1   Annual Governance Statement

1.1   Scope of Responsibility

1.1.1   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.

1.1.2   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.

1.1.3   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.
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.

1.2   The Purpose of the Governance Framework

1.2.1   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 strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

1.2.2   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.

1.2.3   The governance framework has been in place at Harrow Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

1.3   The Governance Framework

Identifying, communicating and reviewing the authority's vision

1.3.1   Harrow Council's vision during 2010/11 was "to be recognised as one of the best London Councils by 2012, in a borough that is cosmopolitan, confident and cohesive". The vision is reviewed annually and Council set a new vision and corporate priorities in March 2011 alongside the budget. Extensive consultation was undertaken through the Lets Talk programme, which is reflected in the new vision for 2011/12 'Working together: Our Harrow, our community'.

1.3.2 The priorities and flagship actions set out in the corporate plan were set in response to consultations with residents and 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.

1.3.3 The Council's vision and corporate priorities are consistent with the Sustainable Community Strategy which has been developed by the Harrow Strategic Partnership (HSP) together with the local community, with local agencies, stakeholders and residents involved in identifying its priorities. Progress against priorities with residents were also measured through the Reputation Tracker in 2010 and the Involvement Tracker in 2011. The Strategy shows how the organisations making up the Harrow Strategic Partnership will try to shape the effects of global, national, regional and local trends and events to work towards successful outcomes for Harrow. These successful outcomes include making Harrow a better place to live and work over the long term.

1.3.4 Through this partnership, the HSP Members agreed a Local Area Agreement which ran until March 31st 2011 and reflects the work that partners needed to do over 3 years to improve the quality of life for local people.

1.3.5 The Better Deal for Residents: Shaping Harrow for the Future (BDfR) programme, agreed by Cabinet in July 2010, has been developed to significantly reduce costs each year for the foreseeable future, whilst radically considering the manner and scale of services offered, given the changing needs of residents. The BDfR programme will, in the first instance, include a fundamental review of how the council can deliver more integrated services to local taxpayers across all the public sector partners in the borough. It will focus on how the council can better align services with residents' needs, whilst being more cost effective. The programme will act as the first phase of the Council's Change Management Programme, which will be undertaken over the next two to three years.

1.3.6 Five improvement boards, which cover all areas of the Council, oversee all improvement initiatives across the Council, and the Corporate Strategy Board (CSB) has regular performance monitoring meetings scheduled throughout the year. CSB Membership consists of the Council's 5 Corporate Directors, the Assistant Chief Executive, the Director of Legal and Governance Services and is chaired by the Chief Executive or Assistant Chief Executive.

1.3.7 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 LAA by the Harrow Strategic Partnership. Improvement boards also monitor risks to the achievement of Directorate objectives each quarter and these are reported to the quarterly CSB performance morning meetings.

1.3.8 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.

1.3.9 The corporate priorities which support the Council's vision are reviewed annually and the priorities for 2010/11 were to:

- Deliver cleaner and safer streets;
- Improve support to vulnerable people;
- Build stronger communities.

Measuring the quality of services and ensuring best use of resources

1.3.10 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 Sustainable Community Strategy and the Local Area Agreement inform the Council's Corporate Planning process. 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.

1.3.11 The process commences with the development of a Year Ahead Statement, setting out the evidence base to support the Council's priorities, and this sets the scene for the planning round. More detailed work follows, culminating in the approval of the corporate plan and budget in February each year.

1.3.12 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.

1.3.13 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, and the replacement of the finance system with an Enterprise Resource Management System (ERP).

1.3.14 CSB meet monthly as a Transformation Board to monitor projects under the Better Deal for Residents Programme.

1.3.15 A Use of Resources Assessment was carried out annually up to and including 2008/09 by the Audit Commission which was wide ranging and covered financial management, performance management, internal control and value for money. The outcome of the assessment resulted in actions being built into service plans and the Council's Improvement Programme. This assessment was abandoned by the new government and as a consequence there was no assessment relating to 2009/10 and a new assessment/self-assessment regime has yet to be announced. However work is still undertaken by the External Auditors as part of the VFM conclusion in the accounts.

1.4   Defining roles

1.4.1 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.

1.4.2 Officer responsibilities are also set out in the Constitution, including the Chief Executive Corporate Directors and the Director of Legal & Governance Services. 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.

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

1.4.4 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 Contract Procedure Rules.

1.5   Standards of behaviour and codes of conduct

1.5.1   Members and employees have clear codes of conduct, which set out expectations of behaviour and are regularly reviewed and re-issued. Two training sessions for Members, organised by the Council's Legal and Democratic Services team, on the code and ethical governance were provided during May 2010 and a third covering the code and social media took place in June 2011. The employee code forms part of the officer induction training.

1.5.2   A Standards Committee is in place to ensure that individual Members uphold and exemplify good governance and behaviour, and the role of the Committee and its structure was revised during early 2008/09 to reflect its new powers and responsibilities. The Localism Bill includes proposals to abolish Standards for England and means that the Council will be able to choose whether or not to have a member code of conduct and a Standards Committee. Officers are currently working with members in a working group to consider how the council will ensure the high standards of conduct in public life are maintained in the future which is a requirement under the Bill.

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

1.5.4   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.

1.5.5   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.

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

1.6   Decision making

1.6.1   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.

1.6.2   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.

1.6.3   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.

1.6.4   The Executive receive a briefing (Cabinet Briefing) 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.

1.6.5   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, Local Area Agreements 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.

1.6.6   All formal meetings are clerked by well 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 must have legal clearance before they are published.

1.7   Internal Control and Risk Management

1.7.1   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.

1.7.2   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.

1.7.3   The Director of Finance 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.

1.7.4 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 strategic risk register is reviewed by the Corporate Strategy Board on a quarterly basis. All Directorates have risk registers as part of Service Improvement Plans and these are reviewed by Directorate Management Teams regularly and the Improvement boards quarterly.

1.7.5 The Corporate Risk Steering Group, consisting of nominated directorate risk champions and chaired by the Assistant Chief Executive, met 4 times during 2010/11 and provides challenge on the robustness of the strategic and corporate operational risk registers and the adequacy of controls to mitigate the risk.

1.7.6 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.

1.7.7 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.

1.7.8 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.

1.8 Audit arrangements

1.8.1 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.

1.8.2 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.

1.8.3 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.

1.8.4 Training was undertaken for the members of the GARM Committee in September 2010 and lead members were nominated as specialists in distinct areas of the GARM Committee responsibilities. Following a change of Chair and membership between the April and June 2011 meetings further training was undertaken in June 2011 to ensure that all new members were aware of the role and responsibilities of the GARM Committee.

1.9 Compliance with statute and internal policies and procedures

1.9.1 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.

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

1.9.3　Key internal policies and procedures are reviewed and communicated regularly, such as the Council's Financial Regulations and Contract Procedure Rules both updated during 2009/10 with a further review currently underway.

1.9.4　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.

1.10　Whistle blowing and complaints

1.10.1　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.

1.10.2　The Council has a three stage complaints procedure for members of the public to complain about individual service areas. This was refreshed in 2008/09 and 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.

1.10.3　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.

1.11　Training and development

1.11.1　The Council runs a Member induction programme for new Members and a development programme for all Members. 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 new developments/ideas.

1.11.2　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 and is designed to record achievements of staff, enable discussion about training and development needs, personal development and provide a clear understanding of how each individual's work contributes to the Team, Service, Directorate and Corporate priorities. The 2010/11 Management Assurance process highlighted that the appraisal process is working well in 92% 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 is being reviewed with senior management to address the cultural challenges in ensuring effective performance management. This includes considering whether an on-line appraisal system is introduced (though this is subject to funding) or alternative approaches to IPAD.

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

1.11.4 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.

1.11.5 A manager's development programme (MDP) foundation stage has been delivered and an MDP practitioner stage is being developed during 2010/11.

1.11.6 Most service areas have a budget allocated for training and development of staff.

1.12   Communication and consultation

1.12.1 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 Better Deal for Residents programme is co-ordinated through the Better Together Board.

1.12.2 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.

1.12.3 The Council's communications strategy, the Council's Involvement and Reputation Plan was reviewed in October 2010 and again in May 2011.

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

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

1.13   Partnerships

1.13.1 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.

1.13.2 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.

1.13.3 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.

1.13.4 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.

1.13.5 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.

1.13.6 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.

1.14   Review of Effectiveness

1.14.1 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.

1.14.2 The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework in the 2010/11 financial 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 2010/11 and has considered the work of Internal Audit during the year including mid year and end of year reports, will consider the results of the management assurance exercise, approved the Internal Audit Annual work plan, the Internal Audit delivery plan and the results of the updated Internal Audit self assessment against the CIPFA Code of Practice for 2010/11;
- Monitored the effective development of the Council's corporate governance framework;
- Will 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;
- Will review and approved the Annual Governance Statement and the supporting 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

- 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.

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 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;
- 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 2010/11 was approved by the Audit Committee in June 2010 and 91% of the plan was completed, including all the key financial system reviews relied upon by the External Auditors. A total of 232 recommendations were made during the audit year and 221 (95%) were agreed for implementation by the various managers;
- Undertook work on the authority's core financial systems for external audit reliance purposes;
- The interim overall audit opinion for the Council's control environment for 2010/11 was assessed as "adequate - good". The detailed report setting out the reasoning behind this assessment was considered and approved by the Governance, Audit and Risk Management Committee (GARM) in June 2011 and the final opinion will be produced once the work on the core financial systems has been completed and the results of the Management Assurance exercise for 2010/11 are available.

Corporate anti-fraud team

- Is responsible for reviewing and updating the Council's corporate anti-fraud policy and corruption strategy;
- 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.

1.15   Management Assurance Exercise

1.15.1   The management assurance process was developed and introduced across the Council in 2005/2006 (the 2004/2005 exercise). The areas of assurance are reviewed and updated annually by Internal Audit and the Corporate Governance Group using the corporate risk register to provide a clear link between the controls identified in the risk management process and the assurances being obtained.

1.15.2   The management assurance process involves obtaining self-assessments supported by documentary evidence from every third tier manager 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. The exercise is co-ordinated and 'reality checked' by Internal Audit.

1.15.3   The management assurance exercise is usually undertaken during March and April each year however this year's exercise was delayed until May to take account of the work on the assurance mapping exercise being undertaken to provide information on assurance provided across the Council.

1.15.4   In the spirit of reducing the burden of assurance on managers the self-assessment areas were reviewed by the Corporate Governance Group and a 51% reduction made in those that managers need to self-assess. Assurance on the areas taken out of the self-assessment process was obtained from other sources and included in the Corporate Management Assurance Statement.

1.15.5   Overall the 2010/11 management assurance exercise confirmed that 77% of the areas of assurance covered by the process are working well across the Council i.e. above the assurance level of 80% set for each area, and have been given a green assurance rating. This is a 4% increase on areas given a green assurance rating in 2009/10 but 3% below the 80% target set. Overall this reflects a continuing improvement in governance arrangements across the Council and is a significant achievement given the level of change/transformation that took place during the year.

1.15.6   Action points were agreed as part of the management assurance statements sign off by the 3rd tier managers for all areas of assurance identified as working towards or where a gap was identified. These will be monitored throughout 2011/12 by Internal Audit and the quarterly Improvement Boards.

1.16   Significant Governance Issues/Progress on Previous Agreed Actions

1.16.1   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 have been developed. The year end update of the 2009/10 AGS Action Plan shows that the governance gaps identified in 2009/10 were closed fully or partially in 2010/11 for only 55% of gaps identified. Seven actions from 2009/10 have been carried forward to the 2010/11 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 and 2010/11. 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.

1.16.2 Six new gaps have been identified through the annual review of governance process, although none are considered significant by CGG, actions have been agreed to address these and are shown in 2010/11 AGS Action Plan.

1.16.3 The serious weakness identified in the 2009/10 statement in relation to the management and control of certain capital projects was followed by investigations into the overspend in the Children's Services capital programme. Cabinet received a report in December 2010 setting out issues and the outcomes of two investigations, one focussing on project management, one on financial management. The investigations made a series of specific detailed recommendations to avoid any recurrence of the issues which had affected the programme. Key staff within Finance, Children's Services and Community & Environment have been working together on implementing these recommendations and in addition on a fundamental review of process to ensure that the Council has robust and holistic arrangements in place for both the development and implementation of its capital programme.   Cabinet requested that the GARM Committee monitor and report on implementation of the recommendations made in the investigation reports, supported by Internal Audit, who have been instructed to independently verify the process. Progress against the detailed implementation plan shows that 50% of actions are reported as implemented by management and Internal Audit is in the process of reviewing evidence to support this assertion; 43% of actions are not yet due/are in progress; 3.5% of actions are incomplete and the implementation date is imminent or has been extended and 3.5% of actions are incomplete and the implementation date has passed.

1.16.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our follow-up review in December with particular emphasis given to ensuring that actions carried forward from previous years are implemented.

1.17   Declaration

1.17.1 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**