

Annual Governance Statement 2010 - 11

1. Scope of responsibility

- 1.1 Islington Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Additionally, the Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. 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*. A copy of the code is on our website and included in the Council's Constitution.
- 1.3 This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of Part 2 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self assessment" of the Council's performance across all of its activities and:
 - Describes the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible;
 - Describes processes applied in reviewing their effectiveness; and
 - Lists actions proposed to deal with significant governance issues identified

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that 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 Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework described in this document has been in place at Islington Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

3. The governance framework

This section describes the key elements of Islington Council's governance arrangements.

3.1 *Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users*

- 3.1.1 Despite its wealthy image, Islington is one of the poorest boroughs in England, with a massive divide between rich and poor. The central aim of the council's Administration is to make Islington a fairer place. This is defined as cutting the number of Islington people living in poverty and cutting the gap in outcomes between Islington's most affluent and the least affluent on the things that matter. An action plan for building a fairer Islington has been set out in the final report of the pioneering Islington Fairness Commission, which was published in June 2011.
- 3.1.2 The administration's key priorities are Housing, Crime and Social Justice with fairness, equality and child poverty as cross-cutting priorities for all outcome areas.
- The Community Strategy and Corporate Strategy are currently being updated in order to take into account the new administration's vision of a fairer Islington and specifically to help implement the recommendations of the Fairness Commission report. These recommendations extend to all organisations that provide services to the people of Islington in the public sector, community sector and private sector and the revised strategies will describe how the Council will work with the local community and its partners to realise the long term vision of a Fairer Islington.
- 3.1.3 These priorities and the intended outcomes will be communicated to citizens and service users in newsletters, on the Council's website (www.islington.gov.uk) and through a variety of other media. The Council also uses large print and translated documents to make the information as accessible as possible to all of its citizens and service users.
- 3.1.4 Progress on the achievement of the Fairness Commission's recommendations will be monitored by the Communities Review Committee.

3.2 *Measuring the quality of services for users, to ensure they are delivered in accordance with the authority's objectives and that they represent best use of resources*

- 3.2.1 The Council's robust management processes enable it to measure the quality of services provided to Islington's residents and service users:
- Service, financial and corporate planning processes ensure that the Council's objectives are based on service commitments and strategic priorities;
 - Directorates report monthly on their key financial, risk and service delivery indicators. Performance slippages are highlighted and remedial action taken;
 - The Council publishes an annual report that sets out sources of income and how spending supported the Council's vision. It also evaluates Council performance against national indicators. The report is reviewed by the Overview Committee; and
 - Members regularly evaluate the Council's performance in meeting its key priorities, including the cross cutting priorities of child poverty, equalities and fairness through quarterly reports and presentations at Overview Committee.
 - Performance scrutiny has been enhanced through the introduction of a rolling programme of annual reviews of performance within each Executive Member's portfolio in addition to the regular reporting of corporate performance.
 - A monitoring process to ensure the delivery of the £52m savings which the council is required to make in 2011-12 has also been instigated to manage this risk.

3.3 *Defining and documenting the roles and responsibilities of the Executive, Non-Executive, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication*

- 3.3.1 Islington Council's Constitution sets out how the Council operates, how decisions are made, how decisions remain efficient and transparent, and how the Council demonstrates its accountability to residents and local businesses.
- 3.3.2 The Constitution also sets out the roles and responsibilities of the Executive, Non-Executive, Scrutiny and officer functions. A Publicity Protocol governing Members' and Committees' communication is laid out in part 6 of the Constitution; compliance with this is supported by a specialist Communications Team.
- 3.3.3 The Constitution is updated at least annually. Key amendments made in 2010/11 included updating the Publicity Protocol to simplify it and to reflect changes in the Recommended Code of Practice on Local Authority Publicity and some changes to Planning terms of reference to manage workloads better. Changes agreed by the Council in March 2011 included the creation of ward partnerships led by councillors in place of Area Committees and establishment of a Voluntary and Community Sector Committee by the Executive (these two changes only coming into effect from May 2011).

3.4 *Developing, communicating and embedding codes of conduct; defining the standards of behaviour for Members and staff*

- 3.4.1 The Council expects the highest conduct and behaviour from all its Members and officers. Responsibility for promoting, developing and maintaining these high standards lies with the Standards Committee which includes five independent Members, sits quarterly and receives a report of performance against standards and ethics indicators. At a recent inspection, the Audit Commission was satisfied that the Committee "plays a proactive role in promoting high standards of ethical behaviour".
- 3.4.2 Part 6 of the Constitution contains the Members Code of Conduct which sets out the rules for registering interests; it also includes protocols on Member/Officer Relations, Financial Regulations and Procurement Rules, and the Members Call for Action.
- 3.4.3 Part 7 of the Constitution contains the Members' Allowances Scheme which includes details on Members' eligible expenses. The scheme is reviewed annually taking into account advice and recommendations of the London Council's Independent Remuneration Panel.
- 3.4.4 The Officer Code of Conduct has been reviewed, revised and publicised to staff. In addition, separate guidance on politically restricted posts has been issued and the need for political neutrality in the work of non-restricted posts reiterated. Code of Conduct Handbooks which set out the expected standards of behaviour and conduct are distributed to both officers and elected Members.

3.5 *Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and procedural notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks*

- 3.5.1 Decision making arrangements are set out in the Constitution. 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 limited powers delegated to individual portfolio holders are set out in the Constitution as is the process should the Leader decide to exercise any executive powers personally. 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, call-in and question time. The conduct of the Council's business is governed by the Constitution.

- 3.5.2 The Constitution includes formal delegation of responsibility and accountability, procurement rules and the Council's Financial Regulations. The Monitoring Officer and Section 151 Officer have overall responsibility for ensuring standing orders, standing financial instructions, the scheme of delegation and supporting material are up to date and clearly communicated.
- 3.5.3 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. The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery. The scrutiny function supports effective decision making and policy development by the Executive. The Overview and Review Committees are responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of poor 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 Overview and Review Committees are the scrutiny bodies responsible for monitoring the performance of the Council and its partners in relation to their stated policy and priorities.
- 3.5.4 All formal meetings are clerked by well trained and experienced Democratic Services Officers and lawyers are present when appropriate to provide advice on law and constitutional procedure. Members are required to make sound decisions based on written reports which are prepared in accordance with the Council's report writing guidelines and have to be cleared by relevant officers including Finance and Legal Services and by portfolio holders. Reports must pay due regard to equalities and environmental issues, together with financial and legal implications and risks. Joint Board (an officer and Executive member group) meets about a month before each Executive and has included on its agenda all items planned for the next Executive meeting. Not all items are proactively briefed on but they are available for members to ask questions about.
- 3.5.5 The Council's risk management arrangements are set out in its corporate risk strategy. The corporate risk register is presented to the Executive and the Overview Committee on a quarterly basis where it is reviewed and used to inform decision making. Departmental risk champions maintain the departmental risk registers, which are reviewed regularly at Departmental Management Team (DMT) meetings. The operational risk group considers cross-cutting risk.
- 3.5.6 A recent internal audit review found that the risk management arrangements in place in 2009/10 were not of a sufficient maturity to enable the Council to achieve the benefits that effective risk management can bring. Recommendations have been implemented by management that will, with concerted effort and clear direction, enable the Council to strengthen these risk management arrangements.
- 3.5.7 Business/service continuity plans for all critical service areas have been strengthened following a 2009/10 Internal Audit review which made recommendations to ensure best practice was consistently applied across all Directorates.

3.6 *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities*

- 3.6.1 The Audit Committee and its associated Sub-Committees exist to deal with a range of matters including Council accounts and audit functions and personnel and electoral registration functions.
- 3.6.2 The regular training of the Audit Committee's members helps ensure the Committee is able to effectively discharge its responsibilities.

3.7 *Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful*

- 3.7.1 Chief Officers are responsible for ensuring that their staff operate lawfully and that human resources policies and the Code of Employee Conduct promote high standards of behaviour and are reinforced by appropriate training. As well as providing support on request on specific projects and issues, the Council's Legal Service provides proactive updates, training and advice to all Chief Officers and Members on new legislation and case law developments and changes to existing legislation and regulations. Legal Services explain the legal implications in all reports to the Council, its Committees and the Executive. A representative of the Service attends all Council, Executive, Overview, Planning and Licensing meetings and other meetings when appropriate.
- 3.7.2 The Internal Audit function produces an annual plan which identifies key strategic and operational risks facing the Council and sets out a programme of work designed to provide assurance to the Section 151 Officer, Management and Members that the Council complies with relevant laws, regulations, internal policies and procedures. All internal and external audit reports are available to the Audit Committee.
- 3.7.3 Islington Council's Anti-Fraud Policy was reviewed and updated in 2009 to reflect changes in fraud legislation and was approved by the Audit Committee. The Council investigates reported or suspected fraud, and participates in the National Fraud Initiative. In 2009 the Council also drafted an anti-fraud handbook for managers based on the Policy. The Council's whistle blowing policy provides a mechanism for suspected breaches of law, procedure or policy to be confidentially reported.
- 3.7.4 A Corporate Governance Group also meets every two months to discuss and monitor compliance with corporate systems of internal control and governance issues. The group includes the Corporate Director of Finance, (the Section 151 Officer) the Corporate Director of Resources (the Council's Monitoring Officer), the Director of Financial Governance and Transformation, the Director of Legal and HR Services, the Head of Internal Audit and the Director of Strategy and Partnerships.

3.8 *Whistle blowing and receiving and investigating complaints from the public*

- 3.8.1 The Council has established a whistle blowing policy in accordance with the requirements of the 1998 Public Interest Disclosure Act. This forms part of the Council's Anti-Fraud Policy. The Audit Committee is responsible for reviewing and updating the whistle blowing policy and the Standards Committee is also consulted on any review of it. A new policy was launched in January 2009 and the Standards Committee recently reviewed the policy and its use over the past year.
- 3.8.2 The whistle blowing policy is publicised to staff via the corporate induction process, internal newsletters and on the Council's intranet and internet sites. At the time of the launch of the new policy it was also publicised to staff in IC News. A recent audit report has indicated that a further programme of publicity about the whistle blowing policy should take place to raise levels of awareness of it. The policy encourages officers to report inappropriate action by fellow employees or Members, also by external contractors, without fear of victimisation or retribution. Whistle blowing referrals are promptly investigated by Internal Audit, where appropriate, after initial referral to the Corporate Director of Resources.
- 3.8.3 Islington Council has a formal process for managing complaints which has recently been reviewed and streamlined, with a view to "getting it right first time". The process is set out on the Council website and is available from Council offices and libraries.
- 3.8.4 The Council has a corporate complaints officer responsible for ensuring that the Council learns from complaints and improves its performance as a result. Departmental complaints officers record and report on all complaints, and the service response is monitored.

3.8.5 Complainants who are dissatisfied with how the Council has dealt with a complaint can contact the Local Government Ombudsman; an independent, impartial and free service. The Ombudsman has powers to independently investigate complaints about how the Council has acted.

3.9 *Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training*

3.9.1 Islington Council is committed to the ongoing professional development of Members and officers. Upon election, all Members are given a corporate induction and offered access to an ongoing training and mentoring programme. All training provided to Members is reported to the Standards Committee annually.

3.9.2 The Standards Committee approved the latest Member training and development programme in February 2010. This programme includes sessions on:

- Council activities and service areas;
- Support functions at the Council, for example Finance;
- Committee responsibilities;
- Ethical standards and the Code of Conduct; and
- Information Technology

The Standards Committee adopted a member Development Strategy in October 2010.

3.9.3 The Audit Commission have commented that “Councillors are well supported through the provision of specific training to help them with their work”. The Council achieved accreditation with the London Member Development Charter in January 2011.

3.9.4 There is an annual performance appraisal scheme for officers, which links targets to service objectives, underpinning the Council’s vision. In addition, an Audit Commission review concluded that Islington staff received regular feedback on their performance. Through these processes, officers are able to identify their development needs, which are logged on individual development plans that they are encouraged to maintain. The scheme is currently being reviewed by the council’s People Board and the electronic system which supports the process is being upgraded to improve its ease of use and functionality.

3.9.5 Newly employed officers attend the Council’s corporate induction programme, after which directorate and role specific training is provided where needed. Information on staff training and development programmes and courses available are regularly publicised on the Council’s intranet website which includes an induction training course for all new Islington staff and managers

3.9.6 The Executive and the Corporate Management Board have a number of ‘away days’ each year that help them to improve their performance collectively through ideas sharing and looking at improved ways of working.

3.10 *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*

3.10.1 Our Consultation, Involvement and Engagement Strategy 2008-11 sets out our commitment to engage with Islington residents and service users more effectively and imaginatively in the future.

3.10.2 The Council regularly engages and consults with residents and the wider community on a diverse range of issues. It uses various communication channels such as Islington Life (the council magazine), public meetings and the council’s website. A recent example was the introduction of 20mph zones across the borough in 2010/11 following consultation with residents throughout the borough.

3.10.3 Council meetings are open to the public; however exceptions are made for matters that require confidentiality. The time, date and location of public meetings are displayed on the Islington website.

3.11 *Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report Governing Partnerships: Bridging the Accountability Gap, and reflecting these in the Council's overall governance arrangements*

3.11.1 The Council works in partnership with a wide range of partners from the statutory sector, third sector and business to deliver services for local people and drive forward improvements in Islington. Partnership working includes different types of relationships – from contractual arrangements between the Council and other organisations to deliver services or projects through to strategic forums (some of which are required by statute, others voluntary) which bring partners together around the table to agree how best to tackle key challenges and shared priorities. Some have funding to allocate and targets to meet, others provide a steer to inform individual partners' priorities and commissioning.

3.11.2 The governance arrangements vary depending on the nature of partnership working but are designed to ensure that the partnership remains appropriate, effective and fit for purpose. In addition, the Council's Financial Regulations provide guidance on best practice in managing partnership arrangements

3.11.3 Where the relationship is a contractual one i.e. funding to deliver an agreed service, the contract or service level agreement will set out requirements around use of funding, what is to be delivered, targets, measurable outputs and how the contract is to be monitored, reviewed and evaluated. Contracts and budgets are managed by the relevant department with the Corporate Director having overall responsibility.

3.11.4 Where the relationship is a strategic one, for instance membership of a partnership such as the Safer Islington Partnership or the Islington Strategic Partnership, the Terms of Reference will set out governance and accountability.

3.11.5 Generally speaking, most partnerships and forums are not legal entities - partners are there on a voluntary basis and the Council is the formal accountable body in terms of any targets or funding that falls within the remit of the partnership.

3.11.6 Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership, there will be an expectation set out in legislation on named partners to attend. Even in the case of non-mandatory partnerships such as the Children's Trust Board or the Islington Strategic Partnership (and its successor, the Islington Partnership Board) partners may agree 'mandatory' membership from key organisations.

3.11.7 Over the past decade, the Council has worked closely with its partners through the Islington Strategic Partnership (ISP) to allocate funding to deliver priorities and targets agreed with government. In 2010 the ISP reviewed its role and purpose in the light of the changing political and economic context, the abolition of local area agreements, and the loss of funding for the partnership. It agreed the need for a slimmed down partnership which focused on best use of core statutory sector budgets, with no direct commissioning role. The new Islington Partnership Board, like the ISP, is a voluntary forum, with partners reporting back to their own organisations, There is no direct funding for commissioning but

decisions on core funding, such as pooling to budgets for shared services, would be cleared through individual organisations.

4. Review of Effectiveness

4.1 Islington Council has a responsibility to review the effectiveness of its governance framework at least once a year. This includes an analysis of the system of internal control. The review of effectiveness is informed by the work of the executive managers 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.

4.2 The Annual Governance Statement has adopted the six core principles of good governance as recommended by CIPFA/SOLACE. A number of Council and external agency's policies, re The Council has a number of mechanisms in place to ensure that its partnership governance arrangements are appropriate, fit for purpose and effective.

4.3 The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework are set out below:

The Authority

Part three of the Council's Constitution sets out which bodies or officers are responsible for which functions, whether Executive or Non-Executive. The terms of reference of bodies referred to in this Constitution are set out in part 5 of the Constitution. These include specific responsibilities for ensuring the Council has effective governance arrangements in place. The Authority's functions may lawfully be exercised by:

- Council
- The Executive
- The Leader
- Individual members of the Executive
- Individual Ward Members (although not currently in Islington as the Council has not decided to delegate any such powers)
- Committees and Sub-Committees of the Council or the Executive
- Joint Committees
- Officers
- Other persons properly authorised under specific legislation

4.2.1 Internal Audit has evaluated the Council's governance arrangements and concluded that the Council is compliant with CIPFA/SOLACE Governance Framework (2007).

4.3 The Executive

4.3.1 The Executive is made up of the Leader of the Council and seven Executive members. The Executive is responsible for the Council's most significant decisions, which are made in line with Council policy and budget. Its terms of reference are clearly defined in Parts 3 and 5 of the Constitution.

4.3.2 The Executive also has an important role in the risk management process, reviewing the corporate risk register on a quarterly basis. Executive agendas, minutes and summaries of decisions are available on the Council website.

4.4 Audit Committee

4.4.1 The Audit Committee's terms of reference are set out in Part 5 of the Constitution and are in accordance with recommendations from CIPFA. Its key responsibilities include approval

of the annual Internal Audit work plan, review and approval of the annual Statement of Accounts and monitoring the effectiveness of the Council's corporate governance activities.

- 4.4.2 The Committee meets on a quarterly basis. Since its inception in November 2008 it continues to review and report on the Council's auditing processes, with particular regard for performance, value for money, and governance issues. The Committee includes two independent members.

4.5 Overview and Review Committees

- 4.5.1 The Overview and Review Committees enable Councillors to develop policy and to scrutinise the performance of the council and decisions made by the Executive.
- 4.5.2 The Overview Committee reviews the Council's education functions, makes policy recommendations and monitors the performance of the Council's services and achievement of outcomes. It also co-ordinates the work of the three review committees, which are Health & Well-being, Regeneration & Employment and Communities. The responsibilities of the Overview Committee are set out in parts 2 and 5 of the Constitution.
- 4.5.3 The Overview Committee is initially responsible for all Councillor Calls for Action. The Communities Review Committee is the Council's Crime and Disorder Committee. This includes anti-social behaviour or other behaviour adversely affecting the local environment and complaints about substance

4.6 The Standards Committee

- 4.6.1 The Standards Committee is responsible for advising the Council on Members' conduct. It is also responsible for monitoring compliance with the Code of Conduct and delivering training to support it. The Committee addresses complaints about member conduct referred by the Monitoring Officer or the Standards Board for England (in accordance with the Local Government Act 2000).
- 4.6.2 The Committee has five independent (non-partisan) Members and one representative from each of the main political parties. It is chaired by an independent member.
- 4.6.3 Compliance with the Freedom of Information Act is reported to the Standards Committee. A recent Internal Audit review placed 'substantial assurance' on the processes in place.

4.7 Internal Audit

- 4.7.1 The Internal Audit plan is developed using a risk-based approach. Internal Audit provide reports on the control of key potential risks identified from risk registers and reports and also comments on operational risks found in services which could impact on the achievement of business objectives. Audit's controls assurance opinion is further informed through a "Service Assurance Statement" process which was introduced by Internal Audit in 2009/10. This involves an ongoing self assessment within the year by Corporate Directors of the extent to which their services comply with expected controls and processes operating across their Service Directorates. The outputs from the completed self assessments are mapped against both Internal Audit's independent assessment of the internal control environment and the departmental risk registers. This assurance process provides the Council with greater controls assurance to support and embed a more robust governance framework. Audit's assessment derived from this work for the 2010/11 year is that services' governance and internal control arrangements are good overall and very good in certain areas.
- 4.7.2 Section 6.3 (Part 2) of The Accounts and Audit Regulations 2011 requires that relevant bodies conduct, at least once in each year, a review of the effectiveness of its internal audit and the findings of the review must be considered, as part of the consideration of the system of internal control referred to in the regulations by the body or relevant committee of the body.
- 4.7.3 The review for 2010/11 comprised the following elements:

- A self assessment of internal audit's performance evaluating compliance with best practice set out in the current CIPFA Code of Practice for Internal Audit;
- A review of feedback from audit customer surveys received from completed 2010 /11 audit projects;
- Comments in an annual survey on the overall performance of the outsourced element of the service, completed by the Corporate Director of Finance;

4.7.4 The review concluded that the internal audit service continues to be effective, complies with the CIPFA Code of Conduct for Internal Audit, and provides the necessary skills and expertise to deliver a cost effective, value added, service to the Council, its partners and stakeholders.

4.7.5 Key Improvements for the future and overall performance of the service in 2010 identified as a result of the 2010/11 effectiveness service review include:-

- Continuing with and developing the new approach to delivery of the audit service with an emphasis on continuous auditing of the Council's key financial controls and systems, providing more timely reporting and assurance to Management on the internal control and governance environment;
- Extending use of the "Oversight" analytical tool targeting exception data transactions across Council systems, enabling a more focused use of audit resources on high risk areas
- Adopting and implementing the five core principles in the 2010 CIPFA Head of Internal Audit Roles and Responsibilities Best Practice Statement, in order to further promote the added value which audit can bring to the council by acting as the council's champion on risk management, governance and internal control.
- Key Performance Indicators used to demonstrate the effectiveness of the internal audit function in 2010/11 showed that internal audit continues to meet or exceed CIPFA recommended targets for delivering the audit plan, maintaining staff productivity targets, and implementation of agreed audit recommendations.
- Audit Quality Surveys received following each completed audit project revealed that all surveys showed good or very good satisfaction with the audit service provided. The format of the audit survey is being redesigned to better capture customer comments on additional areas where audit could add value to service's business operations.
- The format of internal audit reports has been improved and they now include a mechanism to allow more targeted tracking and reporting to Audit committee on the status and timescale of recommendations agreed by management.
- Key messages arising from Internal Audit's work in the 2010/11 year regarding areas where the Council's controls and Governance need to be strengthened are included in sections 5.1, 5.2 and 5.3 below. More details of these issues are reported separately in Internal Audit's Annual Report 2010/11 end of year report to the June 2011 Audit committee.

5. Significant Governance Issues during 2010/11

5.1 A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) which has identified what may be considered generally as a significant issue. These include:

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The audit committee, or equivalent, has advised that it should be considered significant for this purpose; or

- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

5.1.2 The Internal Audit Annual Report 2010-11 has concluded that there has been an overall improvement in the Council's system of governance, risk and control. There are a few areas where further improvement is needed. These include:

- Continued focus and resource in order to implement further enhancements in two areas identified in prior year's AGS- risk management and contract management. See section 5.2 for further details of progress made in addressing prior year's issues.
- Ensuring that routine key controls are maintained including adherence to controls relating to segregation of duties, adherence to delegated authority limits and evidence of review of reconciliations. Work on the key financials systems including results from transaction monitoring using 'Oversight' has highlighted some instances of non-compliance in these areas. With the current focus on streamlining services and reducing costs and in some cases resources, the ability to ensure that processes remain in place to monitor the effectiveness of well established core controls is important, if the Council is to avoid deterioration in the overall control environment.

Improving cross-council project and programme governance controls. During the year the Council has issued a revised programme management methodology and has published supporting templates. However, reviews of some cross departmental projects have highlighted the need to have clearly established protocols for cross departmental reporting lines to escalating and signing off issues on these cross cutting projects.

5.2 Progress in issues arising from last year's (2009/10) AGS and action agreed

5.2.1 *Embedding of risk management:*

Good progress has made developing risk management since 2009/10. This has been supported by the recommendations from the internal audit review of risk management in June 2010. The council approved a new risk strategy in September 2010 that established six clear objectives.

1. Embedding risk management into the council's corporate and service planning processes;
2. Ensuring the council successfully manages risks and opportunities at a corporate, operational, programme, project and partnership level
3. Improving the co-ordination of risk management activity across the Council;
4. Ensuring that Corporate Governance Group, Audit Committee and external regulators can obtain necessary assurance that the council has implemented effective risk management, thus demonstrating good corporate governance;
5. Improving the communication of the Council's approach to risk management to stakeholders; and
6. Ensuring that all parties understand their roles and responsibilities in relation to Risk Management.

The 2011 follow up audit into risk management has found that implementation of the 2010 audit recommendations are either implemented or on track as planned. While good progress has been made, there is still some way to go to better embed risk management in the council, however the implementation of the strategy that will address this is on track.

5.2.2 *Partnership governance arrangements:*

The Council is continuing to make good progress in this area and has on going action plans in place to ensure success. The External Auditor reported on their follow up review on this area in the 2009/10 Annual Audit letter that:

"The Council works well with Partners to deliver improved outcomes for local people and has adequate governance arrangements in place that set out how decisions are made, reported and reviewed."

5.2.3 *Financial Reporting:*

The external auditor, in his Annual Governance Report 2009/10 reported that the financial statements were provided for audit by the deadline and were materially correct. There were only minor issues raised by the auditor, which have been taken forward, and the Annual Governance Report was the best yet issued to the council.

5.2.4 *Health Inequalities:*

The council has taken appropriate action to implement the recommendations previously made by external audit. The external auditor commented in the 2009/10 Annual Letter following up on this work that: -

“ Good progress has been made to implement our recommendations. This includes the Tackling Health Inequalities in Islington Strategy being agreed, strengthened arrangements for monitoring and managing performance, membership of the Health & Wellbeing Board expanded and Health & Wellbeing Review Committee being established.”

It was further recommended that a community engagement framework for the ISP and a joint community plan be developed, to ensure resources are used effectively in reaching all users.

5.2.5 *Community Safety Arrangements:*

The Council has taken action to address the prior year high priority recommendations made by the Audit Commission for delivery of community safety outcomes. The external auditor commented in their 2009/10 Annual Audit Letter that :-

“sound progress has been made including improving communication with staff and (the council) have also carried out independent assessments of projects which now include specific measures and outcomes”

5.2.6 *Review of Data Management:*

Comments on the updated position on this are included in the table below.

5.3 *The Council has agreed to implement recommendations made in the 2009/10 Audit Commission’s Annual Governance Report and Annual Letter Key governance issues arising are highlighted below, with the Council’s agreed action plans for further improvements .These improvements will serve to demonstrate transparency in the Council’s actions and will provide assurances to stakeholders that we are committed to further improving our governance arrangements.*

Area	Issue	Responsible officer and target date
Strengthening Contract Management arrangements	The Council has raised the profile of contract management, discussing its importance at all levels of the organisation. It has published strengthened guidance on contract management, and has introduced training for managers on how to manage contracts effectively. All areas previously identified as requiring better contract arrangements have now been addressed. The Council has also commenced an ongoing programme of detailed forensic reviews of its key contracts. To date these reviews have identified a mixture of contracts that are well managed, and contracts where opportunity exists for renegotiating terms with suppliers. Notable renegotiation successes to date include a reduction in contracted spend on printing of £900,000 and a council wide 'single voice' review of spend with one contractor who supplies several different systems has led to negotiated savings of £975,000.	Director, Financial Governance & Transformation March 2011
Continue to improve quality of data throughout the Council and integrate it into the partnership planning process	To further improve the Council's data quality management processes, a data quality action plan is being refreshed and further training is being rolled out. New corporate standards for data security have been put in place. The Data Strategy Group has been succeeded by a new Strategic Needs Assessment Group (SNAG) whose terms of reference include improvements in sharing, analysis and use of information. The above measures will also be applied to partnership processes, to systematically ensure that data quality issues are being put in place. Data mapping undertaken in 2008 also needs to be better utilised.	Director of Strategy & Partnerships March 2011
Ensure Risk Registers are Complete and risks are managed locally	This relates to a recommendation from 2008/09 and paragraph 5.2.1 sets out the current progress on risk management.	Director, Financial Management March 2012
Identifying outcomes for citizens and service users – Islington's vision	We are making good progress working closely with residents to improve our services and will be taking forward issues identified in the 2009 OA report to further improve services to Islington residents and stakeholders. For example, to address the challenges remaining in reducing the number of children and young people entering the youth justice system and the impact that a few individuals, responsible for a disproportionate number of crimes, are still having on the community; and to improve the proportion of people who feel they can influence local decisions to above the London and national averages.	Director of Strategy & Partnerships March 2011
Financial Reporting	The only significant issue concerning financial reporting for 2010/11 is the full implementation of International Financial Reporting Standards (IFRS). Progress on the implementation plan has been closely monitored by management and regular progress reports have been provided to the Audit Committee. The council is on track for the successful implementation of IFRS for the 2010/11 financial statements.	Director, Financial Management June 2012

5.4 Over the coming year, the Council will address the matters discussed in this report. We are satisfied that our plan of action will deliver improvements where needed and ensure effective governance arrangements. Our success will be evaluated at the next annual review.

Signed by:

Leader

Date

Signed by:

Chief Executive

Date