

## **DRAFT**

### **Statement on Internal Control 2005-06**

#### **Scope of Responsibility**

North Wiltshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is required to ensure that there is a sound system of internal control that facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk.

The Council should conduct a review of the effectiveness of the system of internal control at least annually. It should include a statement on internal control within its statement of accounts. The statement of internal control represents the end result of the review of internal control, including the process of risk management that should be embedded throughout the activities of the Authority.

#### **Purpose of System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve the policies, aims and objectives of North Wiltshire District Council. It can provide only reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority'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 system of internal control described in this statement has been in place at North Wiltshire District Council for the year ended 31 March 2006 and up to the date of the approval of the annual accounts.

#### **Key Elements of North Wiltshire Internal Control Environment**

##### ***Establishing and monitoring the achievement of the Authority's objectives***

- Aims and key priorities are set out in rolling three year Corporate Plan, the budget and the three year Medium Term Finance Plan.
- Business Area Plans feed from and to Corporate Plan.
- Progress against the Corporate Plan reported back to members on a quarterly basis at Overview & Scrutiny Committee and Executive.
- Individual employee workplans and appraisals ensure that the objectives are cascaded down the organisation and progress monitored at an individual level.
- Monthly corporate performance monitoring reviewed by Corporate Management Board and Executive members.

- Monitoring of strategic and operational risks through monthly performance monitoring.
- Finance and Performance Monitoring Sub Committee regularly review performance and budget information.

### ***The facilitation of policy and decision making***

- 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 local people. A revised version was approved by Council on 25<sup>th</sup> October 2005.
- Local Code of Corporate Governance, in accordance with CIPFA/SOLACE framework, adopted January 2005. Position reviewed annually in conjunction with preparing this Statement.
- Policy and decision-making through the Executive Committee.
- Meetings open to the public except where personal and confidential matters being disclosed.
- Council publishes Forward Plan which contains details of key decisions to be made by the Executive under its delegated powers. Overview & Scrutiny Committee also publish a workplan.

### ***Ensuring compliance with established policies, procedures, laws and regulations***

- The statutory officers, the Head of Paid Service (Chief Executive), the Monitoring Officer (Legal Team Leader), Chief Finance Officer (Finance Team Leader) have key roles in monitoring and ensuring compliance with the Council's regulatory framework and law. For example, Monitoring Officer has a duty to report on any actual or likely decision that would result in an unlawful act or maladministration, s151 Officer is responsible for the proper administration of the Authority's financial affairs and internal audit function.
- Whistle Blowing and Anti- Fraud and Corruption policies provide additional safeguards. These are in the process of being updated by the Authority's Internal Audit Manager and will be taken to members for approval in the summer.
- Compliance is monitored through staff supervision, the work of internal audit, Overview and Scrutiny Committee, external audit and inspection agencies.
- All posts have detailed job descriptions and person specifications that include competencies. Training needs are identified through the appraisal process.
- Risk management strategy and risk register in place. This has been reviewed and improved following input from risk management advisers from Zurich in January 2006. Members and Team leaders received risk awareness training in February and March 2006 respectively.
- Monthly corporate performance monitoring which is reviewed by Corporate Management Board and Executive members.
- The internal audit service has been brought back in- house and although 2005/06 was a transitional year, audit days have increased and there is evidence from reports that audit processes are more robust.
- External audit provides an independent appraisal function.

### ***Economical, effective and efficient use of resources. Performance Management.***

- Capital Strategy out for consultation and on Executive agenda for 11<sup>th</sup> May 2006.
- Comprehensive Asset management plan approved by the Executive, following consideration by Overview and Scrutiny, on 9<sup>th</sup> March 2006.
- Corporate property group meets quarterly and produces regular updates on status of projects and other asset management issues.
- Monthly revenue and capital budget monitoring report produced and reviewed by Corporate Management Board and reported to Finance and Performance Monitoring Sub-Committee on a bi-monthly basis.
- Monthly corporate performance monitoring which is reviewed by Corporate Management Board and Executive members.
- Task groups are formed where members identify issues of concern e.g. public conveniences, leisure provision.
- Performance against national best value and agreed local performance indicators monitored and reported regularly to CMB and Finance & Performance Monitoring Sub Committee.
- Revised Procurement Strategy approved in November 2005. Corporate Procurement Group with member champion meets regularly and monitors agreed action plan.
- Overview and Scrutiny provides a challenge mechanism.
- Clear processes for staff supervision and clear appraisal policies.

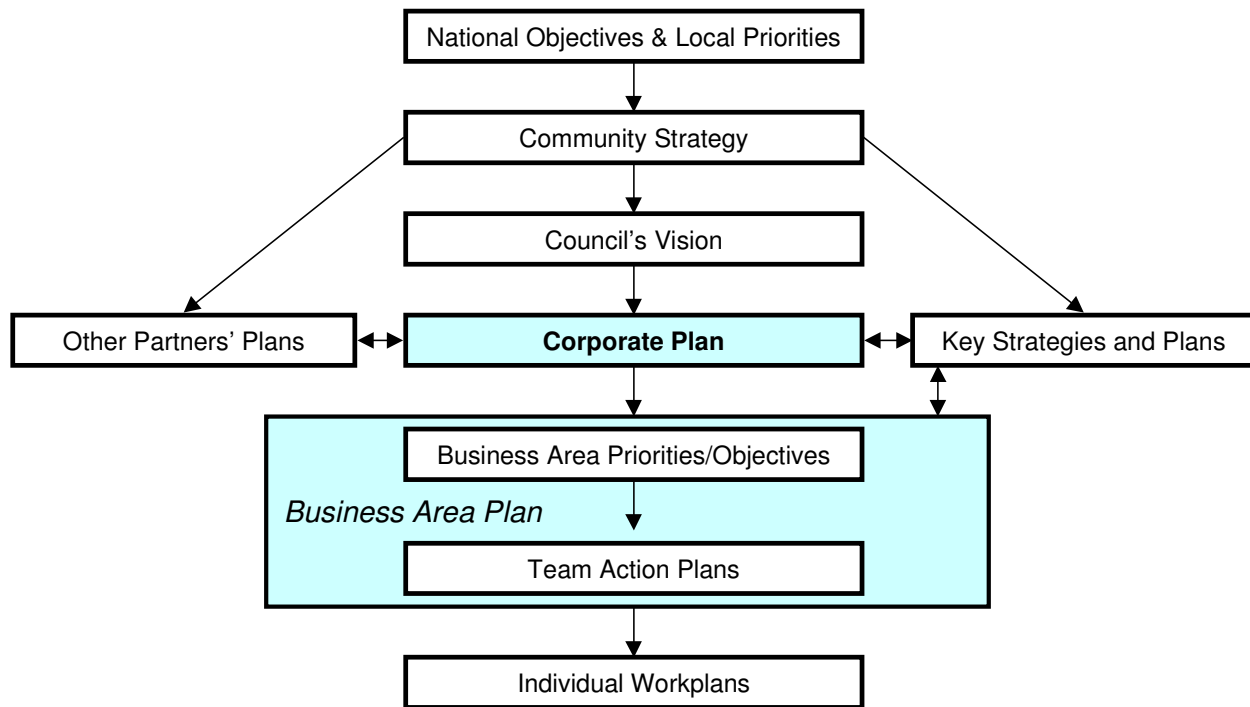
### ***Financial management***

- Treasury Management Strategy Statement for 2005/06 approved by Council 26<sup>th</sup> April 2005.
- Monthly budget monitoring and reporting strengthened to include clearer commentary on variances.
- Medium Term Finance Plan is an integrated part of the annual budget process and is reported to Executive at outturn alongside November and February budget proposals.
- Oversight role of the Finance and Performance Monitoring Sub-Committee.
- Financial regulations reviewed and revisions approved by Council 31<sup>st</sup> January 2006. Now available on internal bulletin board in easily accessible summary for members and officers.
- Overall score of adequate for 2005/06 in the new annual external audit Use of Resources judgement.

### ***Performance Management***

The Council's performance management is represented on the following diagram. The performance management framework ensures that the Community Strategy, the Council's Vision and priorities within the Corporate Plan drive the business planning process. The diagram shows how our partner organisations' plans assist in meeting the needs of the Community Strategy and link to the Council's Corporate Plan.

The framework also illustrates how the Corporate Plan links to the Business Area and Team Plans throughout the organisation and helps to ensure that all staff understand how their individual workplan fits into the Corporate Plan.



### ***Review of effectiveness of the system of internal control***

The Council has a responsibility for conducting at least annually a review of the effectiveness of the system of internal control.

The 2005/06 review is informed by: -

- Internal audit work and recommendations. Against the agreed audit plan, 94% of audits were completed and 81% of audit reports were issued by the end of the year.
- External audit work. Specific work was done in relation to developing partnership agreements. A finance workshop was run in March 2006 to evaluate levels of knowledge and potential areas for improvement.
- Risk management review undertaken by Zurich in January 2006.
- Ombudsman complaints. A regular report on complaints is considered by CMB.
- Overview & Scrutiny Committee's workplan.

### ***Approval Process for the SIC***

- Corporate Management Board review: 11<sup>th</sup> May 2006
- Executive report and decision: 15<sup>th</sup> June 2006
- Final Accounts and Audit Committee: 30<sup>th</sup> June 2006

## ***Significant Internal Control Issues***

The following significant internal control issues have been identified: -

### **Issue**

A need to increase audit coverage to achieve requirements of Accounts and Audit Regulations 2003. Whilst improvements were made in 2005/06 this was still raised as a concern by our external auditors in the Annual Audit and Inspection letter.

### **Action**

Coverage in 2006/07 is planned to increase by 100%. Closer working arrangements with external audit are in place and a joint working agreement will be agreed by the end of May 2006.

### **Issue**

Poor performance on housing benefits continued through 2005/06.

### **Action**

The 2006/07 budget approved growth to increase staffing in order to both improve the management structure and processing speeds.

BFI Improvement plan in place and integrated with Overview & Scrutiny task group recommendations.

### **Issue**

Annual Audit & Inspection Letter raised concerns about collection rates for Council Tax and NNDR in 2005/06. In year collection for both was below targets set and District Council Top Quartile figures.

### **Action**

Collection rates in 2005/2006 for NNDR were up on 2004/2005. A Recovery Action Plan has been produced to improve collection rates for both Council Tax and NNDR, and performance indicators will be reported and monitored on a monthly basis.

### **Issue**

Change control documentation to support computer programme amendments needs improvement.

### **Action**

ITIL - (Information Technology Infrastructure Library – industry standard) protocols being introduced into the ICT Team, to improve change control.

Change Control procedure in operation within the software development area will be reviewed by Internal Audit early in 2006, and a full audit of change control will be conducted in the 3<sup>rd</sup> quarter of 2006/2007.

### **Issue**

Although a Business Continuity Plan was approved in March 2006, the disaster recovery plan remains outstanding.

### **Action**

Disaster Recovery Plan contract will be let by end of June 2006. Disaster Recovery Plan will be fully tested and operational by end of October 2006.

**Issue**

No formal Human Resources Strategy in place.

**Action**

Draft Human Resources Strategy produced for officer consultation in March 2006. Will go forward to Committee for approval in July 2006.

**Issue**

Limited evidence was identified that orders placed are recorded as committed expenditure on the Main Accounting System or alternative local monitoring system.

**Action**

The business case for obtaining a purchase ordering system is to be reviewed in the first half of 2006/2007.

**Issue**

A review of Main Accounting System user access rights identified a significant number of users who had either multiple access rights, inappropriate super-user access or they belonged to staff no longer employed by the Council.

**Action**

All system user access rights are to be reviewed to ensure they are adequate and appropriate.

**Issue**

There is a lack of clear, documented procedures for dealing with VAT and the preparation of VAT returns.

**Action**

The Finance Team will produce clear and comprehensive guidance notes, to be circulated to all appropriate officers of the Council.

**Issue**

Reconciliations have not been prepared or reviewed for a number of key systems and the Main Accounting System. Regular bank reconciliations have not been prepared or reviewed in the financial year.

**Action**

The Finance Team will work with the operators of key feeder systems to ensure they are reconciled on a regular basis. Bank reconciliations will be performed on a monthly basis, in accordance with approved financial regulations.

I/we have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and the Audit Committee and plan to address weaknesses and ensure that continuous improvement is in place.

Leader of the Council .....

Chief Executive .....