to date and any issues;
(ii) Note future date for training on the 2011-12 accounts.

Reason: (For recommendation)
The Statement of Accounts is an important statutory document. The requirements for the production and sign off of the Accounts are set out in the Account and Audit Regulations 2003. The Accounts must be signed and dated as approved by the Chairman of the approving Committee. This report provides a progress update on the audit so that GARM Committee is fully briefed.

Section 2 – Report

Background

2.1 The Statement of Accounts has been prepared in accordance with proper accounting practices and all relevant statutory requirements. The 2011-12 Accounts were produced within the statutory deadline. The audit of the Accounts by the External Auditor is proceeding well. This report provides an update on progress and complements the report presented by Deloitte elsewhere on the agenda.

Progress on the Audit

2.2 There are no material misstatements. The External Auditor has provided the detail of corrected and uncorrected misstatements in his report. There is no effect on the Financial Statements overall.

2.3 Some control issues have been highlighted and will be discussed at the meeting. Officers are addressing these as a priority.

2.4 The final draft Statement of Accounts with fully adjusted misstatements will be made available to members as part of a training session to be held around the third week of September. Date to be confirmed. This will enable members to fully examine and ask questions on the Accounts prior to formal sign off by the Chairman of the GARM Committee at its meeting on 24 September.

2.5 The Annual Audit Letter which sets out the conclusions of the Auditor and the main messages on the Accounts will be received at the end of November and presented to the January meeting of the GARM Committee.

Appointment of Auditors

2.6 The Audit Commission confirmed earlier this year that Deloitte will continue to be the External Auditor for the 2012-13 Accounts and beyond. There is a separate paper elsewhere on the Agenda which gives further details of this.

Financial Implications

2.7 These are integral to the Statement of Accounts.

Risk Management Implications

2.8 Risk Management in the Council is addressed in the Annual Governance Statement (AGS) included in the Accounts. The audit of

the Accounts by the External Auditor provides assurance on the integrity of the Accounts.

Corporate Priorities

2. 9   The Statement of Accounts 2011-12 provides assurance that the Council has managed and delivered its finances in accordance with its approved plans and budget.
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SECTION 3 - Statutory Officer Clearance

Name: Julie Alderson	x	On behalf of Chief Financial Officer
Date: 22 August 2012		
Name: George Curran	x	On behalf on Monitoring Officer
Date: 23 August 2012		

Section 4 - Contact Details and Background Papers

Contact: Jennifer Hydari, Divisional Director Finance and Procurement
Tel:0208 424 1393

Background Papers: None.

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REPORT FOR: GOVERNANCE, AUDIT & RISK MANAGEMENT COMMITTEE

Date of Meeting:	4 September 2012
Subject:	Annual Governance Statement 2011/12
Responsible Officer:	Tom Whiting, Assistant Chief Executive
Exempt:	No
Enclosures:	Draft 2011/12 Annual Governance Statement – Appendix 1 2010/11 AGS Action Plan – Year End Update – Appendix 2 Updated Code of Corporate Governance – Appendix 3

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Governance Statement (AGS) for 2010/11 required to meet the requirements of the Accounts and Audit Regulations 2011.

Recommendations:
The Committee is requested to:

1) Review the 2011/12 AGS (Appendix 1);

2) Make recommendations as appropriate to enhance the statement or improve the annual review process;

3) Note the progress made on the 2010/11 AGS Action Plan;

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4) Approve the minor amendments recommended by the Corporate Governance Group to the Code of Governance;

5) Note the final Internal Audit opinion on the overall control environment.

Reason: (For recommendations)
To confirm the Council's approach to Corporate Governance and demonstrate our commitment to uphold the highest standards of integrity, openness and accountability.   To comply with the requirements of the CIPFA/SOLACE guidance which constitutes 'proper practice' under the Accounts and Audit Regulations 2011.

Section 2 – Report

Introduction

2.1   Harrow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

2.3   The Council has approved and adopted a corporate governance framework and a Code of Corporate Governance , which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* The Annual Governance Statement explains how the Council has complied with the framework/code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement of internal control (Annual governance Statement).

Annual Governance Statement

2.4   Each year the Council undertakes a robust review of its governance arrangements to ensure the delivery of good governance within a local government framework and current good practice. The purpose of the

review is to provide assurance that governance arrangements are adequate and operating effectively and to identify action required to ensure effective governance in the future.

2.5   Internal Audit co-ordinates the annual review compiling evidence/sources of assurance provided by members of the Corporate Governance Working Group into an evidence table which is used as a basis for the preparation of the AGS. This was reviewed and ratified on 08/08/11 by the Corporate Governance Group, who have ultimate responsibility for drafting the AGS, evaluating assurances and the supporting evidence.   The evidence table is available for GARM members to review.

2.6   The Annual Governance Statement is prepared on behalf of the Leader of the Council and Chief Executive. It is submitted to the Governance, Audit and Risk Management (GARM) Committee for consideration and review with the annual accounts to meet the statutory requirement of the Accounts and Audit Regulations 2011 which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control"

2010/11 AGS Action Plan Year End Update

2.7   The year end update of the 2010/11 AGS Action Plan shows that the governance gaps identified in 2010/11 were closed fully or partially in 2011/12 for 62% of gaps identified (a 7% improvement on 2009/10). Five actions from 2010/11 will be carried forward to the 2011/12 AGS Action Plan. One of relates to IT Disaster Recovery which was recognised as a significant governance gap in the 2008/09 Annual Governance Statement and remained a gap throughout 2009/10, 2010/11 and 2011/12. Three new gaps have been identified through the annual review of governance process, although none are considered significant by CGG, actions are in the process of being agreed to address these and will be shown in 2011/12 AGS Action Plan.

Code of Governance Review

2.8   An original Code of Corporate Governance was agreed by the GARM committee in September 2008 with agreement for it to be reviewed annually.   The Code was incorporated into the Council Constitution in February 2010. The annual review by the Corporate Governance Group took place in August 2012 and a minor amendment is recommended and shown in bold in Appendix 3 to this report for the GARM Committee's approval.   Basically the reference to an 'annual report' has been removed as this is no longer produced although the information is communicated via other means e.g. the Corporate Plan.

Internal Audit Opinion on the Overall Control Environment

2.9 An interim opinion was reported to GARM Committee in June 2011 as part of the 2011/12 Internal Audit Year End report and this has now been finalised and the interim assessment confirmed. The adequacy and effectiveness of the organisation's control environment for the 2011/12 financial year has been assessed as "adequate" based on the following:

- 70% of the traffic lighted systems reviewed during 2011/12 were given an amber, an amber/green or a green assurance rating;
- 99% of recommendations made during 2011/12 were agreed for implementation;
- 67% of recommendations followed-up have been implemented, 31% are in progress or are planned at the time of follow-up thus it is expected that in due course 98% will be implemented. 100% of follow-ups resulted in an improved assurance rating.
- 19 suspected financial irregularities were reported to Internal Audit during 2011/12, the majority of irregularities investigated by Internal Audit were either caused by a break down/lack of control or where fraud was involved this was a contributing factor. In 9 (47%) cases there was no loss or the loss has been recouped (e.g. from banks, insurance or individuals); in 3 (16%) cases there was a loss of over £2000 and in 7 (37%) cases work is ongoing to establish whether a loss has occurred and/or the level.
- The management assurance exercise confirmed that 60% of the areas of assurance covered by the self-assessment process are working well across the Council i.e. above the assurance level set of 80% for each area, and have been given a green assurance rating.
- 91% of controls reviewed within the Council's core financial systems were either operating fully or substantially, with the remaining 9% operating partially.

Financial Implications

2.10 Financial implications have been addressed, where relevant, in the main body of the report.

Risk Management Implications

2.11 The work of internal audit supports the management of risks across the council.

Corporate Priorities

2.12 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Section 3 - Statutory Officer Clearance

Name: Jennifer Hydari	x	On behalf of Chief Financial Officer
Date: 22 August 2012		
Name: George Curran	x	On behalf of Monitoring Officer
Date: 21 August 2012		

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Service Manager, Internal Audit,
Tel:0208 424 1420

Background Papers: None.

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2010/11 AGS Action Plan
Updated August 2012

AGS Ref	Area of Assurance	Gap Identified	Agreed Action	Responsible Officer	Timescale	Update August 2012
1.3 New	Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used	Quarterly legislation tracker no longer produced by legal	Legal &Governance Services to explore a cost effective way of ensuring legislative changes are identified	Director of Legal & Governance Services	Nov 2011	Legal officers report legislative changes to CSB, and specific committees as legislative changes occur as well as provide training and updates to relevant officers/members.

A monthly Policy Bulletin is produced by the Chief Executive's Office and issued to Members, CSB, CLG, Policy & Scrutiny Officers and Finance Business Partners containing updates on new legislation.

The 2011/12 Management Assurance Exercise sort assurance from managers that relevant legislative changes are picked up. Lists of new legislation provided by managers as part of the exercise were reality checked by Legal services to ensure all key pieces identified. This was working well across all Directorates for 2011/12.

GAP closed |

2010/11 AGS Action Plan
Updated August 2012

1.7 c/f	Objectives are reflected in departmental plans and are clearly matched with associated budgets	No corporate requirement for services within Directorates to have Service Delivery Plans.	Assistant Chief Executive to produce paper for CSB consideration on how to close this gap. (as agreed by CGG 09/08/11)	Assistant Chief Executive	Nov 2011	Report to CSB 23/11/11 plus new service planning guidelines issued in January 2012. **GAP closed**
3.4 c/f	There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff.	Policy accessible on internet site but only via search facility on intranet (CAFT have no specific pages). No awareness sessions etc. are run.	Intranet to be enhanced to enable policy to be more accessible to staff. Corporate fraud awareness e-learning tool to be developed in-house.	Corporate Anti-fraud Service Manager (with help from Information Management) Corporate Anti-fraud Service Manager	Nov 2011 March 2012	The CAFT pages have been updated on the hub so that there is now information surrounding fraud affecting the authority and how employees can report it. There is no direct link to the Corporate Anti-Fraud Policy as this is under review. The government has recently launched a new 'Fighting Fraud Locally' strategy and toolkit for implementation in local government and part of this toolkit is a free fraud awareness package endorsed by CIPFA that authorities can roll out within their organisation. The latest timescales for release are May 2012 so moves will be made after release to incorporate this within Harrow's learning pool so that all new starters complete the course and existing staff can dip in an out as and when. **GAP partially closed, ongoing 2011/12**

2010/11 AGS Action Plan
Updated August 2012

Ref	Finding	Issue	Action	Responsible Officer	Target Date	Update
3.7 New	Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff	Management Assurance Exercise identified directorate/service specific schemes of delegation covering HR / service specific responsibilities not consistently in place across the Council	Reminder on the requirement for a directorate/service specific scheme of delegation to be put in place to be sent to all Corporate Directors. Evidence of delegations in place to be provided to Internal Audit.	Assistant Chief Executive/Dire ctor of Finance Corporate Directors	September 2011 Dec 2011	Action implemented via CSB August 2012. 2011/12 Management Assurance Exercise shows a 2% corporate improvement to 58% working well. **GAP c/f 2011/12**
3.34 c/f	There are up-to-date data security policies and guidance in place covering: • key business areas	There is no consistent approach for validating information from third parties as it is the responsibility of the contract 'owner'	Paper to CSB to be produced to address the GAP	Divisional Director - Partnership Development & Performance	November 2011	Action not implemented. Directorates are aware however no mechanism in place to obtain assurance. Information Management Team now taking this on. The data Quality Policy will be reviewed and communicated to managements using the new policy compliance software. **GAP c/f 2011/12**

2010/11 AGS Action Plan
Updated August 2012

AGS Ref	Area of Assurance	Gap Identified	Agreed Action	Responsible Officer	Timescale	
3.37 New	The council manages information risk effectively. Arrangements meet the requirements expected in government including having a capable Senior Information Risk Owner (SIRO). The council complies with the requirements set out in any relevant codes of connection for services it has in place, for example the Government Secure Intranet / Government Connect.	The Council has complied with the Governments Code of Connection and was formally certified on 1st Sept 09 and updated 29/07/11. However CAFT moved 01/08/11 to open plan office that does not, in the opinion of the CAFT Service Manager and the Information Management Service Manager comply with the relevant code of connection: **All hosts and network equipment are to be located in secure accommodation**	Plan to be developed to address how to meet requirements.	Corporate Anti-fraud Service Manager/ Service Manager - Property	November 2011	The latest compliance statement for GCSX submitted in July 2012 stated: All hosts and networking equipment are located in locked secure accomodation. In addition: GCSx users are restricted to defined areas at two physical locations (Civic1 and Civic 6 buildings) at Harrow Council. Their access to the GCSx system is controlled via firewall rules Therefore there remain the risk that the open plan nature of the accommodation will not be deemed suitably secure. **GAP c/f 2011/12**

Ref	Action	Issue	Outcome	Owner	Date	Status
3.38 New	The council incorporates good practice standards and specified public sector policies on data and information security into its own policies and procedures. For example, ISO27001 and relevant Codes of Connection for the NHS Network (N3) and Government Secure Intranet and Government Connect.	In order to improve on data security, the Council has commissioned a gap analysis exercise (Dec 09) to help identify gaps in data security practices to enable us to imbed an ISMS to ISO27001 standards. Capita and the Council are now working together to implement some of the gaps to imbed an ISMS to ISO standard.	Action identified and agreed in ISMS/ISO action plan therefore no action required here.	Tony Monachello	N/A	When Capita took over the ITO a full suite of policies was implemented by the Capita ICT Security Manager that meeting ISO Standards and Capita and the Council continue working together to implement the gaps to imbed an Information Security Management System (ISMS) to ISO standard. **GAP partially closed, ongoing 2011/12**
10.5 New	Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	No protocol currently in place	Protocol to be developed and agreed	Director of Legal & Governance Services	November 2011	Effective working relationship between Chief executive and Leader and although a draft protocol was drawn up by Legal, all parties concerned consider that formalising this process would not add any value. **Therefore not considered to be a gap in governance.**
13.11 c/f	Joint workforce planning.	Although there is an integrated Children's Workforce Strategy and joint induction arrangements for those working with children across local partners this does not exist to any significant extent in other Directorates	This has been identified in the Strategy for People 2010-2012 as an action for 2011 therefore no further action is needed here.	Jon Turner	N/A	Workforce strategies and plans continue to be developed but are not yet in place in all Directorates. Where appropriate Directorate workforce strategies / plans include joint planning with partners **GAP partially closed, ongoing 2011/12**

2010/11 AGS Action Plan
Updated August 2012

| 13.19 New | Ensure that career structures are in place for members and officers to encourage participation and development | There is no career-planning programme in place at the officer level | This is reflected in the Strategy for People 2010-12 action plan therefore no further action needed here. | Jon Turner | N/A | To encourage officers' participation and development the Council's IPAD process now requires managers to consider employees' career development aspirations. Directorate performance in ensuring all staff receive an annual IPAD review is monitored through Improvement Boards and the overall performance at the end of 2012 was 85%.

Performance differs between Directorates and each Directorate has taken action to improve performance in preparation for the Council being assessed against the IiP standard in 2012.

Where appropriate Directorate workforce strategies include developing career pathways and structures to enable effective workforce planning.

The Member Development Programme includes skills development for members working to develop their political roles.

GAP closed |

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2010/11 AGS Action Plan
Updated August 2012

AGS Ref	Area of Assurance	Gap Identified	Agreed Action	Responsible Officer	Timescale	
GF7 c/f	Making sure that an effective risk management system is in operation	No Business Continuity/IT Disaster recovery plan	Not in place for 2010/11. Will be complete by April 2012. There are already some arrangements in place to meet this requirement (including an annual DR test) and a comprehensive range of improvements have been developed to ensure resilience and recovery capabilities as part of the new Capita IT contract. One of the main projects to support this is the migration of the council's IT applications to the Capita West Malling site, which is due to commence in September on a phased programme which will be completed in April 2012. There is a continuing risk until this project is complete although the wider business continuity plan takes this into account and the risk is no greater than it has been historically over a number of years.	Head of IT Client Team	April 2012	The move to West Malling is being re-evaluated against an alternative option to retain the data centre at the civic centre. A plan is now being put together to test DR of the systems as they stand. **SIGNIFICANT GAP c/f 2011/12**
OGF8 c/f	Making sure that an effective risk management system is in operation	Health & Safety Management Assurance Exercise identified that Health & Safety not working well across all areas of the Council.	A comprehensive review of H&S has been carried out and a new restructure and a two year improvement plan is commencing. Progress against plan report to be provided to Internal Audit (at the request of Chief Executive)	Divisional Director Risk, Audit & Fraud	Dec 2011	Progress made i.e. audit tool rolled out, but will not be fully implemented until 2013 as it is a two year plan. **GAP partially closed, ongoing 2011/12**

2010/11 AGS Action Plan
Updated August 2012

AGS Ref	Area of Assurance	Gap Identified	Agreed Action	Responsible Officer	Timescale	
3.42 c/f	The council engages with its staff and gains their commitment to, and ownership of, the council's approach to reducing its impact on the environment	Although a well publicised Energy Saving Campaign was run in 2008/09 it is recognised that a more pro-active engagement with staff is needed. Reduced staffing levels and a freeze on recruitment during 2010/11 have meant that it has not been possible to devise a programme. We anticipate recruiting and initiating a programme in the Autumn	To devise a pro-active engagement programme on the council's approach to reducing its impact on the environment.	Head of Climate Change	Nov 2011	Not implemented due to lack of resources. **GAP c/f 2011/12**

1.   Scope of Responsibility

1.1   Harrow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2   In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk i.e. it is responsible for ensuring a sound system of governance.

1.3   The 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'*. The code has been taken into account in drafting our constitution and a copy can be obtained from Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XF   or   from   our   website   at: http://www.harrow.gov.uk/downloads/file/8017/part_5k-code_on_corporate_governance. The Code is reviewed and updated annually. This statement explains how the Council has complied with the code and the governance framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of this Annual Governance Statement.

2.   The Purpose of the Governance Framework

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

2.2   The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Harrow 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.

2.3 The governance framework has been in place at Harrow Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3. The Governance Framework

Identifying, communicating and reviewing the authority's vision

3.1 Harrow Council's vision during 2011/12 was "Working Together: Our Harrow, our community". The vision was reviewed in February 2012 alongside the budget and the Council continues with the same vision and corporate priorities for 2012/13. Extensive consultation was undertaken through the Lets Talk programme and other consultations in 2010/11, which helped us to plan how the Council would achieve its Corporate Priorities and shape how we allocate the scarce resources available across the many needs of Harrow.

3.2 The priorities and priority actions set out in the corporate plan filter down the organisation hierarchically at Directorate, Service and individual plan levels. The priorities are communicated to residents through "Harrow People" magazine and the harrow.gov internet site.

3.3 During 2011/12 the Council wanted to enable residents to have the chance to become more active citizens by providing them with information, support and opportunities to contribute to the decision-making process and take a greater part in making Harrow better. The Council was ambitious about what could be achieved working together with residents, and in support of this, wanted to change the way the Council is run. Listening to what local residents want and say, to reform and modernise Council services whilst at the same time saving money and providing better services.

3.4 The Council made 2011 the year of the Community Debate and started by getting residents more involved in the delivery of services and in discussion on how the Council manage the very difficult decisions it has to make in the next few years. The Council feels strongly that residents' views should be heard and has committed itself to listen and involve them across all of our activities. The Council wanted the debate to mean something to residents and be about genuine participation. The Council wanted it to allow us to talk with residents about the hard choices that we will face. The Council wanted to understand how we can help and involve local people to do more for their communities that really matters and makes a difference. A number of major service specific consultations were undertaken during the year including Libraries, Children's Centres, Adult Services, Parks and Open Spaces and

Leisure Facilities and Museums. 2011 was therefore set out as the year of Community Debate.

3.5 Residents' views on progress against priorities were measured through the Involvement Tracker in 2011 and the Residents Panel.

3.6 The Better Deal for Residents (BDfR): Shaping Harrow for the Future programme, agreed by Cabinet in July 2010 was a three-year savings programme to position the Council as a more efficient and effective organisation that can live within its means. The BDfR programme has brought innovation and change in the manner and scale of services offered to meet the changing needs of residents and will deliver £31.4m of savings. This programme was effectively completed in 2011/12 and a new programme, Transformation 2, has been developed containing major projects identified in the budget for 2012/13.

3.7 The Council is now embarking on a thorough review of all of its services with each directorate setting out their vision for their services over the next three years within the context of reduced resources. A number of different options for service delivery are being pursued, and are set out in the budget, and in the Corporate Plan.

3.8 Six improvement boards, which cover all areas of the Council, oversee all improvement initiatives across the Council, and the Corporate Strategy Board (CSB) has quarterly performance monitoring meetings scheduled throughout the year. CSB has been restructured for 2012/13 and membership is being reduced to consist of the Council's 4 Corporate Directors including the section 151 officer, and the Assistant Chief Executive, and is chaired by the Chief Executive with the Director of Legal and Governance attending as neccesary.

3.9 Progress towards the Council's corporate priorities is regularly monitored by the improvement boards, Corporate Strategy Board (CSB), the Executive (Members of the Cabinet, consisting of the Leader of the Council and nominated Portfolio Holder Councillors) and the Overview & Scrutiny Committee. Improvement boards also monitor risks to the achievement of Directorate objectives each quarter and these are reported to the quarterly CSB performance morning meetings.

3.10 The Executive meets monthly and the Corporate Strategy Board meet weekly to monitor performance and to consider the key risks to the achievement of those objectives. There are also six weekly 'leadership meetings' between CSB and Cabinet Members.

3.11 The corporate priorities which support the Council's vision are reviewed annually and the priorities for 2011/12 were:

- Keeping neighbourhoods clean, green and safe
- United and involved communities: a Council that listens and leads
- Supporting and protecting people who are most in need
- Supporting our Town Centre, our local shopping centres and businesses

Measuring the quality of services and ensuring best use of resources

3.12 The Council has an integrated planning and budget framework to develop its Corporate Plan and Medium Term Financial Strategy each year, and monitor performance against plans and budgets. The direction provided by the Corporate Plan and the Medium Term Financial Strategy is cascaded through directorate service improvement plans down to service development plans and then to personal development plans and individual Performance Appraisal & Development (IPADS) for individual staff.

3.13 Performance against plans, key indicators and targets and budgets are monitored during the year by Directorate Management Teams, quarterly Improvement Boards and CSB. There are quarterly monitoring reports to Cabinet on both the budget and performance using a balanced scorecard approach covering projects, budgets, risks, workforce performance, complaints, debt and VFM.

3.14 The Council has made considerable progress to improve its financial position and financial management in the last 3-4 years. This has involved much more robust medium term planning, an increase in the number of qualified finance staff, training for budget holders.

3.15 The extent of the cuts to public sector spending and the Government's agenda for public service reform mean that the Council is thinking about its future shape and size; how the Council delivers services in collaboration more with partners and residents and bring about a new relationship that has the potential to unlock major savings. Proposals for the future scope of Council services were reviewed during the 2011/12 budget planning exercise via commissioning panels in each of the major service areas. In response to these challenges, the Council are bringing more projects into a new, second Transformation Programme.

3.16 CSB met monthly as a Transformation Board to monitor projects under the Better Deal for Residents Programme throughout 2011/12 and will continue to meet in this way to monitor the second Transformation Programme.

3.17 The Council's External Auditors are required to issue a value for money ("VfM") conclusion within their report on the financial statements. From 2010/11 their statutory VfM conclusion was based on two criteria specified

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by the Audit Commission: the organisation has proper arrangements in place for securing financial resilience; and the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. An unqualified value for money opinion was issued and the External Auditors were satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31March 2011. (This is the latest VfM conclusion available as external audit work is only begun after the closure of accounts each year i.e. for 2011/12 the work will began in June 2012 and the VfM conclusion will not be published until January 2013.)

3.18 On 23rd June 2011, Harrow Council won the Best Achieving Council in the UK award at the Municipal Journal awards. This award is the top award available for local government and shows just how far the Council has come in a few short years. The Council had further success at this year's awards winning the 'Transformation through IT' award and the Council's Adult Services Department was also highly commended and named runner-up in the 'Redefining Quality in Adult Services' category.

4. Defining roles

4.1 The Council's constitution describes the role and terms of reference of Members, the Executive, Portfolio Holders, Mayor, full Council, the Standards Committee and the Overview and Scrutiny Committee. The Constitution is a public documents available to the public and staff on the Council's internet site at http://www.harrow.gov.uk/info/10016/council_documents/919/the_constitution.

4.2 Officer responsibilities are also set out in the Constitution, including the Chief Executive, Corporate Directors and Statutory Officers. This includes the various statutory responsibilities of these roles and role profiles of senior officers are in place and relevant officers have written delegated authority to undertake the statutory functions.

4.3 Democratic services maintain a register of Members' interests which is published on-line via the Council's web-site.

4.4 The Constitution is reviewed on an on-going basis, with full Council making amendments as and when required. During 2010/11 work began on a review of the Financial Regulations and an updated version was agreed in October 2011. Financial Regulations contain a Scheme of Delegation for Financial Transactions and in addition to this it is expected that directorates

have a written directorate/service specific scheme of delegation in place, e.g. to cover HR responsibilities.

4.5 Annually Senior Managers are required to provide assurance that, in addition to the Corporate scheme of delegation covering finance, there is a written directorate/service specific scheme of delegation in place e.g. to cover HR responsibilities and that staff are complying with the requirements of the Council's Financial Regulations and Contract Procedure Rules. The results of the 2011/12 Management Assurance Exercise indicate that a local scheme of delegation is in place in 58% of areas across the Council and that staff are complying well with the Council's Financial Regulations in 85% of areas. Action planning is in progress to address and improve each of these areas for 2012/13.

5.   Standards of behaviour and codes of conduct

5.1 Members and employees have clear codes of conduct, which set out expectations of behaviour and are regularly reviewed and re-issued. A training session organised by the Council's Legal and Democratic Service covering the code and social media took place in June 2011. The employee code forms part of the officer induction training.

5.2 A Standards Committee was in place during 2011/12 to ensure that individual Members upheld and exemplified good governance and behavior. Standards for England has been abolished by the Localism Act and this means that the Council will be able to choose whether or not to have a member code of conduct and a Standards Committee. A report went to Council in July 2012 establishing a new code of conduct for councillors and arrangement for dealing with alleged breaches.

5.3 Separate mechanisms for Members and Officers are in place in the event that the codes are breached and appropriate action is taken as necessary.

5.4 Registers of gifts and hospitality are held at Member and Officer level and reviewed regularly. Departmental Management Teams review the Officer registers at regular intervals. The Members' register is available on-line via the Council's web-site.

5.5 In September 2008 the Council adopted new Council values which apply to all employees and replace the previous competency framework for middle managers and above. The values set out expected behavioural standards within 6 themes known as the CREATE values:

- **C**ustomer first;
- **R**espect;

- **E**ngaged communication;
- **A**ctively 'One Council';
- **T**aking responsibility;
- **E**nergise and improve.

5.6 A new suite of employment policies were prepared during 2007/08 and introduced from April 2008 which includes key HR policies for dealing with conduct, capability, grievance, and harassment issues. These have been communicated to managers and are available on the Council's intranet site together with the full range of HR policies.

5.7 Complaints **to add commentary in final.**

6. Decision making

6.1 Decision making arrangements are set out in the Constitution which governs the conduct of the Council's business and includes Contract Procedure Rules and Financial Regulations. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for full Council, most are made by the Executive or by Committees, Sub-Committees or officers. The Constitution details those decisions that may not be taken by the Executive and those decisions that have been formally delegated to officers. The powers delegated to individual Portfolio Holders are also set out in the Constitution.

6.2 The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery and forthcoming Executive decisions are published on the Forward Plan which sets out all future key decisions that may be made within the following four month period.

6.3 Members are required to make sound decisions based on written reports which are prepared in accordance with report writing guidelines and all Cabinet reports have to be cleared by officers in Finance, Legal Services, Performance Management and Environment together with the relevant Portfolio Holder. Reports must pay due regard to equalities issues, crime and disorder implications, and risks.

6.4 The Executive receive a briefing (Cabinet Briefing) approximately two weeks before the formal Cabinet meeting date when Members can ask detailed technical questions of officers. A Member Development programme is in place to support Members and provide them with information and the skills to make effective decisions.

6.5 In accordance with the Local Government Act 2000 the Council has mechanisms in place to allow the effective, independent and rigorous

examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process and call-in. The Overview and Scrutiny Committee is responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of performance and the development of an effective strategy/policy framework for the council and its partners. This includes consideration of the Corporate Plan, and the Medium Term Financial Strategy. The Performance and Finance sub-committee is the scrutiny body responsible for monitoring the performance of the council and its partners in relation to their stated policy and priorities.

6.6 The Overview and Scrutiny Committee produce an annual report on work they have undertaken over the year and for 2011/12 it states that the committee met 12 times and considered a wide range of issues:

- Community Safety Plan
- Safer Harrow Annual Strategic Assessment
- Transfer of Harrow High Schools to Academies
- Integrated Targeted Children's Services Model
- Schools Place Planning
- Development of the Council's Property Assets
- Implications of the 'Birmingham Judgement'
- Adults', Children's and Corporate Complaints
- West London Waste Plan
- Strategic Overview of Support to the Voluntary Sector and Update on the   3rd Sector Strategy
- Strategic Approach to the Future Provision of the Library and Sports Service
- Corporate Equalities Objectives

6.7 The report went on to state 'The council is facing challenges on many fronts and we therefore took the decision to have a more fluid and flexible approach to the development of our work programme and not tie ourselves down to a predetermined annual review programme. As a result we have been able to respond as necessary to support the organisation to rise to its current challenges'.

6.8 All formal meetings are clerked by trained and experienced Democratic Services Officers who also provide advice on constitutional procedure. Lawyers are present when appropriate to provide advice on law and all committee reports for decision must have legal and Finance clearance before they are published.

7. Internal Control and Risk Management

7.1 Internal control refers to the systems devised by management to guard against risk and promote achievement of objectives. More specifically, internal controls promote:

- achievement of business objectives and performance standards;
- compliance with plans, policies, procedures, codes of conduct, laws and regulations;
- the reliability, integrity, timeliness and usefulness of information;
- the legality of transactions and compliance with approved budgets and
- procedures; and
- the safeguarding of people, property, finances, services, continued operations and reputation.

7.2 Internal controls are an essential part of the Council's risk management arrangements and are required to be reviewed on a regular basis by management under the Council's Financial Regulations. Control systems provide for clarity of policies, objectives, targets, responsibilities and accountabilities, and appropriate authorisations and approvals, separation of duties, level of internal check, management information and physical safeguards.

7.3 The Corporate Director of Resources and the Assistant Chief Executive are responsible for assisting the authority in putting in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with all applicable statutes, regulations and codes of practice.

7.4 The Council has a duty to manage its risks effectively and this is achieved through a consistent corporate process in a hierarchical series of risk registers. A risk management strategy is reviewed and agreed by the Executive each year. The Corporate risk register is reviewed by the Corporate Strategy Board on a quarterly basis. All Directorates have risk registers and these are reviewed by Directorate Management Teams regularly and the Improvement boards quarterly. In 2011/12 a new risk appetite statement was developed and approved by the Executive in accordance with the new UK Corporate Governance Code.

7.5 The Corporate Risk Steering Group, consisting of nominated directorate risk champions and chaired by the Assistant Chief Executive, met 4 times during 2011/12 and provides challenge on the robustness of the strategic and corporate operational risk registers and the adequacy of controls to mitigate the risk.

7.6 All risk registers identify risks to the achievement of objectives, the impact and likelihood of current and target risk scores, mitigating actions to control the risks and assign risk owners/champions and control owners.

7.7 Business as usual projects are managed through the corporate risk management process, with dedicated risk registers in place to ensure risks are being managed throughout the life of a change programme/project. The 2011/12 Management Assurance Exercise confirmed that risk assessment and management is embedded and working well in 97% of areas across the Council. Internal Audit 'reality testing' confirmed that major projects are recorded on the Council's project management software VERTO and the system ensures that a risk assessment is undertaken.

7.8 All committee reports requiring decisions are required to include commentary on the risks associated with the subject matter of the report so that Members can take informed decisions based on the balance of opportunities versus risks.

7.9 Internal Audit provided assurance to the Council on internal control and risk mitigation through the delivery of an agreed audit plan and follow-up reviews which accumulates in the provision of an overall audit opinion on the Council's control environment annually.

7.10 The overall audit opinion for the Council's control environment for 2011/12 was assessed as "adequate". The detailed report setting out the reasoning behind this assessment will be considered and approved by the Governance, Audit and Risk Management Committee (GARM) in September 2012.

8. Audit arrangements

8.1 The Council considers that it has an effective Internal Audit service provided by an in-house team, which operates in accordance with the standards set out in the CIPFA Code of Practice for Internal Audit for Local Government. (see section 1.4 Review of Effectiveness)

8.2 The Council's External Auditors, Deloitte LLP, rely on the Internal Audit team's work on the authority's core financial systems to inform their risk assessment that guides the external audit approach.

8.3 The Governance, Audit and Risk Management Committee undertake the core functions of an audit committee as identified in CIPFA's Guidance *Audit Committees – Practical Guidance for Local Authorities.* Its terms of reference which encompasses the review and monitoring role of a range of risk related services, including monitoring performance on corporate governance generally, were reviewed and updated during 2010/11.

8.4 Following a change of Chair and membership between the April and June 2011 meetings training was undertaken in June 2011 to ensure that all new members were aware of the role and responsibilities of the GARM Committee. The Chair and membership, although stable throughout the rest of the 2011/12 Financial Year, changed again between the April and June 2012 meetings and further training was undertaken for the members of the GARM Committee in June 2012.

9. Compliance with statute and internal policies and procedures

9.1 The Council's legal service tracks new legislation and keeps the relevant Directorate(s) informed of the implications for future service delivery. Corporate issues are discussed at the Corporate Strategy Board and Corporate Leadership Group.

9.2 All internal policies and procedures are contained on the Council's intranet site and communicated to staff. Compliance is monitored through Internal Audit reviews and specific monitoring at Directorate Management Team meetings and the quarterly improvement boards.

9.3 Key internal policies and procedures are readily available on the Council's Intranet site.

9.4 Serious breaches of policies and procedures are subject to the Council's disciplinary procedures and where necessary investigated by the Council's Internal Audit service which works closely with the Council's Corporate Anti-Fraud team who maintain the Council's Corporate Anti-fraud Policy and Corruption Strategy.

9.5 The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

10. Whistle blowing and complaints

10.1 The Council has a whistle blowing policy, publicised to staff and available on the intranet. The policy is primarily designed for staff to raise concerns but also explicitly encompasses contractors, councillors and agents outside the authority. A register of whistleblowing complaints is maintained by the Monitoring Officer and reported to the GARM Committee annually. During 2011/12 two potential whistleblowing complaints were received however neither of these met the criteria to be classified as a whistle blowing

complaint as set out in the Council's whistle blowing policy. Both were however investigated and recommendations made for improvements.

10.2 The Council has a three stage complaints procedure for members of the public to complain about individual service areas. Details of the procedure and an online form are contained on the Harrow.gov website. Details of the Local Government Ombudsman Service are included and a printable information pack is available to download. The facility also enables members of the public to provide general comments and suggestions, or compliments.

10.3 The aim of the complaints procedure is:

- To provide an accessible means to all our customers who wish to express either satisfaction or dissatisfaction with a service they have received.
- To provide a fair, consistent and structured process for resolving complaints in a courteous and efficient manner.
- To enable customers to complain with the assistance of a representative or advocate if required.
- To record all complaints and compliments to help us analyse customer feedback and inform future service planning and delivery.
- To obtain records of complaints and compliments made so that regular reviews can be produced for internal performance monitoring and public accountability.

11. Training and development

11.1 The Council runs a Member induction programme for new Members and a development programme for all Members which has been given the Charter Mark. The latter consists of a schedule of events throughout the year in a variety of formats, including events led by key officers from across the organisation and quarterly update sessions to keep Members up to speed on significant changes and new developments.

11.2 A staff appraisal programme (IPAD) exists for all employees which is conducted on an annual basis with a mid year review. The process is formal with a corporate template designed to facilitate a review of staff performance and behaviour objectives and personal development and record agreement on future objectives and training and development needs. It enables a clear understanding of how each individual's work contributes to the Team, Service, Directorate and Corporate priorities. The 2011/12 Management Assurance Exercise highlighted that the appraisal process is working well in 94% of departments across the Council. Action was also identified in the action plan arising from the Staff Survey in November 2010

and although an increased compliance was noted in the 2011 Staff Survey the IPAD process has been reviewed with senior management to address the cultural challenges in ensuring effective performance management. This includes re-designing the process to enable introduction of an on-line appraisal system (though this is subject to funding).

11.3 The appraisals process is monitored at Divisional Management Team level, at Council Improvement Boards, at CSB Performance meetings and as part of the annual management assurance exercise.

11.4 All Directorates have developed workforce strategies. Learning and development plans for staff are integral to these strategies, as are initiatives to provide career opportunities for existing staff within the Council and Directorates.

11.5 A Management Development Practitioners programme developed in 2010/11 was delivered in 2011/12. Alongside this the Corporate Leadership Group (CLG) development intervention took place investigating and improving the groups behaviours and ability to face difficult conversation on challenges facing the Council. During 2011/12 a new Corporate development programme was also designed and began delivery. Alongside this the HRD Team are investigating the use of a Learning Management System.

11.6 Most service areas have a budget allocated for training and development of staff. The 2011/12 Management Assurance Exercise identified that directorate 'budget spend on learning & development is known and the value obtained from the spend is analysed' is working well in only 42% of departments across the Council. It was further identified that although spend is generally known it is not being analysed to identify value obtained in all areas across the Council. This will be picked up in the relevant directorate action plans and also in the preparation for the core IIP standard.

11.7 During 2011/12 the Chief Executive's and the Housing departments were awarded the Investors In People (IIP) Gold and the Legal & Governance Service were awarded core IIP in 2009 with the addition of Health & Wellbeing in 2010. The whole Council are currently preparing for accreditation in the core IIP standard.

12. Communication and consultation

12.1 The Council launched a new corporate consultation strategy in 2008/09 to ensure that there is a joined-up co-ordinated approach to consultation with local people at Harrow Council and the HSP. Consultations are managed through a number of channels, including the Residents Panel and the Council magazine "Harrow People", which is delivered to every household in Harrow six times a year, and is used to communicate important messages to residents. Consultation on the Council's Transformation 2 programme is co-ordinated through the Better Together Board.

12.2 Internally a variety of media are used to keep staff informed of developments and important information. These range from communications e-letters to poster campaigns, "The Arrow" internal newsletter, the 'Grapevine' an e-newsletter, the Chief Executive's newsletter and staff forums held jointly by the Chief Executive and Leader of the Council when all staff are able to attend and ask questions, as well as managers' conferences.

12.3 The Council's communications strategy, the Council's Involvement and Reputation Plan was reviewed in May 2011 and again in March 2012.

12.4 Protocols for 2 way communication between the Council and the Trade Unions are well established.

12.5 All Committee meetings are held in public except where items on the agenda are exempt from publication due to confidentiality.

13. Partnerships

13.1 The Local Strategic Partnership in Harrow is called the Harrow Strategic Partnership (HSP). The HSP brings together a group of people who represent the statutory, private, business, community and voluntary sectors in Harrow. The HSP constitution and protocols provide details on the governance of the partnership and the structure and function of the HSP.

13.2 Community views and partners data are used by the partnership to shape and influence the borough's priorities in the Sustainable Community Strategy and the Harrow Compact sets out the agreement on how statutory partners interact with the voluntary and community sector.

13.3 The Sustainable Community Strategy provides the partnership with a shared vision for the future of Harrow, and is delivered through the three year Local Area Agreement that ran until March 2011.

13.4 There will not be an LAA in the future as the Coalition Government has abolished the CAA and reduce the reward grant in-year.   There is an ongoing debate throughout local government about the role of partnerships without the driver of LAAs. However, the council adopted new priorities for the partnership in April 2011 and is working up targets and action plans supported by the last receipt of the Reward Grant. Looking at partnership working going forward the Council has observer status on the Community Budget Programme, the Health and Well Being Board and the Clinical Commissioning Group.

13.5 The Council has engaged a number of commercial partners to support the delivery of services, from a business transformation partner to construction and infrastructure partners. The partnerships have been secured under framework agreements and are subject to strong governance and accountability processes. Annually, via the Management Assurance Exercise, senior managers are asked to provide assurance on these governance arrangements. The 2011/12 Management Assurance Exercise highlighted that robust governance arrangements are in place with partners in 61% of departments across the Council with 39% of departments working towards this. This reflects the number of new partnerships which are still at an early stage of development. Action plans are being developed with the departments concerned to improve and monitor this percentage during 2012/13.

13.6 Directorate Service Improvement Plans are required to list key partnerships and to consider partnership risks. Joint risk registers exist with key commercial and public partners.

14.   Review of Effectiveness

14.1 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 the senior managers within the authority who have the responsibility for the development and maintenance of the governance environment, the Corporate Governance Group, the Corporate Governance Working Group, the Internal Audit annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

14.2 The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework in the 2011/12 year are described below.

The Council

- Approved the policy framework and the annual revenue and capital budget;
- Contributed to the good governance of the Council and maintained the highest standards of conduct and ethics through the role of Councillors;
- Aimed to govern within a framework of fairness, openness, integrity and accountability and provided excellent standards of ethics and probity in decision making.

The Executive

- Made decisions in accordance with corporate priorities;
- Allocated responsibility for Member Portfolio Holders to specific areas of responsibility;
- Considered risks and opportunities as part of the decision making process;
- Monitored performance against the corporate priorities.

The Audit Committee (GARM Committee)

- Met 6 times during 2011/12 considered the work of Internal Audit during the year including mid year and end of year reports, considered the results of the management assurance exercise 2010/11 and will consider the results the 2011/12 exercise, approved the Internal Audit Annual work plan, the Internal Audit delivery plan and the Internal Audit strategy;
- Monitored the effective development of the Council's corporate governance framework;
- Used reasonable endeavours to review, and approve the Annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council;
- Reviewed and challenged the reports provided by External Auditors on behalf of the Audit Commission including the annual audit and inspection letter;
- Reviewed and approved the 2010/11 Annual Governance Statement and the supporting evidence and will review and approve the 2011/12 Annual Governance Statement and evidence.

The Standards Committee

- Received reports from the Council's Monitoring Officer. It also considered and made decisions on allegations of breaches of the member's code of conduct.

The Overview and Scrutiny Committee

- Met 12 times during 2011/12;
- Supported the Council and Executive in developing the policy framework and budget for the Council and worked with partner organisations on issues that may be outside the remit of the Council;
- Considered the Council and its partners' performance against stated policy and priorities;
- Reviewed specific services by making reports and/or recommendations to the full Council, Executive, Portfolio Holders and any joint or area committees on any of their functions;
- Reviewed policy and decisions developed by others by reviewing and/or scrutinising decisions made or actions taken in connection with the discharge of the Council's functions;
- Reviewed issues of concern to local people by considering matters affecting the area or its inhabitants and monitoring and scrutinising the activities of others;
- Considered the Forward Plan prior to key decisions as appropriate.
- Issued an annual report on work they have undertaken over the 2011/12 year (see 1.6.6)

Internal Audit

- Provided assurance to the Council on operational and financial controls through the delivery of an agreed audit plan and follow-up reviews;
- Produced mid and end of year reports including the annual interim audit opinion on the Council's internal control framework;
- Supported the Corporate Governance Group and Corporate Governance Working Group;
- Provided assurance and advice to major project boards and partnership arrangements;
- Co-ordinated and reality checked an annual management assurance exercise the results of which will inform risk registers, corporate governance update reports, action plans and also this annual governance statement;

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- Co-ordinated and reviewed the process for the annual review of governance and contributed to the drafting of the annual governance statement;
- Implemented an escalation procedure to the Corporate Strategy Board and Audit Committee on audit reviews that gave rise to concern;
- Worked closely with the Corporate Anti-Fraud Team in relation to system controls and investigations to counter fraud;
- The Internal Audit plan for 2011/12 was approved by the GARM Committee in June 2011 and the Year-end report presented to the committee in June 2012 reported that 85% of the plan was completed by year-end and 100% will be completed in due course. This included all the key financial system reviews relied upon by the External Auditors. A total of 310 recommendations were made during the 2011/12 audit year to improve the control environment and 306 (99%) were agreed for implementation by the various managers;
- Of the 189 completed followed- ups of recommendations by Internal Audit during the year (to ensure that agreed recommendations had been implemented by management) it was found that 67% of the recommendations, still applicable, had been fully implemented and a further 31% were in progress or planned for implementation. Thus although, in due course, it is expected that 98% of agreed recommendations will be implemented there has been a slower than agreed implementation of 31% of the recommendations by management.
- Undertook work on the authority's core financial systems which the Council's external auditors, Deloitte LLP, place reliance for their risk assessment of the authority;

Corporate anti-fraud team

- Is currently reviewing and updating the Council's corporate anti-fraud policy;
- Investigated allegations of fraud both from external and internal sources;
- Worked closely with Police partners to secure convictions where appropriate;
- Published successful prosecutions as part of a deterrent communication strategy.

15. Management Assurance Exercise

15.1 The management assurance process was developed and introduced across the Council in 2005/06 (the 2004/05 exercise) and is now well embedded. The areas of assurance are reviewed and updated annually by Internal Audit and the Corporate Governance Group (an officer group of senior

managers chaired by the Director of Legal & Governance). Additionally officers in key areas such as Risk, Performance, Health and Safety, Business Continuity and Information Management are consulted on the detail of specific assurance areas. The Corporate Governance Group (CGG) also identifies areas of assurance for specific reality testing to be undertaken by Internal Audit and this increases the reliance that can be placed on the exercise.

15.2 The management assurance process involves obtaining self-assessments supported by documentary evidence from third tier managers across the Council. These are then used to produce a statement for each directorate and an overall corporate statement that feeds into this Annual Governance Statement.

15.3 The management assurance exercise for 2011/12 was started in April 2012 and completed in August 2012.

15.4 Overall the 2011/12 management assurance exercise confirmed that 60% of the areas of assurance covered by the self-assessment process are working well across the Council i.e. above the assurance level set of 80% (these have either been given a green assurance rating or an amber if slightly down on last year's percentage). This is a 17% decrease on areas reported as working well in last year's exercise.

15.5 There are a range of explanations for this relating to the specific areas of assurance and these have been noted in the Management Assurance Report and on the Corporate Assurance Statement. More generally it reflects a greater self awareness and a stronger culture of compliance across the Council giving rise to more realistic assurance being provided. In addition small fluctuations on individual areas of assurance, either up or down, are to be expected each year.

15.6 Action points are in the process of being agreed as part of the management assurance statements signed off by the 3rd tier managers for all areas of assurance identified as working towards or where a gap was identified in 2011/12. These will be reviewed by the Corporate Governance Group to ensure that they adequately address the weaknesses identified and to determine if any corporate action is required to further support Directorates. Agreed actions will be integrated into the Improvement Board process and monitored during 2012/13 by Internal Audit, the Corporate Governance Group and the quarterly Improvement Boards**.**

16.   Results of the Annual Review of Governance

16.1 The annual review of the Council's governance arrangements and the annual management assurance exercise identified a number of governance issues for which detailed action plans are being developed.

16.2 The year end update of the 2010/11 AGS Action Plan shows that the governance gaps identified in 2010/11 were closed fully or partially in 2011/12 for 62% of gaps identified (this is an improvement of 7% on those fully or partially closed for 2009/10). Five gaps from 2010/11 have been carried forward to the 2011/12 AGS Action Plan.

16.3 The only significant gap relates to IT Disaster Recovery which was recognised as a significant governance gap in the 2008/09 Annual Governance Statement and remained a gap throughout 2009/10, 2010/11 and 2011/12. There are arrangements in place to meet this requirement however the main project to support this is the migration of the council's IT applications to the Capita West Malling site, which was due to commence in September 2011 on a phased programme to be completed in April 2012. This programme has been delayed and is now due to be in place during 2012/13. A plan is now being put together to test disaster recovery of the systems as they stand. There is a continuing risk until this project is complete although the wider business continuity plan takes this into account and the risk is no greater than it has been historically over a number of years.

16.4 Three new gaps have been identified through the annual review of governance process, although none are considered significant by CGG, actions are in the process of being agreed to address these and will be shown in 2011/12 AGS Action Plan.

16.5 Each year the Council undertakes a robust evidence based review of its governance arrangements. Overall the annual review of governance for 2011/12 and to date evidenced that sound governance arrangements are in place cover the six core principles of governance as described in the Council's Code of Governance.

17. Declaration

17.1 We have been advised on the implications of the review of the effectiveness of the governance framework by the Governance, Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed

………………………………   ……………………………..
Councillor Bill Stephenson   **Michael Lockwood**
Leader of the Council   **Chief Executive**

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HARROW COUNCIL
CODE OF CORPORATE GOVERNANCE

1. Introduction

Corporate Governance is the system and processes, culture and values by which local authorities are directed and controlled and through which they account to, engage with and, where appropriate lead their communities. Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

Harrow Council recognises the need for sound corporate governance arrangements and has put in place policies, systems and procedures designed to achieve this (the Governance Framework).

This code is based on the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their publication 'Delivering Good Governance in Local Government' and outlines the Council's approach to Corporate Governance and demonstrates our commitment to uphold the highest standards of integrity, openness and accountability.

The Council's vision is 'Working together: Our Harrow, our community'.   The responsibility for achieving this vision rests with members, staff, and partners working together to the same high standards of conduct to enable the local community to have confidence in the way in which we work.

2. Principles

CIPFA and SOLACE have identified six core principles in delivering good governance. We fully embrace and support these principles of good corporate governance and will ensure that they underpin the delivery of our services to the public in the following ways:

2.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Harrow Council will:

- Develop and promote the authority's purpose and vision
- Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements
- Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties
- Communicate on a timely basis the authority's activities and achievements, its financial position and performance
- Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available
- Put in place effective arrangements to identify and deal with failure in service delivery
- Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.
- Measure the environmental impact of policies, plans and decisions.

2.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Harrow Council will:

- Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice
- Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers
- Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required
- Make the chief executive responsible and accountable to the authority for all aspects of operational management
- Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained
- Make the Section 151 Officer responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control
- Make the Monitoring Officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with
- Develop protocols to ensure effective communication between members and officers in their respective roles
- Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process.
- Ensure that effective mechanisms exist to monitor service delivery and that these are clearly described within the Performance Management Framework
- Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated
- When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority
- When working in partnership:
    - ensure that there is clarity about the legal status of the partnership
    - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions
    - ensure that outcomes are managed through a performance management framework

2.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Harrow Council will:

- Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
- Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols
- Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice
- Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners

- Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
- Develop and maintain an effective standards committee.
- Use the organisations' shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority
- In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.
- Promote equality of opportunity as an employer, service provider, procurer of goods and services and as a community leader. Will tackle all forms of discrimination and achieve equality irrespective of ones age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

2.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Harrow Council will:

- Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which we are responsible, and partnerships in which we are involved
- Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice
- Develop and maintain an effective audit committee (GARM) which is independent of the executive
- Put in place effective transparent and accessible arrangements for dealing with complaints
- Ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications
- Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately
- Ensure that risk management is embedded into the culture of the organisation , with members and managers at all levels recognising that risk management is part of their job
- Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access
- Actively recognise the limits of lawful activity placed on us by, for example the ultra vires doctrine, but also strive to utilise powers to the full benefit of our communities
- Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law
- Observe all specific legislative requirements placed upon us, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into our procedures and decision making processes

2.5 Developing the capacity and capability of members and officers to be effective

Harrow Council will:

- Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis
- Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation
- Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively
- Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
- Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs
- Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority
- Ensure that career structures are in place for members and officers to encourage participation and development

2.6 Engaging with local people and other stakeholders to ensure robust public accountability

Harrow Council will:

- Make clear to ourselves, all staff and the community, to whom we are accountable and for what
- Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required
- Produce an annual report on scrutiny function activity
- Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively
- Hold meetings in public unless there are good reasons for confidentiality
- Ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements will recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
- Establish a clear policy on the types of issues we will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result
- On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period
- Ensure that the authority as a whole is open and accessible to the community, service users and our staff and ensure that we have made a commitment to openness and transparency in all our dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so
- Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making

3. Annual Review and Reporting

Each year we (Harrow Council) will carry out a review of our Governance arrangements to ensure compliance with this Code, and the delivery of good governance within the local government framework and current good practice. The purpose of the review will be to provide assurance that

governance arrangements are adequate and operating effectively and to identify action required to ensure effective governance in the future.

The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader at the Council and Chief Executive. It will be submitted to the Governance, Audit and Risk Management (GARM) Committee for consideration and review with the annual accounts to meet the statutory requirement of the Accounts and Audit Regulations 2011. This requires findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body meeting as a whole.

We expect the principles set out in this code to be upheld by our members, staff and partners. We will ensure this happens through effective communication of the Code and a range of policies, systems and processes known collectively as the Governance Framework

We will review this code each year in July/August after the preparation of the Annual Governance Statement.

August 2012

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REPORT FOR: **GOVERNANCE, AUDIT & RISK MANAGEMENT COMMITTEE**

Date of Meeting:	4 September 2012
Subject:	Management Assurance Report 2011/12
Responsible Officer:	Tom Whiting, Assistant Chief Executive
Exempt:	No
Enclosures:	2011/12 Management Assurance Report – Appendix 1 2011/12 Corporate Management Assurance Statement – Appendix 2

Section 1 – Summary and Recommendations

This report sets out the results of the 2011/2012 Management Assurance Exercise.

Recommendations:

The Committee is requested to:

Undertake an independent review of the results of the 2011/2012 Management Assurance Exercise and confirm its suitability for use as supporting evidence for the Annual Governance Statement (AGS).

Reason: (For recommendation)

Regulation 4 of the Accounts and Audit Regulations 2011 require councils to produce an Annual Governance Statement. GARM are required to undertake an independent review of evidence used to support the AGS.

Harrow COUNCIL
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Section 2 – Report

Background

2.1 Good governance is about doing the right things, in the right way and at the right time. The Council have numerous policies and procedures in place to help staff achieve good governance. The annual Management Assurance exercise is designed to enable senior management to self-assess their governance arrangements i.e. how well staff have implemented the Council's policies and procedures, during the financial year (April – March).

2.2 The management assurance process was developed and introduced across the Council in 2005/2006 (the 2004/2005 exercise). This is the eighth year of the exercise.

Management Assurance Process

2.3 The management assurance process involves obtaining self-assessed assurance statements supported by documentary evidence from every Director/Divisional Director across the Council. The exercise is co-ordinated and individual statements are 'reality checked' by Internal Audit. The statements are then amalgamated to produce statements for each Directorate signed off by the relevant Corporate Director. These are in turn amalgamated to produce a Corporate Management Assurance Statement signed off by the Chief Executive. The Corporate Management Assurance Statement then feeds in to the Annual Governance Statement.

Assurance Level

2.4 Each year an assurance level is set to indicate the percentage of divisions in which the organisation expects any given area of assurance to be working well in. The assurance level for the first three years of the exercise was set at a pragmatic/realistic 70% and increased to a more challenging 75% in 2008/9. This was increased again, for the majority of assurance areas, to 80% for the 2009/10 exercise and increased to 80% for all areas for the 2010/11 and the 2011/12 exercises.

Summary of Results

2.5 Overall the 2011/12 management assurance exercise confirmed that 60% of the areas of assurance covered by the self-assessment process

are working well across the Council i.e. above the assurance level set of 80% (these have either been given a green assurance rating or an amber if slightly down on last year's percentage). This is a 17% decrease on areas reported as working well in last year's exercise.

2.6   There are a range of explanations for this relating to the specific areas of assurance and these have been noted below and on the Corporate Assurance Statement. More generally it reflects a greater self awareness and a stronger culture of compliance across the Council giving rise to more realistic assurance being provided.   In addition small fluctuations on individual areas of assurance, either up or down, are to be expected each year.

Annual Governance Statement

2.7   The management assurance exercise feeds into the Annual Governance Statement which is published with the Accounts in September each year.

Financial Implications

2.8   There are no financial implications.

Risk Management Implications

2.9   The work of internal audit supports the management of risks across the council.

Corporate Priorities

2.10 The work of Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.
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Section 3 - Statutory Officer Clearance

Name: Jennifer Hydari Date: 22 August 2012	X	On behalf of the Chief Financial Officer
Name: George Curran Date: 21 August 2012	X	On behalf on Monitoring Officer

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Service Manager, Internal Audit,
Tel:0208 424 1420

Background Papers: None.

MANAGEMENT ASSURANCE 2011/12

Introduction/Planning

1. The management assurance process was developed and introduced across the Council in 2005/06 (the 2004/05 exercise) and is now well embedded. The areas of assurance are reviewed and updated annually by Internal Audit and the Corporate Governance Group (an officer group of senior managers chaired by the Director of Legal & Governance). Additionally officers in key areas such as Risk, Performance, Health and Safety, Business Continuity and Information Management are consulted on the detail of specific assurance areas. The Corporate Governance Group (CGG) also identifies areas of assurance for specific reality testing to be undertaken by Internal Audit and this increases the reliance that can be placed on the exercise.

Assurance Level

2. Each year an assurance level is set to indicate the percentage of divisions in which the organisation expects any given area of assurance to be working well in. The assurance level for the first three years of the exercise was set at a pragmatic/realistic 70% and increased to a more challenging 75% in 2008/9. This was increased again, for the majority of assurance areas, to 80% for the 2009/10 exercise and increased to 80% for all areas for the 2010/11 and the 2011/12 exercises.

Reality Checking

3. In the beginning 'reality checking' undertaken by Internal Audit involved managers providing evidence to support all assurance areas. However this proved to be too cumbersome and as reality checking is only undertaken on a proportion of the areas of assurance for the 2009/10 exercise onwards, a 'light touch' approach was agreed by CGG and although managers are still expected to be able to evidence all areas of assurance, only specific pieces of evidence were requested to be sent to Internal Audit. Nine areas were indicated on the self-assessment document for 2011/12 where evidence was required to be provided to Internal Audit for 'reality checking'.

2011/12 Exercise

4. The 2011/12 exercise was launched with an email from the Director of Legal & Governance Services which emphasised that the exercise is a requirement of Financial Regulations and is vital in demonstrating that the Council has good governance in place across the Council and in highlighting any governance gaps that need to be addressed.

5. Self-assessments were issued to all 3rd tier managers for completion for areas under their control (referred to as 'departments') on 11/04/12 for return by 09/05/12. Only 2 statements (14%) of these were returned by the deadline together with the supporting evidence; however a further 7 (41%) were received by the end of May. The remaining 5 statements (36%) were chased on a number of occasions, with the final statement being received on 13/07/12. Once again, the submission from Children's Services did not comply with the requirements of the exercise in that 1 combined assurance statement was provided rather than 6 from the individual 3rd tier managers and 1 from the Corporate Director.

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6. Once received by Internal Audit, specific pieces of evidence were reality checked for the 2011/12 exercise to independent sources. As a result of this process and queries raised with compilers of the assessments some changes were made to the assessments prior to being signed off by the relevant Director/Divisional Director/Head of Service, on the whole the results of the clarifications slightly lowered the assurance ratings of the self assessments.

7. Once finalised these statements were amalgamated into a high-level assurance statement for each Directorate. The Directorate Statement along with the supporting self-assessments were presented to the relevant Corporate Director for review and sign off. **Sign off is still awaited by the Corporate Director Health & Wellbeing again due to annual leave**.

8. The agreed Directorate assurance statements were in turn amalgamated into a Corporate Assurance Statement which is weighted to reflect the number of staff in each 'department', shows the assurance level achieved for each area in the 2011/12 exercise and is traffic lighted to indicate changes in the level of assurance compared with the 2010/11 statement and also traffic lighted to indicate whether areas of assurance fall above or below the 80% assurance levels set. Consequently each area of assurance is double traffic lighted.

9. The draft Corporate Assurance Statement was presented to the Corporate Governance Group for review on 08/08/12.

10. A meeting was held with the Chief Executive on 13/08/12 with the original intention of presenting the Corporate Assurance Statement for sign-off, however the sign off was delayed as the Corporate Directors of Children's Services, and Adults & Housing had not signed-off their Directorate Statements due to their being on annual leave. However, the draft Corporate Assurance Statement was discussed in detail with the Chief Executive at this meeting in preparation for the sign-off and the sign-off was achieved on **xxxxx.**

2011/12 Overall Results Summary

11. Overall the 2011/12 management assurance exercise confirmed that 60% of the areas of assurance covered by the self-assessment process are working well across the Council i.e. above the assurance level set of 80% (these have either been given a green assurance rating or an amber if slightly down on last year's percentage). This is a 17% decrease on areas reported as working well in last year's exercise.

12. There are a range of explanations for this relating to the specific areas of assurance and these have been noted below and on the Corporate Assurance Statement.   More generally it reflects a greater self awareness and a stronger culture of compliance across the Council giving rise to more realistic assurance being provided.   In addition small fluctuations on individual areas of assurance, either up or down, are to be expected each year.

13. This year's exercise highlighted improvements in the following areas:

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- 100% assurance was reported regarding divisions having a service plan that covers all relevant service areas and clearly reflects the Council's strategic objectives and legal obligations. These are consistent with professional standards and the resources available, and reflect the management of the major service and budget risks, which is a 9% increase on last year;

- 100% assurance was reported on staff who have hit absence triggers being managed in accordance with the Council's Absence Procedure (new area of assurance);

- A 16% increase in assurance rating to 94% regarding staff assigned to manage premises, included the work of contractors, being trained to manage safely;

- A 2% increase in assurance rating to 94% for there being a clear record of which employees should have an IPAD and how many IPADs for 11/12 having been completed and documented;

- A 12% increase in assurance rating to 90% was reported regarding staff complying with the requirements of the Council's Financial Regulations and Contract Procedure Rules. However reality checking by IA identified that the monthly SAP non-compliance report for March 2012 shows that 15% of orders (value £1,593,340.84) were raised after the invoice. Therefore, with the agreement of the Chief Executive this area has been reduced to working well in 85% of departments across all Directorates. Although, this shows an improvement from last year from 71% of orders being compliant, to 85% compliance the aim is to increase the number of compliant orders to over 90%.

14. The following two areas remained at 100% assurance rating:

- Relevant new organisational and service specific legislation has been identified and is complied with;

- Performance against the service improvement plans, delivery plans, Flagship Actions, major projects and improvement programmes is monitored through relevant performance measures (e.g. KPIs) and customer and stakeholder feedback, and appropriate action is taken to address any performance issues.

15. One area attained a very low level of assurance as follows:

- A 42% assurance rating for directorate 'budget spend on learning & development is known and the value obtained from the spend is analysed' which is 1% higher than last year.

2011/12 Detailed Results

16. The management assurance exercise has confirmed that the following areas of assurance were working well across the Council i.e. achieving an 80% assurance level during 2011/2012 and have been given a green assurance rating:

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MANAGEMENT ASSURANCE 2011/12

- Relevant new organisational and service specific legislation has been identified and is complied with (100%);

- The division has a delivery plan that covers all relevant service areas and clearly reflects the Council's strategic objectives and legal obligations. These are consistent with professional standards and the resources available, and reflect the management of the major service and budget risks (100%);

- All staff who have hit absence triggers are being managed in accordance with the Council's Absence Procedure (100%);

- Performance against the service improvement plans, delivery plans, Flagship Actions, major projects and improvement programmes is monitored through relevant performance measures (e.g. KPIs) and customer and stakeholder feedback, and appropriate action is taken to address any performance issues (100%);

- Risk assessment & management is embedded within the division for:
  -Major projects
  - Financial planning
  - Major Policies & Legislative Changes
  - Delivery Planning (97%);

- In accordance with Financial Regulations all key projects are managed in accordance with corporate project management guidelines (97%);

- There is a clear record of which employees should have an IPAD and IPADs for 2011/12 have been completed and documented (94%);

- The number and subject content of customer complaints and feedback received by the service is monitored and regularly reviewed by DMT and appropriate responsive action made and recorded (94%);

- All staff assigned to manage premises, including the work of contractors, have been trained to manage safely (94%);

- All data complies with the data quality standards as set out in the Council's Data Quality Policy (90%);

- Where contracts are due to expire in the coming 12 months there is a plan in place to:
  a) review service arrangements/options e.g. potential partnerships; and
  b) undertake a tender exercise where appropriate (90%);

- Staff are complying with the requirements of the Council's Financial Regulations and Contract Procedure Rules (85%);

MANAGEMENT ASSURANCE 2011/12

17. The Council was working towards/has identified gaps in the following areas of assurance during 2011/12, and all except Budget Spend on Learning & Development which received a red assurance rating, received an amber assurance rating:

- The policies, strategies, practices and procedures of the service have been mapped and prioritised for Equality Impact Assessments and the Equality Impact Assessments scheduled for the last year have been undertaken and acted upon (77%);

- All budget managers prepare a SAP monthly forecast and undertake monthly budget monitoring to minimise the risk of the budget exceeding planned provision (71%); (This is monitored by Corporate Finance and action taken as necessary.)

- Where services are jointly provided/funded/managed, robust partnership/governance arrangements are in place which clearly define the terms of the partnership, specifying whose rules and procedures are to be followed and are regularly reviewed (61%); (This reflects the number of new partnerships which are still at an early stage of development.)

- An annual risk assessment is undertaken by your Information Asset Owner (Divisional Directors) for all 'owned' information assets in accordance with Information Governance guidance and report to the SIRO (Senior Information Risk Owner), ensuring that information risks are identified, documented and addressed (61%);

- In addition to the corporate Scheme of Delegation there is a written directorate/service specific scheme of delegation in place, e.g. to cover HR responsibilities (58%); (Although a slight improvement is shown in this area since 2010/11 a more significant step change is required. To facilitate this CSB have been specifically requested to ensure that non-financial delegations are developed for their respective directorates.)

- Learning Logs are maintained for all staff (58%);

- Information handling and data security comply with the Council's suite of Information Management and Data Security Policies (52%); (This reflects a greater awareness of data security and improvements identified as a result. This will be picked up in the relevant directorate action plans and also by the Information Security action plan which is being monitored by the SIRO.)

- Directorate budget spend on Learning & Development is known and the value obtained from the spend is analysed (42%). (Although spend is generally known it is not being analysed to identify value obtained in all areas across the Council. This will be picked up in the relevant directorate action plans and also in the preparation for the core IIP standard.)

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2011/12 Detailed Results – Reality Checking by Internal Audit

18. Nine areas of assurance were reality checked by Internal Audit as follows:

- Relevant new organisational and service specific legislation has been identified and is complied with. **All new legislation listed by Divisional Directors/Heads of Service was reality checked by IA with Legal Services who confirmed that all new service specific legislation has been identified;**

- In addition to the corporate Scheme of Delegation there is a written directorate/service specific scheme of delegation in place, e.g. to cover HR responsibilities. **Directorate/service schemes of delegations were reviewed by IA to confirm that service specific delegations are covered, including HR responsibilities. However, reality checking confirmed varying degrees of detail/adequacy;**

- Where services are jointly provided/funded/managed, robust partnership/governance arrangements are in place which clearly define the terms of the partnership, specifying whose rules and procedures are to be followed and are regularly reviewed. **Examples of governance arrangements checked by IA for services listed by departments to check such arrangements are in place are adequate which was confirmed;**

- Risk assessment & management is embedded within the division for:
  - Major projects
  - Financial planning
  - Major Policies & Legislative Changes
  - Delivery Planning
  Major projects listed by departments were checked with the PMO to ensure that they were on VERTO which ensures that a risk assessment is undertaken and this was confirmed;

- Staff are complying with the requirements of the Council's Financial Regulations and Contract Procedure Rules. **Reality testing by IA has identified that the monthly SAP non-compliance report for March 2012 showed that 14.75% of orders (value £1,593,340.84) were raised after the invoice. The assurance rating of the self-assessment was reduced from 90 to 85% as a result.**

- Where contracts are due to expire in the coming 12 months there is a plan in place to:
  a) review service arrangements/options e.g. potential partnerships; and
  b) undertake a tender exercise where appropriate
  Reality checked by IA to the contracts register/s to ensure that appropriate contracts had been identified and this was confirmed;

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- Budget spend on Learning & Development is known and the value obtained from the spend is analysed. **Reality checked by IA to confirm the budget spend is known and analysed;**

- There is a clear record of which employees should have an IPAD and IPADs for 2011/12 have been completed and documented. **Numbers of IPADs provided checked and confirmed by IA to the records held by HRD;**

- Performance against the service improvement plans, delivery plans, Flagship Actions, major projects and improvement programmes is monitored through relevant performance measures (e.g. KPIs) and customer and stakeholder feedback, and appropriate action is taken to address any performance issues. **IA assessed this area of assurance by reviewing the Improvement Board papers which confirmed that a standard template is followed for reporting on the above areas by all directorates.**

Action Plans/Follow-up

19. During 2011/12 the Action Plans for 2010/11 were sent to the relevant Director/Divisional Director/Head of Service for follow-up. 43 actions were highlighted for implementation and 12 of the 13 action plans were completed and returned to IA. It was confirmed that 37 (86%) were reported (and evidenced in some cases) as having been implemented and 4 (9%) were ongoing with 2 (5%) outstanding. The 2 actions from the action plan which were not completed were due to a lack of response from Children's Services.

20. The results are as follows:

Division	No of actions	Actions Implemented	Actions Not Implemented	Actions Ongoing
Partnership Development & Performance	7	7	0	0
BTP & Customer Services	1	1	0	0
HR & Development	1	1	0	0
Legal & Governance Services	6	6	0	0
Finance & Procurement	4	4	0	0
Collections & Benefits	1	1	0	0
Environmental Services & Community & Cultural Services (combined)	6	5	0	1
Community Care & Strategic Commissioning	2	2	0	0
Audit, Risk & Fraud	3	1	0	2
Place Shaping	1	1	0	0
Housing	9	8	0	1
Children's Services	2	Response	2	0

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		not received		
Totals	**43**	**37**	**2**	**4**
% Actions implemented		**86%**	**5%**	**9%**

21. Action points were also agreed as part of the management assurance statements sign off for 2011/12 by the 3rd tier managers for the majority of areas of assurance identified as working towards or where a gap was identified with one area still being developed. These will be reviewed by the Corporate Governance Group to ensure that they adequately address the weaknesses identified and to determine if any corporate action is required to further support Directorates. Agreed actions will be integrated into the Improvement Board process and monitored during 2012/13 by Internal Audit, the Corporate Governance Group and the quarterly Improvement Boards.

Sandra Cartwright, Quality Control Auditor
Susan Dixson, Service Manager, Internal Audit
August 2012

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Chief Executive's
Corporate Assurance Statement 2011/12

Directorates: Adults & Housing, Chief Executive's Dept., Children's Services, Community & Environment, Corporate Finance, Legal & Governance Services, Place Shaping

Chief Executive: Michael Lockwood

	AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
1.	**Statutory Obligations and Organisational Objectives**						
1.1	Relevant new organisational and service specific legislation has been identified and is complied with. (AGS 1.1) **All new legislation listed by Divisional Directors/Heads of Service reality checked by IA with Legal Services who confirmed that all new service specific legislation has been identified.**	**100%**	**0%**	Confirmed by Corporate Directors Assurance Statements and reality checking by Internal Audit		100%	0%

*Assessed by IA in 2010/11
managementassurance/statement/2011/12

	AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
1.2	The division has a delivery plan that covers all relevant service areas and clearly reflects the Council's strategic objectives and legal obligations. These are consistent with professional standards and the resources available, and reflect the management of the major service and budget risks.	100%	0%	Confirmed by Corporate Directors Assurance Statements		91%	9%
2.	**Corporate Governance Arrangements**						
2.1	In addition to the corporate Scheme of Delegation there is a written directorate/service specific scheme of delegation in place, e.g. to cover HR responsibilities. **Directorate/service schemes of delegations reviewed by IA to confirm that service specific delegations are covered, including HR responsibilities. However, reality checking confirmed varying degrees of detail/adequacy.**	58%	42%	Children's Services, Chief Executive's Dept., Adults & Housing, (3/7 directorates) working towards/gap identified and reality checking by Internal Audit **Comment:** Although there is a slight improvement in this area a more significant step change is required. To facilitate this CSB are requested to ensure that non-financial delegations are developed for their respective directorates.	√	56%	44%

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#	AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
2.2	Where services are jointly provided/funded/managed, robust partnership/governance arrangements are in place which clearly define the terms of the partnership, specifying whose rules and procedures are to be followed and are regularly reviewed. **Examples of governance arrangements checked by IA for services listed by departments to check such arrangements are in place are adequate which was confirmed.**	61%	39%	Children's Services, Adults & Housing, Corporate Finance, Legal & Governance Services (4/7 directorates) working towards/gap identified and reality checking by Internal Audit **Comment:** This reflects the number of new partnerships which are still at an early stage of development.	√	94%	6%
3.	**Performance Management Arrangements**						
3.1	The number and subject content of customer complaints and feedback received by the service is monitored and regularly reviewed by DMT and appropriate responsive action made and recorded.	94%	6%	Place Shaping (1/7 directorates) working towards/gap identified	√	100%	0%
3.2	All data complies with the data quality standards as set out in the Council's Data Quality Policy. http://harrowhub.harrow.gov.uk/downloads/download/424/date quality policy	90%	10%	Chief Executive's Dept., Corporate Finance, (2/7 directorates) working towards/gap identified	√	94%	6%

*Assessed by IA in 2010//11
managementassurance/statement/2011/12

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	AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
4.	**Management of Strategic and Operational Risk**						
4.1	Risk assessment & management is embedded within the division for: • Major projects • Financial planning • Major Policies & Legislative Changes • Delivery Planning **Major projects listed by departments were checked with the PMO to ensure that they were on VERTO which ensures that a risk assessment is undertaken and this was confirmed.**	97%	3%	Chief Executive's Dept. (1/7 directorates) working towards/gap identified and reality checking by Internal Audit	√	100%	0%
4.2	All staff assigned to manage premises, including the work of contractors, have been trained to manage safely.	94%	6%	Adults & Housing (1/7 directorates) working towards/gap identified	√	78%	22%

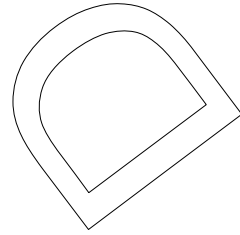DRAFT

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AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
4.3 Information handling and data security comply with the Council's suite of Information Management and Data Security Policies.	52%	48%	Adults & Housing, Community & Environment, Legal & Governance Services (3/7 directorates) working towards/gap identified **Comment:** This reflects a greater awareness of data security and improvements that have been identified as a result. This will be picked up in the relevant directorate action plans and also by the Information Security action plan which is being monitored by the SIRO.	√	91%	9%
4.4 An annual risk assessment is undertaken by your Information Asset Owner (Divisional Directors) for all 'owned' information assets in accordance with Information Governance guidance and report to the SIRO (Senior Information Risk Owner), ensuring that information risks are identified, documented and addressed.	61%	39%	Children's Services, Chief Executive's Dept., Corporate Finance, Legal & Governance Services (4/7 directorates) working towards/gap identified	√	66%	34%
5.			**System of Internal Control in Place to Mitigate Principal Risks**			

	AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
5.1	Staff are complying with the requirements of the Council's Financial Regulations and Contract Procedure Rules. (AGS 3.1) **Reality testing by IA has identified that the monthly SAP non-compliance report for March 2012 showed that 14.75% of orders (value £1,593,340.84) were raised after the invoice.**	85%	15%	Chief Executive's Dept. (1/7 directorates) working towards/gap identified. **Comment:** Although this was self assessed as 90% working well, it has been downgraded slightly to 85% to reflect empirical data provided monthly on orders raised in compliance with Financial Regulations. This shows a significant improvement from last year from 71% of orders being compliant to 85% compliance; however the aim is to increase the number of compliant orders to over 90%.	√	78%	22%
5.2	Where contracts are due to expire in the coming 12 months there is a plan in place to: a) review service arrangements/options e.g. potential partnerships; and b) undertake a tender exercise where appropriate **Reality checked by IA to the contracts register/s to ensure that appropriate contracts had been identified and this was confirmed.**	90%	10%	Chief Executive's Dept., Corporate Finance, Place Shaping, (3/7 directorates) working towards/gap identified and reality checking by Internal Audit	√	94%	6%

	AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
5.3	In accordance with Financial Regulations all key projects are managed in accordance with corporate project management guidelines.	97%	3%	Chief Executive's Dept., (1/7 directorates) working towards/gap identified	√	100%	0%
5.4	Budget spend on Learning & Development is known and the value obtained from the spend is analysed. Reality checked by IA to confirm the directorate budget spend is known and analysed.	42%	58%	Children's Services, Adults & Housing, Corporate Finance, Community & Environment, (4/7 directorates) working towards/gap identified and reality checking by Internal Audit **Comment:** Although spend is generally known it is not being analysed to identify value obtained in all areas. This will be picked up in the relevant directorate action plans and also in the preparation for the core IIP standard.	X	41%	59%
5.5	Learning Logs are maintained for all staff.	58%	42%	Adults & Housing, Corporate Finance, Community & Environment, Legal & Governance Services (4/7 directorates) working towards/gap identified	√	66%	34%

*Assessed by IA in 2010//11
managementassurance/statement/2011/12

	AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
5.6	The policies, strategies, practices and procedures of the service have been mapped and prioritised for Equality Impact Assessments and the Equality Impact Assessments scheduled for the last year have been undertaken and acted upon.	77%	23%	Children's Services (1/7 directorates) working towards/gap identified **Comment:** Although this is only 1 directorate, because of the number of employees within Children's Services, this has a higher weighting and has a significant impact on the percentage result.	√		√*
5.7	There is a clear record of which employees should have an IPAD and IPADs for 2011/12 have been completed and documented. **Numbers of IPADs provided checked and confirmed by IA to the records held by HRD.**	94%	6%	Corporate Finance, Place Shaping (2/7 directorates) working towards/gap identified and reality checking by Internal Audit	√	92%	8%
5.8	All staff who have hit absence triggers are being managed in accordance with the Council's Absence Procedure.	100%	0%	Confirmed by Corporate Directors Assurance Statements		New area of assurance	
6.	**Budget Management & VFM**						

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	AREA OF ASSURANCE	Working well across the Council	Working towards/gap identified	DETAILS	Satisfactory action plan & responsible officer in place/being developed	2010/11 results – working well across the Directorate	2010/11 results – working towards/gap identified
6.1	All budget managers prepare a SAP monthly forecast and undertake monthly budget monitoring to minimise the risk of the budget exceeding planned provision.	71%	26%	Chief Executive's Dept., Adults & Housing (2/7 directorates) working towards/gap identified **Comment:** This is monitored by Corporate Finance and action taken when necessary.	√	83%	17%
7.	**Corporate Strategies/Plans/Frameworks**						
7.1	Performance against the service improvement plans, delivery plans, Flagship Actions, major projects and improvement programmes is monitored through relevant performance measures (e.g. KPIs) and customer and stakeholder feedback, and appropriate action is taken to address any performance issues. **IA assessed this area of assurance by reviewing the Improvement Board papers which confirmed that a standard template is followed for reporting on the above areas by all directorates.**	100%	0%	Confirmed by Corporate Directors Assurance Statements and reality checking by Internal Audit		100%	0%

I confirm that the above is a fair reflection of the internal control, risk management and governance arrangements in place for the Department during the financial year 2011/12:

*Assessed by IA in 2010//11
managementassurance/statement/2011/12

Signature: ……..

Title: ……………

Date: ……………

Double Traffic Light Key
Assurance Rating (Area of Assurance)

Change in 11/12	Colour
(Assurance level 80%)	
No change	**Green**
Improved	**Green**
Decrease but still above 80%	**Amber**
Decrease below 80%	**Red**
No change	**Amber**
Improved & above 80%	**Green**
Still 80%	**Amber**
Decrease but still 50%-79%	**Amber**
Decrease 49% and below	**Red**
No change	**Red**
Improved & above 80%	**Green**
Improved & above 50%	**Amber**
Still less than 50%	**Red**

Assurance Rating (% controls operating well/working towards 11/12)
Good/acceptable assurance level (80% and over) = **Green**
Medium/below acceptable level (50%-79%) = **Amber**
Poor/unacceptable level (49% and below) = **Red**
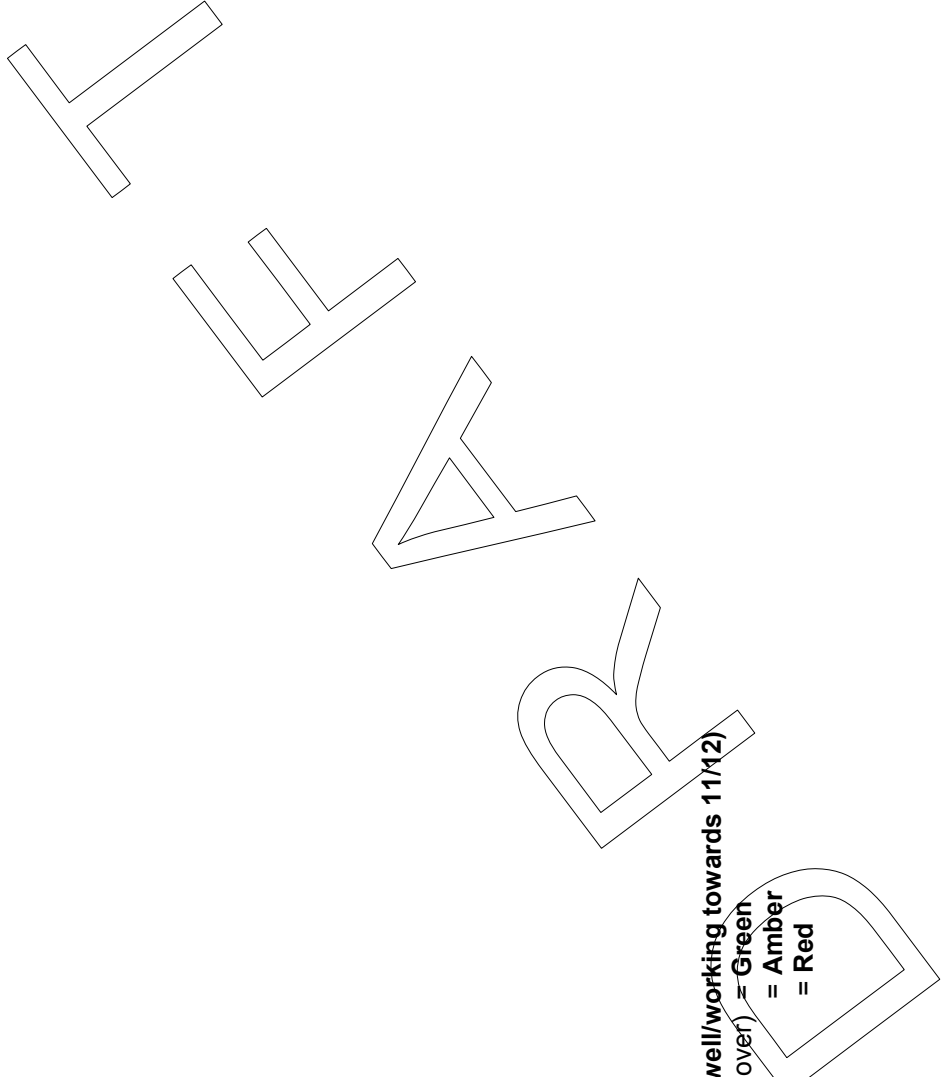
*Assessed by IA in 2010/11
managementassurance/statement/2011/12

REPORT FOR: **GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE**

Date of Meeting:	4 September 2012
Subject:	Changes to the Resources Directorate Structure affecting future GARMC reporting
	INFORMATION REPORT
Responsible Officer:	Julie Alderson, Corporate Director of Resources
	Tom Whiting, Assistant Chief Executive
Exempt:	No
Enclosures:	None

Section 1 – Summary and Recommendations

This report sets out future changes to the Resources Directorate structure in relation to the areas monitored by the Committee.

Recommendations:

The Committee is requested to note the changes and timescales for delivery.

Reason:

In order to give the Committee clarity on the proposed changes to the services which provide assurance to the Committee.

FOR INFORMATION

HarrowCOUNCIL
LONDON

Section 2 – Report

Background

2.1 In October 2011 the Chief Executive launched a proposal for a new Corporate Directorate structure and following consultation, this was approved by Cabinet at its December 2011 meeting.

2.2 From this restructure, the new Resources Directorate came into force on 1st May 2012, bringing together the former Legal and Governance, Finance and Assistant Chief Executive's departments.

Julie Alderson had already been appointed as Interim Corporate Director of Resources from 1st February 2012 until 31st July 2013 and Tom Whiting is working alongside her as Assistant Chief Executive and will take up the role of Corporate Director of Resources from 1st August 2013, following Julie's departure. Julie will also continue to be the Council's S151 Officer until 31st July 2013.

2.3 The Chief Executive set a challenge for the new Corporate Director of Resources and the Assistant Chief Executive "to provide proposals to enable further back office rationalisation, maximise efficiency and productivity and make considerable savings in bringing these areas together".

2.4 One of the expectations within this challenge was to continue the Chief Executive's commitment to reducing the number of senior managers from 30 down to 20.

2.5 Accordingly, a consultation document on the proposed Resources Directorate structure was launched in June 2012 and finalised, following some changes made as a result of feedback received, in August 2012.

Changes to services providing assurance to the Committee

2.6 There are two main divisions within the Resources Directorate that provide assurance to the Committee, namely the Finance Division and the Risk, Audit and Fraud Division.

2.7 In the new structure, these divisions will ultimately sit together under a new post of Director of Finance and Assurance. This post will be the Council's Section 151 Officer and report directly to the Corporate Director of Resources.

2.8 The one exception to this will be the Health and Safety service (including the Occupational Health service) which will transfer to the Human Resources and Development division.

2.9 The current posts of Divisional Director – Finance and Procurement, and Divisional Director – Risk, Audit & Fraud, are deleted in the new structure.

2.10 There is a phased approach to moving to the new structure and the next stage is a proposed restructure to strengthen the finance and internal audit teams, taking into account the recommendations of the recent CIPFA review. This will be consulted upon with staff in September 2012.

2.11 The new Finance and Assurance division will become fully operational on 1st April 2013 and the final stage of the restructure will become effective from 1st August 2013 when Tom Whiting becomes the Corporate Director of Resources following Julie Alderson's departure. At that point the new Director of Finance & Assurance will also become the Council's S151 Officer.

2.12 The proposals should help to streamline the reporting arrangements to the Committee in the future through the Director of Finance and Assurance who will have specific accountability for providing assurance to the Committee.

Section 3 – Further Information

3.1 None.

Section 4 – Financial Implications

4.1 This particular stage of the restructure delivers a reduction of two senior posts from the management team with an approximate saving of £220,000.

Section 5 – Corporate Priorities

5.1 The Resources Directorate is critical to supporting corporate priorities across all directorates.

Name: Julie Alderson	X	Chief Financial Officer
Date: 2 August 2012		

Section 6 - Contact Details and Background Papers
Contact: David Ward Tel: 020 8424 1781
david.ward@harrow.gov.uk

Background Papers: None

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