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

Date of Meeting:	1 September 2010
Subject:	Annual Governance Statement 2009/10
Responsible Officer:	Myfanwy Barrett, Corporate Director Finance
Exempt:	No
Enclosures:	Appendix 1 - Draft Annual Governance Statement Appendix 2 - Draft 09/10 AGS Action Plan Appendix 3 - AGS Evidence Table & Evidence List Appendix 4 - 08/09 AGS Action Plan – Year End Update Appendix 5 - Code of Corporate Governance

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Governance Statement (AGS) for 2009/10 required to meet the requirements of the Accounts and Audit Regulations 2006.

Harrow COUNCIL
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Recommendations:
The Committee is requested to:

1) Critically review the 09/10 AGS, the 09/10 AGS Action Plan and the 09/10 AGS Evidence Table (Appendix 1, 2 and 3);

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

3) Note the progress made on the 08/09 AGS Action Plan;

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

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 and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control (now Annual governance Statement).

Annual Governance Statement

2.4 Each year the Council undertakes a 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 (AGS Appendix 1, 09/10 Action Plan Appendix 2).

2.5 The Corporate Governance Working Group co-ordinated the annual review compiling an evidence/sources of assurance table (Appendix 3) which was used as a basis for the preparation of the AGS. This was reviewed and ratified by the Corporate Governance Group, who have ultimate responsibility for drafting the AGS, evaluating assurances and the supporting evidence.

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 which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control"

2.7 It is recognised that the Council is going into a much higher risk environment due to the financial constraints and all the proposed changes in the public sector and that good governance and assurance will be even more important than ever before. It is further recognised that in an organisation that is under considerable pressure with limited resources, it is a challenge to maintain high standards of governance across all areas all of the time. Governance can and does break down on occasions and, when it does, the Council will investigate and learn lessons for the future. Where appropriate, reports on such issues will be presented to GARMC.

08/09 AGS Action Plan Year End Update

2.8 The year end update of the 2008/09 AGS Action Plan (Appendix 4) shows that the governance gaps identified in 2008/09 were closed fully or substantially in 2009/10 for 79% of gaps identified. Six actions from 2008/09 have been carried forward to the 2009/10 AGS Action Plan attached to this statement one of which 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.

Code of Governance Review

2.9 A Code of Corporate Governance was agreed by the GARM committee in September 2008 with agreement for it to be reviewed annually. The Corporate Governance Working Group and the Corporate Governance Group reviewed the Code in August 2009 and some minor amendments

were made and agreed by the GARM committee in September 2009. The Code was incorporated into the Council Constitution in February 2010. The Code was reviewed again in June/July 2010 by both groups and no further amendments are recommended. The Code is attached at Appendix 5 for information.

Internal Audit Opinion on the Overall Control Environment

2.10 An interim opinion was reported to GARM in June 2010 as part of the 2009/10 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 2009/10 financial year has been assessed as "good" based on the following:

- 50% of the traffic lighted systems reviewed during 2009/10 were given an amber, an amber/green or a green assurance rating;
- 98% of recommendations made during 2009/10 were agreed for implementation;
- 81% of recommendations followed-up have been implemented, (an increase of 9% from 2008/09), 10% were partially implemented/in the process of being implemented, 3% were planned for implementation and 3%, although originally agreed by management, were not implemented (a fall of 1% from 2008/09);
- 19 out of 23 (83%) of Harrow schools passed the Financial Management Standard in Schools set by the DFES;
- 28 suspected financial irregularities were reported to Internal Audit during 2009/10, the majority of which were either caused by a break down/lack of control or where fraud was involved this was a contributing factor. 86% did not involve any significant loss to the Council.
- The management assurance exercise confirmed that 73% of the areas of assurance covered by the self-assessment process are working well across the Council i.e. above the assurance level set, (i.e. 80% for establish areas of assurance and 50% for the new/emerging areas) and have been given a green assurance rating.
- 86% of controls reviewed within the Council's core financial systems were either operating fully or substantially with the remaining 14% operating partially.

Financial Implications

2.11 There are no financial implications.

Risk Management Implications

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

Corporate Priorities

2.13 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:

- Deliver cleaner and safer streets
- Improve support for vulnerable people
- Build stronger communities

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett……	√	Chief Financial Officer
Date: …17/08/10…….		
Name: Hugh Peart ……	√	Monitoring Officer
Date: 12/08/10…….		

Section 4 - Contact Details and Background Papers

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

Background Papers: None.

If appropriate, does the report include the following considerations?

1.	Consultation	YES / NO
2.	Corporate Priorities	YES / NO