HERTSMERE

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2011/12

This Annual Governance Statement covers the 2011/12 financial year and up to the date of the approval of the audited accounts.

SCOPE OF RESPONSIBILITY

1.   Hertsmere Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

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

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

4.   This Governance Statement explains how the Council has maintained sound governance during the financial year 2011/12 and also how the Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5.   The governance framework, which has been in place for the financial year 2011/12, comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.

6.   The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

7.   The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.

8.   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 to manage them efficiently, effectively and economically.

THE GOVERNANCE FRAMEWORK

9.   The diagram below shows how the Council's plans and strategies link together. The model recognises the external influence of the Community Strategy as well as internal business planning processes:-
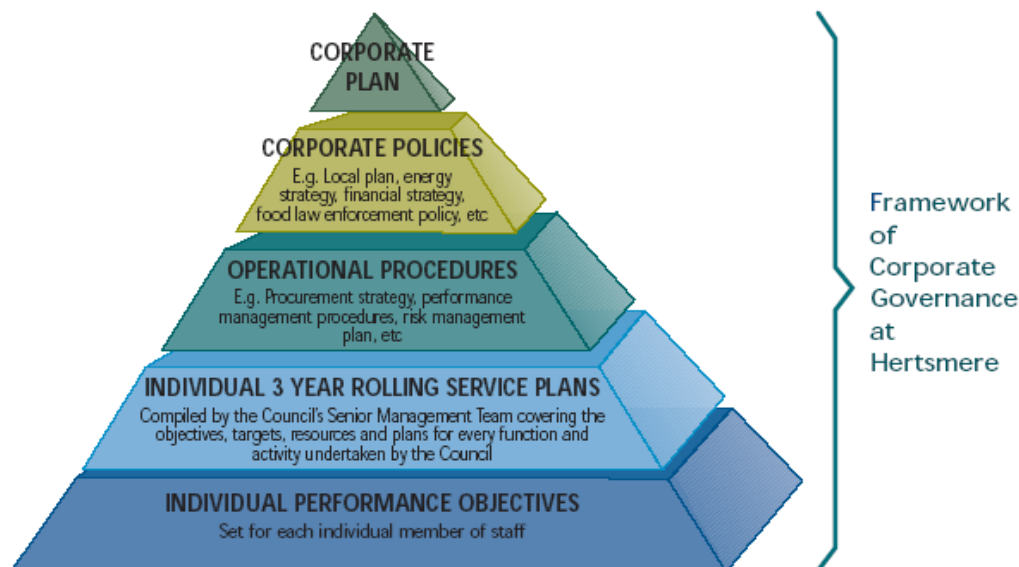
10. The key elements of the systems and processes that comprise the Council's governance arrangements include:

General

11. The Council has adopted the Leader and Cabinet style of political management under the Local Government Act 2000 and has a comprehensive Constitution to govern its actions and decision-making.

12. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's Website and Intranet.

13. The Council has an approved Local Code of Governance, which sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's Website and Intranet.

14. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.

15. The Chief Officers' Board and the Senior Management Team are aware of the financial and other procedures and controls outlined in the Constitution, and each Director and each Head of Service is required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

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

16. The Council and its partner agencies in the Local Strategic Partnership (LSP) Hertsmere Together have prepared a refreshed Sustainable Community Strategy which is underpinned by the Council's Corporate Plan. The Community Strategy 2010-2021 was launched at the LSP in March 2010 and adopted by the Council in April 2010.

17. The Community Strategy and Corporate Plan ensure that the Council's strategic plans, priorities and targets are robustly developed in consultation with local communities and other key stakeholders.

18. The Corporate Plan 2009-2013 was approved in November 2009 and it sets out clear and robust objectives for the Council that show what the Council is doing, and how this relates to the local community's needs.

19. The existing Corporate Plan goals are closely allied to the strategic objectives in the Community Strategy to ensure an integrated approach to delivering services that meet community needs:

Local Strategic Partnership "Community Strategy" Strategic Objectives	Hertsmere Borough Council Corporate Plan Goals
Feeling and Being Safe Create a safer environment and increase feelings of safety	Safer Communities Contribute to reducing crime levels, combat anti-social behaviour and improve people's feelings of safety
Health and Wellbeing Promote and provide opportunities for healthier lifestyles and improve the quality of life for older people Children and young people Deliver and promote quality activities for young people	Healthy Thriving Communities Improve the health and wellbeing of our communities through the promotion of healthy living initiatives and leisure, sport and cultural opportunities for everyone
Prosperity and the economy Combat poverty and narrow the gap	Economic Wellbeing Encourage and support activities and opportunities that strengthen the local economy and deliver economic wellbeing to our communities
Where we live Create better living conditions for Hertsmere residents	Decent Homes Improve the quality of housing, promote a balanced housing market and tackle homelessness
	Quality Environments Protect and enhance both the natural and the built environments to ensure clean, green and sustainable places for our residents

Reviewing the Council's vision and its implications for the Council's governance arrangements

20. The Council's Corporate Plan has been subject to ongoing review, particularly in the light of the results of two surveys (the Place Survey and the Residents' Survey), which have provided significant information from service users and residents to input to the re-assessment of priorities and targets. The fully revised Corporate Plan was presented to the Council in November 2009.

21. The Corporate Plan will always form part of the Council's governance arrangements as, together with the Community Strategy, they fully encompass Council and community priorities for the Borough and they are used to inform other key documents such as the Council's Medium Term Financial Strategy.

22. The Council publishes an Annual Report, which show its activities, achievements, financial position, and performance, and its plans to maintain and improve service delivery.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources

23. The Corporate Plan provides the benchmarks for performance within the Council, and the Annual Report records the achievements against the Plan. The Council allocates resources based on its priorities, as set out in the Plan as well as in other documents, eg the Housing and Waste Strategies as well as the Communications Strategy and Residents' Survey.

24. The Council has made proper arrangements for monitoring and reporting performance through the Executive Performance Management Panel, and has sound systems to provide management and financial information. Where performance does not meet the planned levels, the Panel requests that a remedial action plan is produced and monitors progress with the improvement work.

25. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (ie Comments, Compliments or Complaints).The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the Website.

26. The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidance in this.

27. The Council has entered into a number of shared service initiatives, eg with Hertfordshire County Council, Stevenage Borough Council, Broxbourne Borough Council, and Welwyn Hatfield Borough Council as well as the Hertfordshire Constabulary. As part of one such initiative, Welwyn Hatfield Borough Council's Procurement Manager spends approximately two days per week at Hertsmere.

Defining and determining the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

28. The Council's Constitution sets out the roles and responsibilities of both Members and officers. It also commits the Council to provide clear leadership to the community in

partnership with others. It aims to enhance the involvement of citizens in decision-making and make the decision-making process efficient, effective and transparent and those involved in it accountable.

29.   There are regular meetings of the Council, the Executive, the Management Board, the Chief Officers' Board and the Management Team.

30.   In addition, there are regular meetings of the following Committees:

Planning, Audit, Environment Scrutiny, Licensing, Overview & Performance, Personnel, Resources Scrutiny & Standards

Each having clear terms of reference of the business they respectively conduct.

31.   There is a realistic level of delegation in place, which permits the Council's business to be conducted as effectively as possible.

32.   The Council's Forward Plan and Publication of Decision List provides the Overview and Scrutiny Committees with proposed and recently made executive decisions, which have been used to determine items for scrutiny. The Council's Forward Plan provides the Overview and Scrutiny Committees with information on proposed key decisions, which is used to determine items for scrutiny.

33.   In addition the Council has created a list of policies and strategies, identifying the responsible officer and when the policy is due for review. This document is used by councillors wishing to raise items on the scrutiny agenda.

34.   The Constitution includes roles and responsibilities of the three statutory officers, and the Chief Officers, as well as Proper Officer Functions. In addition each Head of Service has an up to date Scheme of Delegation which is reviewed annually. Roles and responsibilities of officers are further defined in the job descriptions for each post.

35.   The Constitution also provides a protocol for Member Officer relations and Codes of Conduct, which define the standard of behaviour that the Council requires of both Members and officers. These also ensure that Members and officers are not influenced by prejudice, bias or conflict of interest in their work.

Developing, communicating and embedding Codes of Conduct, defining the standards of behaviour for Members and officers

36.   The Council's Constitution sets out:

- Code of Conduct for Members – this includes General Provisions, Interests and the Register of Members' Interests. The Register entries are renewed when Members are elected or re-elected and Members are regularly advised to keep their entries accurate and up to date. The Register is subject to review by both Management and Internal Audit. Members are also required to declare any interests prior to all meetings.

- Local Code of Guidance for Members and Officers involved in Planning Matters – this includes conduct of Members and officers, Procedures for Committees considering Planning Matters, Site Visits by Members and by the Planning Control Committee

- Officers' Code of Conduct – this includes Duties, Disclosure of Information, Political Neutrality, Outside Commitments, Personal Interests, Interests of Officers in Contracts, Gifts and Hospitality, Appointment and other employment matters, Use of Financial Resources and Disciplinary Rules. Officers are regularly reminded to record any offers of gifts and hospitality.

- Protocol on Member Officer Relations – this includes the Principles underlying Member Officer Relations, the roles of Members and Officers, the relationships between the Mayor and officers, the Leader and Members of the Cabinet and officers, the Chairmen and Members of Committees and officers, Officer relationships with Party Groups, etc.

37. Copies of the Council's Constitution are available to all on the Council's Website and at Council Offices (including the Members' Room), libraries and other appropriate locations.

38. In addition, Induction Training is provided to all newly elected Members and new employees and the Council is working towards the Elected Members' Development Charter.

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

39. The Constitution and the decision-making structures (both Members and officers) are regularly reviewed to ensure that they up-to-date, relevant, in line with good practice and fit for purpose.

40. The Constitution sets out the Council's Policy Framework which includes at Article 4 the following plans and policies:

- Community Strategy
- Corporate Plan
- Crime and Disorder Reduction Strategy
- Cultural Strategy
- Energy Strategy
- Financial Strategy
- Housing Strategy
- Development Plan documents which includes the core strategies, site allocations and development control policies
- Environmental Policy
- Risk Management Strategy
- Local Code of Governance

41. The Council has an approved Risk Management Strategy, which sets out:

- the key features of its risk management system
- roles and responsibilities with regard to risk management
- its overall approach to the management of risk
- actions to embed the process in future periods

42. The Council's Risk Register comprises three elements:

(a) an introduction to the Register, definitions and how the Register was compiled

(b) a full schedule of the Strategic and Operational Risks that have been identified and assessed

(c) a schedule of those Strategic and Operational Risks that have been assessed as either "High" or "Bubbling Under"

Undertaking the core functions of an Audit Committee

43. The Audit Committee has Terms of Reference, which are included in the Council's Constitution and is regularly reviewed to ensure compliance with recognised best practice - the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".

44. It is recognised that, in order to discharge these responsibilities, the Audit Committee may require any officer to attend meetings of the Committee so it may receive explanations regarding any matter that it is considering.

45. At the beginning of each financial year, the Committee establishes a Work Programme as well as a Training & Development Programme and, at the end of each financial year, it receives a report from officers setting out its performance against both Programmes.

46. The Audit Committee Chairman presents a report on the work of the Committee to the Council.

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

47. The Council has a full range of policies and procedures and places great emphasis on compliance with these, as well as with the law and other external regulations. Compliance is achieved through the following mechanisms:

Members - Code of Conduct, Role Descriptions, Training & Development and Declaration of Interests

Employees - Code of Conduct, Job / Person Specification, Appraisals, Team Meetings and Training & Development

Other -

- The Constitution and other policies and procedures are available on the Council's Website, Intranet and as hard copy
- Officers prepare timely reports to all of the Council's decision-making bodies (including the Cabinet, the Audit Committee and the Chief Officers' Team) on statutory requirements and proposals regarding their implementation
- Standard report formats require officers to consider the implications of Corporate Policy, Finance, Health & Safety, Legal, Personnel and Risk Management
- The work of the Internal Audit Team, which assists the statutory officers in discharging their duties effectively
- The work of the Council's External Auditors, which provides an opinion on compliance to Members and officers as well as to the Council's stakeholders

Whistle-blowing and receiving and investigating complaints from the public

48. The Council's Whistle-blowing Policy is available on the Council's Website and Intranet. The Policy covers any malpractice or wrongdoing by:

- Any Member of the Council
- Any employee of the Council
- Any contractor, supplier, consultant or partner of the Council in the course of their work for the Council

49. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (ie Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the Website.

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

50. On taking up office, all Members are required to attend a comprehensive Members' Induction Course. The Constitution states that the Council's Standards Committee is responsible for "advising, training or arranging to train Councillors and co-opted members on matters relating to the Members' Code of Conduct".

51. The Constitution also states that "All Members appointed to the Planning Committee (and all other Members who may from time to time consider a planning application) must receive training in planning procedures. Induction training in planning procedures shall be provided to all Members, either before serving on the Committee or within two months of appointment."

52. As stated in Para 39 above, the Council is working towards the Elected Members' Development Charter.

53. Senior Officers' training needs are identified (and regularly monitored) as part of the Council's Continuous Performance Review Scheme. In addition to the Corporate Training Programme and various professional development courses, seminars and conferences, a variety of Management Development Courses, Project Planning and mentoring facilities have been delivered to senior managers.

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

54. Opinion Research Services was commissioned by the Council to undertake a survey in which the Council wished to examine residents' views on a range of services. Overall the result was very positive for the Council, showing improvements in key areas. The chart below shows the response to key questions from each year the survey was carried out since 1999.

	1999	2002	2005	2008	2011
% Satisfaction with the area as a place to live	82	82	82	84	91
% Satisfaction with the way the Council is run	62	64	66	65	74
% Agree the Council provides value for money	45	45	39	52	60
% Agree treats all areas of the borough fairly	29	31	28	35	65

55. The Council's official magazine "Hertsmere News" is published three times a year and delivered throughout the Borough.

56. Residents and property / business owners in the Borough are able to submit relevant questions in writing for consideration and response at Council meetings.

57. There is a facility for Council to receive petitions – should a group of residents feel strongly about an issue that the Council has an interest or involvement.

58. Meetings of the Council and the Executive are web-cast.

59. Members of the public are also able to speak at a Planning Committee on any application being considered at that meeting – by prior arrangement only.

60. Participatory Budgeting consultation was completed early autumn 2010 to formulate the Council's budget based on the community needs and priorities.

61. The Council is subject to the requirements of the Freedom of Information Act and its approach is to provide open, honest and transparent information to all stakeholders without compromising confidentiality.

62. The Council has established clear channels of communication with its staff, eg regular briefings from the Leader and the Chief Executive, Cascade briefings every four weeks, weekly 'All Staff' e-mails and a staff magazine "Hertshere" is regularly published.

Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

63. The Council can confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government.

Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements

64. The Council is committed to improving and supporting collaborative working of all kinds, although the wide range of partnership models do make it very difficult to prescribe a single set of arrangements. However, partnership working should not result in diminished accountability to the public.

65. Accordingly, there are individual Service Level Agreements in place and there are regular meetings with partners to monitor the performance of the work carried out by the partnership. All Service Level Agreements are subject to an annual review.

66. The Local Strategic Partnership is the forum for all of the Council's partners – meetings are chaired by the Leader and are supported by the Chief Executive and senior managers.

REVIEW OF EFFECTIVENESS

67. The Council has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

68. This review is informed by those Members and officers, who have the responsibility for the development and maintenance of the governance environment.

- the work of Members at Council, Cabinet, Overview & Scrutiny Committees, the Audit Committee and the Standards Committee

- the work of the Governance Group

- the annual Management Assurance Statements prepared by the Directors and Heads of Service relating to internal controls, performance and risk management within their areas of activity

- the Head of Internal Audit's Annual Report as well as the individual Audit Reports

- Reports made by the Council's External Auditors and any other review agencies and inspectorates.

69. <u>The Council</u>

The Council comprises 39 Members and, as a whole, takes decisions on budget and policy framework items as defined by the Constitution.

At the Annual Meeting (held in May 2011), the Council elected a Mayor, appointed the Leader of the Council and other Members of the Cabinet, agreed Committee membership and representation from the Council on local organisations (known as Outside Bodies) for the forthcoming year.

Each Council meeting has been open to the public, who can submit a question or petition to these meetings.

The Council met eight times during the financial year – Agendas, Supporting Papers and Minutes are available on the Council's Website.

70. <u>The Executive</u>

The Executive comprises seven Members from the majority political group throughout the municipal year, is chaired by the Leader of the Council and provides leadership at a top level.

Each Member of the Executive has looked after an individual area of responsibility known as a portfolio of services; they have worked closely with Directors and Heads of Service and developed an in-depth knowledge of their portfolio area.

All Executive decisions have been taken in public apart from exceptions (such as personnel matters, commercially sensitive information or confidential legal advice). The public have been welcome to attend meetings of the Executive.
Agendas, Supporting Papers and Minutes are available on the Council's Website.

Officers are not able to put key decisions into practice until the ten day 'call-in' period has elapsed – except for those decisions taken under emergency procedures.

. <u>The Overview & Performance and Scrutiny Committees</u>

The Overview and Performance Committee is one of the Council's three Overview and Scrutiny (O&S) Committees, whose role is to scrutinise the decisions and performance of the Executive and the Council as a whole and to undertake policy development and review work.

The Overview and Performance Committee has met six times during the financial year and has had an overarching role over the O&S function. The Committee has set the work programme for O&S and has received updates from the Chairmen of the two Scrutiny Committees. In addition, the Overview and Performance Committee has undertaken financial and performance monitoring, and has had the following specific responsibilities within its remit: Community Strategy, Corporate Strategy, Financial Strategy, Risk Management and Efficiency.

The Environment Scrutiny Committee has met seven times during the financial year. The Committee's specific responsibilities have included the following areas of the Council's business: Housing; Planning; Waste and Recycling; Transport Policy; Environmental Health; and Parks & Open Spaces.

The Resources Scrutiny Committee has met eight times during the financial year. The Committee's specific responsibilities have included the following areas of the Council's business: Community Safety; Estates Management; Council-owned Property; Customer Services; Communications; Grants; Community Services; Cultural and Leisure Services; Human Resources; and Finance and Information Services.

71. Member Panels

There has been a number of cross-party Member Panels to scrutinise the various areas of Council activity, eg Asset Management Panel, Financial Monitoring Panel, Housing Services Panel and Performance Management Panel.

Ad-hoc Member Panels have also been established for specific projects, eg Design & Print Services Panel, Information Services Panel and Leisure Services Procurement.

72. The Audit Committee

The Audit Committee's Terms of Reference have been kept under regular review to ensure that its role complies with those prescribed by the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".

The Audit Committee has comprised five non-Executive Members (as required) and has met four times during the financial year – Agendas, Supporting Papers and Minutes are available on the Council's Website.

It substantially completed its Planned Work Programme, regularly receiving reports from:

- The Council's External Auditors – Progress Reports, Annual Governance Report , Annual Audit Letter, Audit Plan and Value for Money Report
- The Anti-Fraud Unit – Progress Reports and Annual Report
- The Internal Audit Team – Progress Reports, Draft Annual Governance Statement, Annual Report, and Annual Audit Plan
- The Risk Manager – Progress Reports
- The Head of Finance – Statement of Accounts and Heritage Assets

The Committee also completed its Training & Development Programme receiving a training session before each of its meetings.

73. <u>The Standards Committee</u>

The Standards Committee's Terms of Reference have recently been amended to take account of the revised purpose of this Committee following the enactment of the Localism Act 2011. One of its functions remains the promotion and maintenance of high standards of conduct by Members and co-opted Members.

The Committee comprises five Borough Councillors, two representatives of the Town and Parish Councils, and an Independent Person.

The Standards Committee holds four meetings during the year. These are supplemented by further meetings to considered complaints about individual Councillors, if necessary. Agendas, Supporting Papers and Minutes are available on the Council's Website.

74. <u>Senior Management</u>

There are three Council officers who are statutory appointments – the Chief Executive's role as the Head of Paid Service, the Director of Resources' role as the Section 151 Officer and the Democratic Services Manager as the Monitoring Officer.

The Chief Executive and the Directors of Environment and Resources comprise the Chief Officers' Board, which meets on a weekly basis.

The Chief Officers' Board, together with the Heads of Corporate Support, Financial Services, HR & Customer Services, Legal Services, Engineering & Property Services, Planning & Building Control and Street Scene Services as well as the Audit Manager, Democratic Services Manager, Housing Services Manager and the Chief Environmental Health Officer comprise the Senior Management Team, which meets on a monthly basis.

Each Director and Head of Service has completed and signed off a Management Assurance Statement. These Management Assurance Statements have been designed to require each officer to certify the effective operation of the control environment in their service area – including arrangements for performance management and risk management. As a consequence, these Statements are key supporting documents in identifying any Significant Governance Issues.

75. <u>Governance Group</u>

The Governance Group has been chaired by the Chief Executive, in his capacity as the Council's Head of Corporate Governance.

The Group has met during the financial year and received reports covering Ethics & Standards, Internal Control, Partnerships & Performance Management and Risk Management.

The Group has co-ordinated the preparation of this Annual Governance Statement – as part of this process. The Group has also monitored the progress of the Action Plan which was put in place to address the Significant Governance Issues identified in the Annual Governance Statement (see Appendix A).

76. <u>Internal Audit</u>

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment – this comprises the systems of

governance, internal control and risk management – by evaluating its effectiveness in achieving the organisation's objectives.

On 1 July 2011 the Council joined four other districts (East Herts DC, North Herts DC, Stevenage BC, and Welwyn Hatfield BC) and Hertfordshire County Council to deliver a shared internal audit service to provide efficiency and resilience.
The Internal Audit Team has undertaken a Work Programme during the financial year, which was approved by the Audit Committee, and has sought to operate in accordance with the professional standards prescribed in the CIPFA Code of Practice.

In line with this Code, an Annual Report has been compiled and presented to the Audit Committee (at its meeting in July 2012), which:

- includes an opinion on the overall adequacy and effectiveness of the Council's internal control environment
- discloses any qualifications to that opinion, together with any reasons for the qualification
- draws attention to any issues which are judged particularly relevant to the preparation of the Annual Governance Statement.

This Annual Report is a key source document to the Council's Annual Governance Statement. The Head of Internal Audit's overall opinion on the internal control environment for 2011/12 is Substantial for Key Financial Systems and Moderate for non Key Financial Systems.

Individual Internal Audit Reports state whether or not there are any implications for the Annual Governance Statement. All reports issued have stated that there are no implications for the Annual Governance Statement.

All recommendations made by the Internal Audit Team to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee to ensure that they are implemented in a timely manner.

The Council's External Auditors regularly review the work of the Internal Audit Team and, to date, have placed reliance on their work.

77.   Performance Management

The Performance Strategy remains a key link between the Community Strategy, the Corporate Plan, Service Plans and individual Key Result Areas – "the golden thread".

Local Performance Indicators have been regularly collected, analysed, risk managed and reported to Members and senior management – the process is facilitated by a software package, Covalent.

An Executive-led Performance Management Panel, which comprises key Members and Chief Officers, has met regularly to consider National and selected Local Performance Indicators and where the performance of any indicator was deteriorating or below target, the Panel called the relevant Head of Service and Portfolio Holder to account.

The Financial Monitoring Panel, the members of which also sit on the Performance Management Panel, has met on a monthly basis to scrutinise the Council's financial performance. The financial performance is reported and scrutinised in detail on quarterly basis by the Panel and reported back to the Overview and Performance Committee.

78.   Procurement

The Council aims to use its resources efficiently, effectively and economically.

The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes the Procurement Strategy, Contract Procedure Rules and the Procurement Handbook.

To ensure compliance with these rules, an expenditure report is run on a regular basis and mapped against the contract list. An exception list is then produced and where possible non-compliance is highlighted.

This "non-compliance" list is presented to and discussed by the Procurement Group, which consists of senior officers from all service areas. Officers are required to provide an explanation and, if necessary, to put an action plan into place

The Council has a full e-tendering package that provides a secure and auditable method of issuing and receiving tenders

79.   Risk Management

In 2011/12, the responsibility and accountability for Risk Management was placed with the Heads of Service. Post year end Hertsmere have agreed a shared service support with Stevenage Borough Council in relation to Risk Management.

80.   Members' and Officers' Allowances & Expenses

Members' Allowances:	These are reviewed by an Independent Remuneration Panel, which is made up of four independent members of the community who are assisted by the Democratic Services Manager. The report and recommendations of the Independent Remuneration Panel are submitted to the Full Council for approval.
Officers' Allowances & Expenses:	Allowances are stipulated by individual employment contracts, whereby the Human Resources Team instructs the Payroll Team as to the payment to be made. Officers' Expenses are authorised for payment by employees' line managers and reimbursed via payroll.

Both Members' and Officers' Allowances & Expenses are subject to periodic review by the Internal Audit Team to ensure that the internal controls in operation are both adequate and effective.

81.   The Council's External Auditors

The Annual Audit Letter 2010/11 was presented to the Audit Committee in January 2012 and the main audit conclusions for the year were:

- The 2010/11 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.
- The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

SIGNIFICANT GOVERNANCE ISSUES

82.　Appendix A provides information on the Significant Governance Issues that were identified by the Council's during the year. Significant issues from the previous year are either no longer significant or have been carried forward into 2011-12.

CERTIFICATION

83.　We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive, the Audit Committee and the Governance Group and the plan to address the identified weaknesses and to ensure continuous improvement of the system is in place.

84.　We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed :　………………………………..　…….…..………………………………..

　　　　　　　Chief Executive　　　　　　**Leader of the Council**

Dated :