



# Haverling

L O N D O N B O R O U G H

## AUDIT COMMITTEE AGENDA

<b>7.30 pm</b>	<b>Tuesday 21 June 2011</b>	<b>Committee Room 3A - Town Hall</b>
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Members 6: Quorum 3

**COUNCILLORS:**

**Conservative Group  
( 4 )**

Georgina Galpin (Chairman)  
Osman Dervish (Vice-Chair)  
Roger Ramsey  
Frederick Thompson

**Residents' Group  
( 1 )**

Clarence Barrett

**Labour Group  
( 1 )**

Paul McGeary

**For information about the meeting please contact:  
James Goodwin 01708 432432  
james.goodwin@haverling.gov.uk**

## **AGENDA ITEMS**

### **1 CHAIRMAN'S ANNOUNCEMENTS**

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

### **2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS**

(if any) – received.

### **3 DECLARATION OF INTERESTS**

Members are invited to declare any interests in any of the items on the agenda at this point of the meeting. Members may still declare an interest in any item at any time prior to the consideration of the matter.

### **4 MINUTES OF THE MEETING (Pages 1 - 6)**

To approve as correct the minutes of the meeting held on 16 May 2011 and authorise the Chairman to sign them.

### **5 UPDATE ON OBJECTION TO ACCOUNTS ACTION PLAN**

Report to follow.

### **6 UPDATE ON PRIVATE SECTOR LEASING ARREARS**

Report to follow.

### **7 STATEMENT OF ACCOUNTS 2010/11 - UPDATE (Pages 7 - 10)**

Report attached.

### **8 EXTERNAL AUDIT PROGRESS REPORT**

An oral report will be given.

### **9 INTERNAL AUDIT PROGRESS REPORT**

Report to follow.

**10 ANNUAL AUDIT REPORT** (Pages 11 - 24)

Report attached.

**11 ANNUAL GOVERNANCE STATEMENT** (Pages 25 - 40)

Report attached.

**12 URGENT BUSINESS**

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

**13 ANNUAL TREASURY REPORT** (Pages 41 - 56)

Report attached.

**Ian Buckmaster  
Committee Administration &  
Member Support Manager**

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**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
Havering Town Hall  
1 March 2011 (7.30pm – 9.05pm)**

**Present:**

**COUNCILLORS:**

**Conservative Group** Georgina Galpin (Chairman), Osman Dervish, Frederick Thompson and \*Melvin Wallace

**Observers:** Councillors Michael Deon Burton, David Durant and Jeffrey Tucker.

Apologies for absence were received from Councillors Clarence Barrett, Paul McGeary and \*Roger Ramsey (substitute Councillor Melvin Wallace).

All decisions were taken unanimously with no votes against unless shown otherwise.

The Chairman advised the Committee of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

The Chairman placed on record her appreciation for the support she and the Committee had received from Paula Sissons who had been covering for Vanessa Batemen who was on maternity leave. This was the last meeting Paula would attend and the Committee expressed their own appreciation for the support they had received from Paula and wished her well for the future.

There were no declarations of interest.

**36. MINUTES**

The minutes of the meeting held on 15 March 2011 were agreed as a correct record and signed by the Chairman.

**37. UPDATE ON OBJECTION TO ACCOUNTS ACTION PLAN**

Officers informed the Committee of the position on costs and income related to the provision of TV aerials and satellite services for tenants and leaseholders. The contract had not been reviewed since it was awarded in 1992. Since then the contract had been varied in 1997 and 2001. Officers were working with the contractor to ensure the contract offered value for money and legal advice was being sought as appropriate.

The Committee were advised that officers had now completed a complete reconciliation of all addresses and all errors had been corrected with effect from 1<sup>st</sup> April 2011. Officers were of the opinion that it would be difficult to claim back

any under payment by tenants and/or leaseholders. The Committee **instructed** officers to investigate this and report back to them.

Officers confirmed that Mr MacDonald had lodged an objection to the latest accounts and PricewaterHouse Coopers had indicated that there were some areas on which they would do further investigation, but others have already been dealt with or were the subject of their methods of investigation.

The Committee **noted** that Mr MacDonald had made an application to the Leasehold Valuation Tribunal. This had found that the Council had not made any illegal charges, but found against the Council on the level of those charges. Permission to appeal to the Upper Tribunal had been obtained and officers expected a decision in June/July.

The Committee **requested** that they receive a regular written update to each meeting to monitor progress.

### **38. PRIVATE SECTOR LEASED ACCOMMODATION**

Further to discussions at the last meeting of the Committee officers submitted a written report detailing progress to date in reducing the arrears on the income received from Private Sector Leased Accommodation. Details of the rents charged for the accommodation was provided, these were very much higher than Council rents and therefore arrears would accumulate more quickly. The Chairman requested that she be provided details of the amounts we pay to private landlords for these properties.

Officers advised that in 2010/11 the Council had succeeded in collecting 96.5% which compared favourably with the collection rates for Council Tax and Council Housing rents.

Details of arrears owed by both current tenants and former tenants was provided to the Committee, together with details of the arrangements in place to collect those arrears. The committee asked for details of the write offs agreed in the last two years.

Officers advised that proposed changes to the Universal Credit could result in an increase in the level of arrears as in the future the Council would not be able to deduct rent from benefit, all the credit would be paid to the individual.

In the light of the level of arrears and the growth in arrears over the last three years the Committee have **instructed** officers to provide an update to all future meetings.

### **39. EXTERNAL AUDIT FEES 2011/12**

PricewaterhouseCoopers (PWC) had provided details of the fees they would be charging to undertake the audit in 2011/12. This compared favourably with the fee charged in 2010/11, a reduction of 7.7%. The fee quoted was an estimate and could change to reflect the actual content of the Audit Plan.

PWC indicated that it was possible that the element of the fee relating to the certification of claims and returns could decrease based on the amount of work required.

The Committee **noted** the report.

#### **40. INTERNAL AUDIT PROGRESS REPORT QUARTER 4**

Officers advised the Committee that by the end of March 2011 89% of the audit plan had been delivered. Since the last meeting 10 system audits had been completed. The audits in respect of Council Tax and Creditors had been given unqualified opinions and attracted only one recommendation. Officers explained that because of the recent change to Internal Shared Service the audit had been light this time.

The Committee noted certain concerns raised by the system audit of the Tranman Application. Officers were asked to ensure that the process of inputting invoices on the system and their authorisation or review by senior management was separated. Officers were asked to ensure that the next report on the system included a formally documented Business Continuity Plan for the Passenger Transport Services team and that a Disaster Recovery Plan had been developed and documented for the Tranman application.

An update on progress in responding to the recommendations was requested for submission to the next meeting.

The Committee **noted** the report.

#### **41. ANNUAL FRAUD REVIEW**

Officers had undertaken a review of the Anti Fraud and Corruption Strategy. There were very few changes to the Strategy and the Review had revealed no problems.

The Committee:

- (1) **Noted** the findings of the review of anti fraud and corruption arrangements, and
- (2) **Approved** the revised Anti Fraud and Corruption Strategy.

#### **42. FRAUD PROGRESS REPORT**

Officers informed the Committee that in the period from 31<sup>st</sup> October 2010 to 31<sup>st</sup> March 2011 15 reports had been received from the Fraud Hotline. All these reports had been investigated and investigations were on-going in a number of the cases.

During the same period 338 cases had been closed. At the end of March 2011 there were 16 cases in progress. In the case of overpayment of pension to a deceased member officers assured the Committee that this was dealt with sensitively by the Pensions team.

Officers provided details of the monies which management could take action to recover.

The Committee were advised of the outcomes associated with the Council's involvement with the National Fraud Initiative. The exercise had proven successful with overpayments, fraud and financial savings having been identified. The overall summary was as follows;

- Cases processed – 5,135
- Investigated – 829
- Cleared – 5089
- Frauds – 23
- Errors – 23
- Total - £264,318.90
- Cases for recovery – 10
- Amount recoverable - £65,557.73

The Committee **noted** the report.

#### **43. ANNUAL REVIEW OF THE COUNCIL'S WHISTLEBLOWING ARRANGEMENTS**

The Committee were advised that the Interim Internal Audit & Corporate Risk Manager had undertaken the Annual Review of the Council's Whistleblowing arrangements in March 2011. No specific actions had arisen from the review.

Officers informed the Committee that 10 Whistleblowing reports had been received in the period 1 April 2010 to 31 March 2011. In the previous 12 month period only 6 reports were received. All the reports had been investigated, action taken where appropriate and some investigations were on-going.

The Committee **noted** the report.

#### **44. ANNUAL REPORT OF AUDIT COMMITTEE**

Officers had drafted an Annual Report on behalf of the Committee. This would be submitted to Council by the Chairman. Key highlights from the report were:

- The Committee maintained its usual work plan based on its Terms of Reference but also considered specific reports and assurances on:
  - Treasury Management,
  - International Financial Reporting Standards (IFRS);
  - An objection to the council's accounts, and
  - Former Tenant arrears on PSLs.
- The Committee had received training on Treasury Management, Risk Management, Fraud and Corruption, the role of Audit Committee and Accounting Principles.



The Committee approved the Annual Report for submission to Council.

#### **45. FUTURE OF LOCAL PUBLIC AUDIT – GOVERNMENT CONSULTATION**

Officers informed the Committee that details of the consultation had been reported to the Governance Committee on 11 May 2011. The Head of Finance and Procurement provided Members with a summary of the consultative document produced by the Secretary of State for Communities and Local Government concerning the future of local public audit which came about after the abolition of the Audit Commission. The proposals concerned the make-up, scope and authority of audit committees.

The Governance Committee had expressed astonishment at the proposals contained within the document and across the Groups, there was agreement that they were, by and large, unworkable in their current format. Members also considered that the draft response, as presented to them, was too weak and did not adequately reflect the strength of feeling about those proposals.

The principal areas of contention were those relating to the appointment of Independent Persons to Chair and fill the Audit Committee, the appointment periods proposed (which, at five years did not reflect council cycles and the apparent restriction placed on the appointment of external auditors which, Members felt, was too prescriptive and limited choice to the few major practices and ignored the possibility of appointing local firms.

It was observed by more than one Member that the proposals looked as though – instead of saving money, they could cost the Authority a good deal more than the current procedures.

#### **RESOLVED:**

1. To note the Government's consultation document "The Future of Local Public Audit" and to authorise the Head of Finance and Procurement to present their comments on it.
2. To authorise the Head of Finance and Procurement to amend the Council's draft response to the consultation to reflect the Committee's concerns as expressed.
3. To delegate to the Cabinet Member for Value authority to approve the final version of the Council's response.

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Chairman  
21 June 2011

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**AUDIT COMMITTEE**

21 June 2011

<b>Subject Heading:</b>	<b>Update report on the Statement of Accounts 2010/11</b>
<b>CMT Lead:</b>	Councillor Roger Ramsey
<b>Report Author and contact details:</b>	Financial Services Manager: Mike Board
<b>Policy context:</b>	To note the progress in completing the statutory annual accounts 2010/11
<b>Financial summary:</b>	There are no direct financial implications.

**The subject matter of this report deals with the following Council Objectives**

- Clean, safe and green borough □
- Excellence in education and learning □
- Opportunities for all through economic, social and cultural activity □
- Value and enhance the life of every individual □
- High customer satisfaction and a stable council tax □

**SUMMARY**

As required by the Accounts and Audit Regulations 2011, the Council's Statement of Accounts must be approved and signed by the Director of Finance and Commerce no later than 30<sup>th</sup> June 2011. The accounts must be published after the conclusion of the external audit of accounts; no later than 30<sup>th</sup> September 2011.

**RECOMMENDATIONS**

The Committee is asked to note that:

- a) The Council's Statement of Accounts must be approved and signed by the Group Director of Finance & Commerce no later than 30<sup>th</sup> June 2011.
- b) A verbal update on progress in preparing the statement of accounts will be given by officers on the night.
- c) A copy of the accounts will be made available to members of the Committee as soon as they have been approved.
- d) The accounts must be considered and approved by the Audit Committee no later than 30<sup>th</sup> September 2011.
- e) The accounts must be published following the conclusion of the audit, no later than 30<sup>th</sup> September 2011.

<b>REPORT DETAIL</b>
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## **1. Statement of Accounts 2010/11**

- 1.1. At the time of preparing the report the statement of accounts were nearing completion. A verbal update will be given to the Committee on the night.
- 1.2. For the first time, the accounts will be based upon International Financial Reporting Standards (IFRS). Progress in implementing the changes required by the Code of Practice has been regularly reported to this Committee throughout the project. Since the last report, and following discussions with our external auditors, a further change was agreed to be made in order to comply with the code. As a consequence, the Council's accounts have been amended in order to remove the net assets of Foundation and Voluntary-aided Schools and to restate the relevant revenue transactions.
- 1.3. As previously reported to this Committee, the statutory requirements for the approval and publication of the accounts have been amended by the Accounts and Audit Regulations 2011. Once the accounts have been completed they will be approved and signed by the Group Director of Finance and Commerce no later than 30<sup>th</sup> June 2011.
- 1.4. The draft accounts will then be subject to audit, by the Council's external auditors PriceWaterhouse Coopers. Following the conclusion of the audit, the accounts must be approved by the Audit Committee and published no later than 30<sup>th</sup> September 2011.

### **Financial Implications and risks:**

There are no direct financial implications arising from the publication of the 2010/11 Statement of Accounts.

No direct financial implications have been identified from changes in accounting policy or practice required by the IFRS code. However, there are increased

workload implications for staff across the authority, most notably those involved in finance and property valuation in order to deliver the project plan.

## IMPLICATIONS AND RISKS

### **Financial Implications and risks:**

There are no direct financial implications arising from the publication of the 2010/11 Statement of Accounts.

No direct financial implications have been identified from changes in accounting policy or practice required by the IFRS code. However, there are increased workload implications for staff across the authority, most notably those involved in finance and property valuation in order to deliver the project plan.

### **Legal Implications and risks:**

Regulation 8 of the Accounts and Audit regulations 2011 require the publication of the Statement of Accounts after the conclusion of the audit but in any event no later than the 30<sup>th</sup> September 2011.

### **Human Resources Implications and risks:**

None arising directly

### **Equalities and Social Inclusion Implications and risks:**

None arising directly

## BACKGROUND PAPERS

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## AUDIT COMMITTEE

21 June 2011

<b>Subject Heading:</b>	ANNUAL AUDIT REPORT
<b>CMT Lead:</b>	GROUP DIRECTOR FINANCE & COMMERCE
<b>Report Author and contact details:</b>	VANESSA BATEMAN – INTERNAL AUDIT & CORPORATE RISK MANAGER Ext 3733
<b>Policy context:</b>	To present a summary of the results of work completed by the Internal Audit team during 2010/11 as well as an opinion on the system of internal control.
<b>Financial summary:</b>	N/a

**The subject matter of this report deals with the following Council Objectives**

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

**SUMMARY**

The Annual Report (appendix 1) provides a summary of the work undertaken by the Internal Audit Team during 2010/11 as well as communicating key messages and an overall opinion on the system of internal control from the Internal Audit & Corporate Risk Manager.

## **RECOMMENDATIONS**

To note the contents of the report.

## **REPORT DETAIL**

In accordance with the Accounts and Audit Regulations 2011 this report details the work undertaken to review the system of internal control and provides Senior Management and Members with assurance that an adequate system of internal control is in place within the London Borough of Havering.

The reports summarises the work undertaken by the Internal Audit team that supports the assurance provided and well as formally communicating key messages and issues including:

- Project Management;
- Contracts and Supply Chain Resilience;
- Information Governance;
- Access to Systems and Data;
- Management Information;
- Resource Pressures and Loss of Knowledge and Experience.

The report aims to summarise overall themes, however the findings of individual audits have also been included within quarterly reports to Audit Committee during the year.

## **IMPLICATIONS AND RISKS**

**Financial implications and risks:** The annual report summarises the work of the internal audit team over the past financial year and highlights key messages regarding the finding of audit work. The findings of individual reports are reported to Audit Committee as part of the quarterly reporting cycle. Thus, any audit recommendations arising from audits undertaken, and the audit opinion, have previously been considered by the Committee. Any Internal Control issues identified as part of this process will have been raised with managers, who have the opportunity of commenting on these before they are finalised. Failure to either implement at all or meet target date may have control implications, although these would be highlighted by any subsequent audit. It must be noted that this assurance provided is only based on the work undertaken by the team. There are no financial implications or risks arising directly from this report.

**Legal implications and risks:** None arising directly from this report.



**Human Resources implications and risks:** None arising directly from this report.

None arising directly from this report. Equality and Social Inclusion are key factors to consider in the review of Council's Strategies and other related policies and procedures are assessed to ensure the impact is appropriately identified. Equality and Diversity risks are included in individual audits in the plan, where risk area has a sufficient rating. Corporate controls in this area are also reviewed periodically.

BACKGROUND PAPERS

Internal Audit Annual report

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**Havering**  
LONDON BOROUGH

# **INTERNAL AUDIT ANNUAL REPORT**

**2010 / 2011**

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## **1. INTRODUCTION**

- 1.1** Under the Accounts and Audit Regulations 2011, the Council is required to conduct a review at least once per year of its systems of internal control.
- 1.2** The purpose of this report is to provide Members and Senior Management with a formal opinion as to the adequacy and effectiveness of the Council's internal control environment and to report on the performance of the internal audit service for the year. It will be available on the Council's internet site from mid June 2010, within the 21<sup>st</sup> June Audit Committee Agenda.
- 1.3** In accordance with proper practice the report is one of the sources of assurance used in the process to compile the Annual Governance Statement which is also a statutory requirement.
- 1.4** The 2010/11 Internal Audit Plan, of 1540 days, was approved by the Audit Committee in March 2010. Progress reports from the Internal Audit and Corporate Risk Manager are presented to the Committee at quarterly meetings.
- 1.5** During the year there is some flexibility needed to react to changes in risk, accommodate changes in the needs of management; the focus of audits may be changed or new audits included in the programme. The plan also makes provision for Internal Audit to accommodate requests for advice and guidance on specific issues or investigation of specific issues. Before any tasks are undertaken risks are considered to ensure that resources continue to be used in an efficient and effective manner and tasks that provide the greatest added value to the organisation are prioritised.
- 1.6** Whilst remaining an independent assurance function the Internal Audit team seek to maintain strong relationships with management to ensure that appropriate actions are agreed and implemented in a timely fashion. Protocols exist to outline the roles and responsibilities of both the Internal Audit team and management.

## **2. INTERNAL AUDIT ASSURANCE STATEMENT**

- 2.1** In the Internal Audit & Corporate Risk Manager's opinion, the system of internal control is adequate and effective and processes to identify and manage risks are in place.
- 2.2** This opinion is based on a programme of audit work which was delivered:
- In accordance with the approved Internal Audit plan;
  - By suitably experienced and qualified auditors;
  - In accordance with the CIPFA\* Code of Practice for Internal Audit in Local Government; and
  - To standards accepted by the Council's External Auditors.
- 2.3** The following has also been considered:
- The acceptance of audit recommendations and progress noted in year to implement required changes;
  - The results of follow up work on previously qualified audit areas; and
  - Whether any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risk.
- 2.4** The next section of the report details the work completed by the team and the key issues arising.

## **3. WORK THAT SUPPORTS THE OPINION**

### **3.1 Systems and Contract Audit**

- 3.1.1** 850 days of the approved plan were allocated to systems and contract audit. This plan was based on a full compliment of staff in the team. The original plan was significantly revised in response to changes within the organisation during the financial year.
- 3.1.2** In response to the transformation agenda and the imminent changes in the organisation the scope of some audits was scaled back as the value of in depth reviews was reduced, however sufficient work was completed to provide assurances to management; Senior Management required audit to provide assurance with regards some transformation work; Management relied on Internal Audit to investigate specific concerns and provide assurance where there were insufficient resources locally to complete this work. These unplanned assignments were only taken on by the team where they were deemed an appropriate use of the Council's audit resources and where there was no impact on the team being able to provide independent assurances in the future.

3.1.3 Subsequent to the approval of the audit plan it was decided that the responsibility for auditing the boroughs schools should be given to the in house team, previously this work was undertaken by the private sector. The systems audit team had one vacant post; this resource was covered in part by a project post that took on specific tasks to support the team in achieving its objectives for the year. Due to the pace of change in the organisation it was not deemed cost effective to use agency workers boost the resources of the team therefore in total 610 days were delivered. The results of systems audit work is reported quarterly to Audit Committee of the 35 deliverables where audit opinions were issued all were unqualified.

### **3.2 Computer Audit**

3.2.1 100 days of the plan is allocated to computer audit. The plan for 2010/11 was reduced to 82 days due to the significant changes that transformation will have on the systems and control environment. Some of the planned days were used for attendance at the ICT Transformation Board. Seven audits were completed in year with one of these, relating to the Tranman systems, being qualified. One audit was moved to 2011/12 due to timing issues so in total 72 days were delivered.

### **3.3 Fraud Work**

3.3.1 Reactive Work and Special Investigations - At the commencement of the financial year a contingency of 325 days was provided to carry out investigations into suspected fraud issues reported by management or via the fraud or whistle blowing hotline. Due to a larger than anticipated case load 365 days were delivered in year.

3.3.2 Pro-active – A budget of 190 days were assigned to pro-active audits. A risk based pro-active audit plan had been devised. Due to the additional reactive work 150 days were delivered by the end of the year. The plan was revised to match the resources available and at the end of March all but two audits had been finalised.

3.3.3 Annual review of anti fraud and corruption arrangements - During the year the anti fraud and corruption arrangements were reviewed, no issues arose, and the corporate strategy to prevent fraud and corruption was refreshed. Audit Committee approved the updated strategy and noted the results of the review in May 2011. The Audit Committee receive half yearly reports about the activity and performance of the fraud team.

### **3.4 Follow Ups**

3.4.1 Information regarding outstanding recommendations is reported as part of the quarterly report to Corporate Management Team and Audit Committee. At the September meeting the Audit Committee receive a full list of all outstanding recommendations.

3.4.2 For each of the qualified reports from 2009/10 a follow up audit was undertaken and the results reported to Audit Committee. In all cases sufficient progress had been noted to provide an unqualified opinion to Management.

### **3.5 Schools**

3.5.1 In 2009/10 the schools audit programme was completed by the in house audit team. 15 schools were audited, one was given full assurance, one limited assurance and for the other 13 substantial assurance was provided.

3.5.2 The main areas where there were recurring issues -

- Differences in working practices to that authorised by Governors via Scheme of Delegation;
- Lack of security of cash and members of staff whilst transferring cash from school to bank;
- Not obtaining adequate quotes/cost comparisons to ensure value for money;
- Lack of appropriate use of official orders.
- Incomplete Inventories and Equipment Loan Registers.
- Inadequate maintenance of the Single Central Record.

### **3.6 Other Outside Assurances**

3.6.1 The National Non Domestic Rates administrative processes are undertaken by a third party on behalf of London Borough of Barking & Dagenham with whom the Council has entered into a shared service agreement. Audit reports and assurances are reviewed by the Internal Audit & Corporate Risk Manager.

3.6.2 The Internal Audit Service for Homes in Havering for 10/11 was provided by RSM Tenon and links have been established to gain assurances regarding the controls within that organisation as shared risks are present. Meetings take place at least twice a year to discuss audit findings.

3.6.3 Reports produced by other inspection bodies or assurance providers are also reviewed. Planned work is taken into account when the plan is produced and for unplanned inspections the plan is revised to avoid duplication in scope of work.



### **3.7 Risk Management Arrangements**

- 3.7.1 An annual review of risk management arrangements and the Council's strategy was undertaken in October 2010. The review noted that Risk Management processes are included within the Council's transformation programmes. It also noted that the pace of change and changes in structures had impacted on the operation of processes during the year.
- 3.7.2 The key challenges the organisation faces is ensuring that managers and officers across the organisation have a sufficient understanding of risk to make sound business decisions and that the organisation's risk tolerance is appropriate for the level of resources available going forward. In the past corporate policies and procedures have sought to manage risk but as resources reduce and the environment the council operate in becomes more complex relying on policies and procedures will not facilitate an efficient system of internal control and bureaucracy will impact on business. A strong culture of risk management and embedded risk management principles is the only way efficiency in control can be achieved.
- 3.7.3 Corporate Management Team will consider an options paper on the future of risk management in June 2011.

### **3.6 Review of Other Strategies**

- 3.7.1 Other corporate arrangements and strategies such as the Internal Audit Strategy, Whistle Blowing were also reviewed in year. The annual review of Money Laundering has been delayed to summer 2011.

## **4. KEY MESSAGES**

### **4.1 Project Management**

- 4.1.1 Project Management is an area where issues have arisen and audit work has been completed. The organisation has procedures to follow but often with changes in scope, pressurised deadlines and projects involving multiple services or organisations, the control environment becomes increasingly complex. Given the scale of change the organisation is facing; the need for financial constraint; and the reliance on successful delivery of projects to achieve the organisation's goals and objectives robust project management controls have become even more important.

### **4.2 Contracts and Supply Chain Resilience**

- 4.2.1 Robust and well managed contracts are critical to excellent service delivery and achievement of value for money. Pressure on resources means that the organisation needs to identify savings in contract spend. Contractors may in turn be seeking cost saving opportunities, which can lead to reductions in the quality of services. Weaknesses in controls over management of contractual relationships may lead to risks materialising.

- 4.2.2 Weaknesses in contract management is a theme coming out of audit work. There are also inconsistencies in skills across the organisation. In the future contractual relationships will become more complex and this brings challenges to the organisation.
- 4.2.3 The personalisation agenda means that often the services public money is procuring are not necessarily through a direct relationship between the supplier and the Council. Risks are not transferred out of the organisation, but the system of internal control needs to adapt and become increasingly flexible to ensure that the objectives of the agenda are achieved whilst the duty of care to the individual is met.
- 4.2.4 Where the Council commissions services from other organisations in the private, public or voluntary sector or from there is an increased reliance on the financial stability, or continuation of funding streams, of those organisations and their own processes to manage risks. The Council in many areas no longer retains the resources to provide services itself and for many services changing to an alternative supplier could cause significant impact on the continuity of service provision. As mentioned above management of contractual relationships and strong risk management skills particularly with regards quality of care and business continuity will be needed.

#### **4.3 Information Governance**

- 4.3.1 This risk area appears on the Corporate Risk Register and encompasses how manual and electronic data are protected as well as compliance to legislation relating to freedom of information and IT security. It was a key theme in the 2009/10 Annual Audit Report and also appeared as an issue on the Annual Governance Statement, where it will remain in 2010/11 for monitoring by the Officer Governance Group in 2011/12.

#### **4.4 Access to systems and Data**

- 4.4.1 This issue is linked to information governance above within some audits controls regarding appropriateness of access rights and lack of periodic reviews were noted. As the Council holds a wide variety of data in numerous forms controls must continue to be strengthened and consistency of application achieved across the organisation.

#### **4.5 Management Information**

- 4.5.1 Quality of data and resulting management information produced within the organisation has in previous years been a theme of audit reports. In some audits this year it has been noted that information needed by management to make decisions and manage risks can not be efficiently or effectively produced. Management Information is often not available, reliable or robust enough for manager to gain assurance and manage risks. Manager's are also not always identifying and using the information

that is available to them in a proactive manner. This finding is often as a result of systems not “talking” to each other, manual systems being open to human error or a lack of consideration about where reliable assurances could be sought. Significant effort to strengthen the availability of accurate management information has been made during the year and as the organisation continues to rationalise its systems and streamline its processes the improvements will continue.

#### **4.6 Resource Pressures & Loss of Knowledge and Experience**

4.6.1 The pressure on resources that has been experienced in 2010/11 resulting from having to maintain business as usual activity as well as participation in the various transformation work streams will continue into 2011/12. The requirement to make savings has meant that in many areas the reduction in resources has occurred as part of the transformation process. This means that the organisation has lost the knowledge and experience of officers before the transformed services are fully operational. Some risks are increased while the new structures and implemented, this will continue into 2011/12 and is a risk area that is being monitored as it can be mitigated by managed hand over processes.

#### **4.7 Conclusion**

4.7.1 The majority of the issues detailed above have been considered as part of the process to produce the 2010/11 Annual Governance Statement and have been identified as issues for monitoring by Senior Management. These issues have been considered during the Annual Audit Planning Process and will also be picked up within individual audits as applicable during 2011/12.

### **5. INTERNAL AUDIT QUALITY ASSURANCE**

#### **5.1 Peer Review**

5.1.1 Annually the audit service undertakes a self assessment against the CIPFA Code. This self assessment is then peer reviewed by a neighbouring borough and a report received. At the time of the 2010/11 review there were nine minor issues against 175 criteria for compliance.

#### **5.2 Liaison with Other Boroughs**

5.2.1 Periodic meetings with other East London Solutions Boroughs have taken place throughout 2010/11 to share good practice and investigate how the Council's can work together to identify and explore opportunities to decrease costs and increase efficiency.

5.2.2 The Internal Audit & Corporate Risk Manager, or an audit team member, also attends a London Audit Group, and other relevant training and networking events, to benefit from presentations and discussions on new emerging risk areas and again shares issues arising and best practice.

### **5.3 Delivery of Planned Audit Work**

- 5.3.1 89% of the 2010/11 Internal Audit Plan was delivered by 31<sup>st</sup> March 2011. The plan was flexible to accommodate the needs of management in a year of significant change. Three audits were deferred to the 2011/12 plan due to timing issues. The remainder of the plan was delivered in the first quarter of 2011/12.
- 5.3.2 The Audit Committee and Corporate Management Team receive performance reporting quarterly.

### **5.4 Feedback from Auditees**

- 5.4.1 Following every audit, the managers receiving the audit report was also sent a feedback survey form. 45 surveys were returned for 2010/11 audits. 99% of the feedback received rated the service satisfactory or above. All comments received from managers are reviewed monthly and fed into the team's one to one meetings and Personal Development and Performance Appraisal meetings.
- 5.4.2 A network of Audit Representatives exists across the Council; these officers are responsible for ensuring that strong relationships between the audit team and management exist. These officers provide feedback on the audit service and also on planned work and issues that are emerging in service areas that may require audit work in future.

**AUDIT COMMITTEE**

21 Audit 2011

<b>Subject Heading:</b>	Annual Governance Statement
<b>CMT Lead:</b>	Group Director Finance & Commerce
<b>Report Author and contact details:</b>	Vanessa Bateman – Internal Audit & Corporate Risk Manager Ext 3733
<b>Policy context:</b>	To present the Annual Governance Statement for approval.
<b>Financial summary:</b>	N/a

**The subject matter of this report deals with the following Council Objectives**

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

**SUMMARY**

This report updates the Committee on completion of the year end processes and the impact of this in the draft Annual Governance Statement (AGS).

**RECOMMENDATIONS**

To approve the final version of the 2010/11 Annual Governance Statement attached as Appendix 1.

**REPORT DETAIL**

1. In December a report was submitted updating the Committee on the Council's Corporate Governance arrangements and the work of the officer Governance Group during the year.
2. The Council's constitution delegates the responsibility for approving the Annual Governance Statement to the Audit Committee.
3. Since the December meeting the following actions have been taken:
  - a. Heads of Service have provided signed "mini" governance returns confirming that appropriate governance arrangements are in place across all services of the Council.
  - b. Members of management team's have reviewed these returns and then submitted a return for their portfolios, having regard to the overall position.
  - c. These returns have been reviewed to ensure that all relevant issues have been identified and included in the draft AGS.
  - d. The results of the 2010/11 audit work has been formally reviewed as part of the production of the Annual Audit Report and Head of Internal Audit Opinion to identify any additional potential issues for inclusion on the AGS.
  - e. An evidence file has been produced documenting the process and evidencing the assurances received.
  - f. The officer Governance Group have discussed the outcome of the above end of year actions and agreed the outcomes.
  - g. Senior Management have commented on the final version.
4. Of the four issues highlighted in the 2009/10 AGS, two, relating to Homes in Havering and Disaster Recovery, had been fully addressed at the end of March 2011, the remaining two, Data Quality and Management Information and Information Governance, were issues with wide reaching implications and although significant progress has been made in each area it is felt that the issues remain open.
5. Two new issues relating to Project Management and Contracts and Supply Chain Resilience have been included for 2010/11.
6. A final version of the AGS is attached as appendix 1. The approved AGS will be signed by the Leader and Chief Executive and will be available to support the Council's Annual Accounts when published.

## IMPLICATIONS AND RISKS

**Financial implications and risks:** There are no financial implications arising directly. The risk relating to incorporating new best practice guidance into current governance arrangements is an increased expectation from stakeholders that is not delivered through the actions of the Council. However this risk is unlikely as the Council is committed to openness and transparency. The risks of not reviewing our arrangements against best practice are the Council not being viewed as open and transparent and the External Auditor assessing Corporate Governance adversely. Failure to produce a robust AGS could result in the Council's accounts being qualified.

**Legal implications and risks:** None arising directly from this report.

**Human Resources implications and risks:** None arising directly from this report.

**Equalities implications and risks:** None arising directly from this report. Equality and Social Inclusion are key factors to consider in the Council's Governance arrangements and any changes to the Code of Governance or other related policies and procedures are assessed to ensure the impact is appropriately identified.

## BACKGROUND PAPERS

*Cipfa/Solace – “Delivering Good Governance in Local Government” and the 2009/10 Annual Governance Statement.*

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## **ANNUAL GOVERNANCE STATEMENT**

This statement, from the Leader and Chief Executive, provides assurance to all stakeholders that within the London Borough of Havering processes and systems have been established, which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to all citizens of the Borough.

### **Scope of responsibility**

The London Borough of Havering 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 London Borough of Havering also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The London Borough of Havering 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 sets out details of how the public and staff can expect the Council to be managed. Accountability, effectiveness, integrity, and openness are among the principles the code is based upon. The code also details how the Council conducts its business and how it relates to the community. This includes service delivery arrangements; structures and procedures; risk management and standards of conduct. The code is available on the Council's website and is within the Constitution of the Council. Other information on governance can also be found on the Council's website by following the link to council and then democracy / corporate governance. A copy of the code can be requested in other formats and languages or in paper copy from the Council's Communications Department.

This statement explains how London Borough of Havering has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

### **The purpose of the governance framework**

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

\* Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives

to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of 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 the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at London Borough of Havering for the year ended 31 March 2011 and up to the date of approval of this statement.

### **The governance framework**

The key elements of the systems and processes that comprise the Council's governance arrangements are described in more detail below.

### **Vision and purpose**

There is a 20 year vision for the London Borough of Havering. The 'Living Ambition' aims for the Borough to have the highest quality of life in London.

The Council's aspiration for Havering is that it should be a borough that thrives on its links to the heart of the Capital, without losing the natural environment, historic identity and local way of life that makes Havering unique.

The 'Living Ambition' agenda is being delivered by striving towards five goals which have been integrated into the Council's business planning processes:

- Goal for Environment: to ensure a clean, safe and green borough;
- Goal for Learning: to achieve excellence in education and learning;
- Goal for Towns and communities: to provide opportunities for all through economic, social and cultural activity;
- Goal for Individuals: to value and enhance the lives of every individual; and a
- Goal for Value: to deliver high customer satisfaction and a stable council tax.

The vision has not changed; however since it was launched in 2008 there have been significant changes in the resources available in local government and the relationship between public services and the local communities. These changes are far from complete and pose new Governance challenges for the Council. The Council's Goals, policies and procedures, as a result, will continue to be subject to review to ensure that roles and responsibilities and the Council's expectations in terms of governance continue to be robust and clearly communicated both internally and externally.

Underpinning the Vision are six Values, to which all officers are expected to work, in order to build a more effective organisation and deliver the fundamental purpose of the organisation – to serve local people and make Havering a place where its residents are proud to live. The Council's Values are a key driver in the development of the new competency based appraisal framework which will be rolled out as part of the Council's Transformation Agenda. The Values are:

- One Council
- Learning from experience
- Integrity
- You matter
- Can do
- Fair to all.

### **Performance Management**

The performance management framework has several functions:

- Focussing priority setting around needs along with the priorities of the Council and the public;
- Ensuring relevant, timely and accurate information is available to measure and monitor performance and on which to base decisions;
- Ensuring high quality public services which provide high levels of value for money.

Performance management is carried out at numerous levels of the organisation, from scrutiny by Members of the Quarterly Performance Report, to Directorate challenge, down to individual performance management as part of the PDPA process.

The Overview & Scrutiny Committees also consider the performance reports – along with those that they have independently commissioned – and carry out their own reviews.

The Council's Annual Report, which reports on performance against the objectives of the organisation, is published on the website and is also produced for distribution as hard copy on request.

The Council's strategy and guidelines on Performance Indicator data quality lay down clear guidelines to the effect that all performance indicators must be reported to the same robust standard; any performance data that is to be considered for publishing can be subject to either internal or external audit.

The Council's financial management approach has broadly been led through its Medium Term Financial Strategy, which has customarily been produced in the summer, ahead of the detailed budget process, setting out the approach to financial planning for the subsequent three financial years. In response to the Coalition Government's Emergency Budget, Cabinet agreed its medium term approach in July, with further minor refinements in February, following the announcement of the local

government financial settlement. These proposals were subject to review by Overview & Scrutiny Committees. It is now planned to hold a series of Star Chamber sessions to review further savings proposals within agreed savings targets for each Service area. These along with the results of market research into public opinion, the outcome of the resident's survey, studies of the needs in the Borough and the requirements of the Council's priorities go to define the objectives in Service Plans.

There are a number of strategies linked directly with the MTFs; this includes the Capital Strategy, the Corporate Asset Management Plan, the Risk Management Strategy, the ICT Strategy and the Workforce Planning Strategy.

### **Codes of Conduct**

The Council has Employee and Member Codes of Conduct supported by the requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade or who hold specific decision making and procurement positions. Officers are required to decline gifts and hospitality to ensure that they are not inappropriately influenced and Members are required to register any accepted as part of their declaration of interest. The Codes and related policies and procedures are communicated via induction sessions and are available via the intranet. Periodically awareness campaigns occur to remind individuals of their responsibilities. The relevant Corporate Management Team member is tasked with ensuring that appropriate arrangements are in place and the systems are reviewed at least every three years by internal audit.

### **Financial Rules and Regulations**

The Council has Financial and Contract Procedure Rules and Financial and Procurement Frameworks along with other policy and procedural documents in place to guide officers in their every day duties and ensure appropriate processes and controls are adhered to. Schemes of delegation are also in place to detail appropriate levels of responsibility. Compliance with the various financial rules and regulations is monitored by Management and considered during audits of systems and processes

### **Effective Audit Committee**

The Audit Committee operates in accordance with the relevant CIPFA guidance. Its effectiveness is reviewed annually and an annual report is produced for the Committee. The Committee's terms of reference, outlined in the Constitution, contain responsibilities relating to internal control, external audit, and internal audit. During 2010/11 six members sat on the Audit Committee representing the Conservative, Residents and Independent Rainham Groups of the Borough. The Audit Committee meets five times per year. The Committee has an annual work plan and training programme and reports on its performance to Council annually.

## **Compliance with laws, regulations and internal policies**

The Constitution sets out the legal framework for decision making and the publishing of those decisions. There is a scrutiny system in place to ensure that the work of the Council complies with all appropriate policies, laws and regulations. Overview and Scrutiny has the power to call in and challenge all decisions of Cabinet and individual Cabinet Members and key decisions of staff. Legal, Finance and Human Resources staff clear every Cabinet, Council and Committee report and every Cabinet Member decision, for compliance with laws, policies and regulations. The Statutory Officers also provide advice to Members at all appropriate times. Statutory appointments have been made for Adults and Children and a Cabinet Member for Children has been appointed.

Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice. Policies and procedures are reviewed at least annually.

## **Counter Fraud and Confidential Reporting**

The Council has a corporate strategy for the prevention and detection of fraud and corruption. The effectiveness of the arrangements in place is reviewed annually and results reported to the Audit Committee. Ad hoc promotion of the strategy takes place throughout the year as part of the fraud strategy action plan. Integral to these arrangements is the Confidential Reporting (also known as Whistle blowing) policy which is communicated to staff via induction, the intranet and ad hoc awareness initiatives. The effectiveness of arrangements are reviewed annually and reported to Audit Committee. The results of fraud investigations are publicised to further promote the arrangements in place, as appropriate.

The Council also participates in the National Fraud Initiative (NFI), a computerised data matching exercise, led by the Audit Commission, designed to detect fraud perpetrated on public bodies. Havering has been praised on their efforts with this exercise.

## **Complaints**

A Corporate Complaints procedure exists to ensure that all standard complaints are effectively recorded and dealt with in the same way. The procedure is supported by the relevant technologies to ensure efficiency and requires officers nominated as 'Complaint Owners' to respond within set timescales. The process includes an escalation procedure where target timescales are not achieved.

## **Training and Development**

The Council has a commitment that every member of staff has a review and annual appraisal to discuss performance, targets and personal development. It also has a commitment to provide a minimum of three days training. The Council provides a range of development opportunities for managers and staff to ensure they can deliver services effectively.

Training is provided to support the implementation of new systems, a variety of methods are applied to suit different individuals. In 2010/11 significant training was provided as part of the implementation of the Oracle system that supports the Internal Shared Service Centre.

The Council has attained the Member Development Charter. A development programme to keep them up to date with changes and support their individual training needs is provided. Training is supplemented by information through briefings and bulletins. Their training includes are tailored to their role.

### **Communication and Engagement**

The Council strives to identify and develop new effective mechanisms to communicate and consult with the community. The wide number of forums take place to consult with all members of the community, particularly targeting 'hard-to-reach' groups. This year the council was awarded 'Achieving' status in the Equality /framework for Local Government as external accreditation of our good equality and diversity practices as an employer and service provider.

The Council maintains a website to provide information and a point of contact to the residents of the Borough. The publication 'Living' goes out to all households on a quarterly basis, promoting the work of the council and local people in making Havering a good place to live.

An extensive consultation process is carried out as part of the development of the MTFs and detailed annual budget. Views are sought through various media and the budget itself is subject to scrutiny through Cabinet and Overview & Scrutiny, Committees.

This year the council also carried out its largest ever household survey, 'Your Council Your Say', which attracted 11,500 responses, and asked residents their top 5 priorities and top 5 areas for improvement. The results will inform the council's budget setting process and re-fresh of the Corporate Strategy 2011-14.

### **Partnerships**

The Havering Strategic Partnership is the main overarching strategic partnership for Havering, consisting of a number of public and voluntary sector partners. The HSP works to ensure the delivery of the Sustainable Community Strategy and its 'Living Ambition'.

In addition to the HSP, there are a number of partnership boards in place such as the Community Safety Partnership, shadow health and wellbeing board and the Children's Trust. There are also a number of other forums in existence in Havering including the Culture Forum, the older people's forum and many others.

A partnership toolkit was developed by the Council in 2009 to log and rank the partnerships to which resources are applied. The toolkit aims to promote a

consistent approach to partnership working across the organisation and provide guidance and support to officers regarding the Council's requirements regarding Governance issues.

### **Transformation**

A number of Transformation programmes are running within the organisation. The overall programme is monitored by the Corporate Management Team with the support of the Corporate Transformation Team. A Strategic Board exists for each programme. The Governance arrangements have been clearly defined for programmes and this is monitored for compliance. Soft audits are undertaken to verify benefits of the programme and outcomes.

### **Review of effectiveness**

The London Borough of Havering 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 Governance Group within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based:

### **Constitution**

The Monitoring Officer keeps the Constitution under continual review having delegated powers to make amendments arising from written reports, organisational changes, and legal requirements and to correct errors. Other amendments are considered by Governance Committee and Council. The entire Constitution was reviewed, and changes adopted in 2010/11.

### **Governance Group and Corporate Management Team**

The Council's officer governance group is charged with reviewing the governance arrangements and monitoring any actions designed to improve the framework. Close links exist between this group and the Corporate Management Team (CMT), consisting of the Chief Executive, the Assistant Chief Executive, who has responsibility for Legal & Democratic Services, and the Council's three Corporate Directors overseeing Finance & Commerce; Social Care & Learning and Culture & Community, who take an active interest in Governance issues.

## **Governance Committee**

The Council's Governance Committee, attended by the Leader of the Council and other Group Leaders, is charged with overseeing the organisation's governance arrangements. The role of monitoring the on-going work of the Officer Governance Group and responsibility for approving the Annual Governance Statement, previously undertaken by Governance Committee, was delegated to the Audit Committee during 2010/11, as the role links closely with other responsibilities relating to the system of internal control.

## **Audit Committees**

The Audit Committee are responsible for monitoring the work of Internal Audit regarding internal control. This monitoring is integral in the process to compile a robust Governance Statement. Significant Governance issues are escalated to the Governance Committee by the Chair of Audit Committee as required.

## **Standards Committee**

The Standards Committee is made up of nine councillors, other than the Leader and limited to only one Cabinet member, and three independent members i.e. individuals who have not been councillors or employees of the Council in the last five years or are a close relatives or friends of anyone who has. This Committee has a role in promoting and maintaining high standards of conduct by all members of the authority.

## **Overview and Scrutiny**

The overview and scrutiny function reviews decisions made by Members. The focus of their role is to provide a challenge and to support the development of policies. At their meetings they have the opportunity to consider performance information; using monthly Members packs and other relevant performance data.

In 2010/11 specific activities, for example the Dementia Strategy, were identified by overview and scrutiny and officers were asked to present performance and strategic information to task groups for discussion and challenge.

## **Internal Audit**

Internal Audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. In doing so Internal Audit supports the Group Director Finance and Commerce in his statutory role as Section 151 officer. Annually a Head of Internal Audit Opinion and annual report provide assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement.



## **Risk Management**

The responsibility for the system of internal control sits with management therefore each Head of Service is required to complete their own assessment and declaration with regards to the arrangements in place within their respective areas. These declarations have been considered when compiling this statement. The Council has embedded risk management processes and relevant policies and the strategy are reviewed and approved annually by Audit Committee. Service Risk Registers are maintained as part of business planning process and reviewed as part of the audit planning process. The Council has both a strategic and Operational Risk Management Group who identify and communicate issues for inclusion in the Corporate Risk Register, which is owned by the Corporate Management Team and reviewed bi-annually.

## **External Inspectors**

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently PriceWaterhouseCoopers (PwC), is reported to the Audit Committee. The Council's accounts are audited annually by the external auditor and an unqualified opinion was given for 2009/10 following similar opinions in previous years. The results of all external reviews have also been considered in the process of compiling this statement.

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

## **Significant governance issues**

The issues identified in the 2009/10 Annual Governance Statement have been monitored by management throughout the year with review periodically to challenge actions and progress by both Corporate Management Team and the Audit Committee. Of the four issues highlighted in the 2009/10 Annual Governance Statement, two, relating to Homes in Havering and Disaster Recovery, had been fully addressed at the end of March 2011, the remaining two were issues with wide reaching implications and although significant progress has been made in each area it is felt that the issues remain open. The remaining two issues are therefore detailed below along with the further planned actions to ensure that focus on these areas is maintained throughout 2011/12.

<b>Significant Issue</b> and action already taken	<b>Planned action</b>	<b>CMT Lead</b>
<p>1. Data Quality &amp; Management Information</p> <ul style="list-style-type: none"> <li>➤ Review of Performance Indicators reported to CMT and Members;</li> <li>➤ ICT Transformation programme work stream includes rationalisation of systems</li> <li>➤ Implementation of Oracle system as part of Internal Shared Service Programme.</li> <li>➤ Audit work to provide assurance.</li> </ul>	<p>Training on data quality for all officers compiling new PIs.</p> <p>Transformation programmes continue.</p>	<p>Group Director Finance &amp; Commerce</p> <p>Group Director Culture &amp; Community</p>
<p>2. Information Governance</p> <ul style="list-style-type: none"> <li>➤ Officer Governance Group monitored work of Information Governance Group during 2010/11.</li> <li>➤ Action plan in place.</li> <li>➤ Awareness campaign and training.</li> <li>➤ Project on document classification in progress.</li> <li>➤ Audit work completed 2010/11.</li> </ul>	<p>Groups will continue to progress action plan and monitor outcomes.</p> <p>Widen network of officers promoting this by linking with Risk Management Group.</p> <p>Audit work planned for 2011/12.</p>	<p>Group Director Finance &amp; Commerce.</p>

In addition to those issues carried forward from 2009/10 the procedures to review and monitor Governance Arrangements to date in 2010/11 have highlighted two further issues:

<b>Significant Issue</b> and action already taken	<b>Planned action</b>	<b>CMT Lead</b>
<p>3. Project Management</p> <ul style="list-style-type: none"> <li>➤ Policies and Procedures are in place.</li> <li>➤ Audit work completed.</li> <li>➤ Lessons learned exercises undertaken.</li> </ul>	<p>Risk Management awareness training for Officers.</p> <p>CMT to consider risk management paper which will determine how strengthened culture for managing risk can be achieved.</p>	<p>Group Director Finance &amp; Commerce</p>
<p>4. Contracts and Supply Chain Resilience</p> <ul style="list-style-type: none"> <li>➤ Policies and Procedures are in place.</li> <li>➤ Training is available to Officers.</li> <li>➤ Contracts register is held.</li> <li>➤ Review of contracts following objection to accounts.</li> </ul>	<p>See comments for 3.</p> <p>Audit work planned 2011/12.</p>	<p>Group Director Finance &amp; Commerce.</p>

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 next annual review.

**Signed:**

Leader of the Council .....

Chief Executive .....

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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