



## **Statement on Internal Control 2003-04**

### **1. Scope of Responsibility**

Wiltshire County 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. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, we are also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the County Council's functions and which includes arrangements for the management of risk.

### **2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 County 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.

The system of internal control described in this statement has been in place for the year ended 31 March 2004, and up to the date of signature of the statement by the Chief Executive and Leader of the Council.

### **3. The Internal Control Environment**

The Council's internal control environment is made up of a series of strategic and operational controls. This framework has evolved over a number of years, in response to changing needs and developments. As such, it comprises a large number of different, but related elements. Historically, these have been managed individually and independently of each other. However, in order to prepare this overall statement on internal control, we now need to consider the operation of these various elements in a more coherent and joined-up manner.

The key purposes and elements of the Council's internal control environment may be summarised as follows:

- **Establish and monitor the achievement of the County Council's objectives.**

In 2003 the Wiltshire Strategic Board adopted its Strategy for Wiltshire "A County fit for our Children" which sets long term priorities for working together to improve the quality of life of people in Wiltshire. This has been adopted by the Council, and informs its aims and priorities.

The Council's aims and key priorities are reflected in its Performance & Improvement Plan, the three year Medium Term Financial Plan, and individual Service Plans. These form part of an integrated planning cycle that includes service planning, annual budget setting, and regular corporate review of performance and spending.

The Council has introduced a corporate framework of performance appraisal for staff through which individual targets are set in line with the Council's goals and priorities.

The Council has adopted a Learning and Development Strategy which aims to ensure that learning and development activity is properly planned, managed and driven by the Council's objectives.

- **Facilitate policy and decision-making.**

The County Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution defines the role and responsibilities of the key players in the decision-making process – the Council, Cabinet, and Committees, including the Regulatory Committee, Overview and Scrutiny Committee and the Standards Committee.

The Council has recently agreed a revised scheme of delegation for officers.

The Constitution is kept under regular review by the Monitoring Officer and the Standards Committee.

- **Ensure compliance with established policies, procedures, laws and regulations.**

The Constitution contains detailed rules and procedures which regulate the conduct of the Council's business. These include:

- Council Rules of Procedure
- Budget and Policy Framework Procedure
- Financial Regulations and Procedure Rules
- Contract Regulations
- Members' Code of Conduct
- Officers' Code of Conduct
- Corporate Complaints Procedure

Managers are required under the Officers' Scheme of Delegation to ensure that operational decisions are taken in accordance with these requirements.

The statutory officers - the Head of Paid Service (Chief Executive), the Monitoring Officer (Solicitor to the Council) and the Chief Finance Officer (County Treasurer) - have a key role in monitoring and ensuring compliance with the Council's regulatory framework and the law.

The Council has a comprehensive Risk Management Strategy. This involves the identification and assessment of risks and controls at service, major project and corporate levels.

The Performance & Improvement Plan analyses the major risks to achieving the Council's objectives and how to manage them. These are monitored monthly by the Corporate Management Board.

All reports to Cabinet include an assessment of risk.

The Corporate Risk Management Group is reviewing the implementation of the Risk Management Strategy to ensure that risk management is fully embedded into the Council's operational management.

The Council's Whistle Blowing Policy and its Anti Fraud and Corruption Policy provide additional safeguards.

Compliance is also monitored through the work of the following:

- Internal Audit;
- Overview and Scrutiny Committee, its sub-committees and task groups;
- Standards Committee;

- External Audit and Inspection Agencies
- **Ensure the economical, effective and efficient use of resources, and secure continuous improvement in the way functions are exercised. Performance management.**

The Council's Performance & Improvement Plan is a key tool for these purposes. It provides information about progress and plans for delivery, and is used throughout the year to monitor progress. It is supported by a comprehensive management system which cascades priorities, key targets and milestones through service plans, and the Council's Change Programme.

Monthly financial performance monitoring reports to Cabinet include service standards. This enables Members to review performance in the context of approved budgets and the Medium Term Financial Plan. Performance against key performance indicators is monitored quarterly.

The Performance Scrutiny Task Group provides a useful challenge to the Council's planning, target setting and achievement.

The Council has a Procurement Strategy which is designed to ensure the efficient and effective use of resources. This Strategy is currently under review.

- **Facilitate the County Council's financial management and reporting**

The Council achieves this by:

- Monthly reports to Cabinet on the Council's Revenue Budget and Capital Programme;
- Monthly budget monitoring reports to Service Managers.
- Compliance with the Council's Budgetary and Policy Framework Procedure, Financial Regulations and Financial Procedure Rules.
- Compliance with external requirements, standards and guidance.
- Publication of Statement of Accounts.
- Overseeing role of the Audit Committee.

The Council's internal control environment is reinforced by the role and work of:

- the Overview and Scrutiny Management Committee, its sub-committees and task groups;
- the Standards Committee;
- Internal Audit, through implementation of the Internal Audit Plan;
- the Audit Commission, through the Audit and Inspection Plan and Annual Audit and Inspection Letter;
- External inspection regimes (OFSTED, SSI)

#### **4. Review of Effectiveness**

The Council now has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review will be informed by the work of the internal auditors and the Chief Officers and senior managers throughout the Council, who have responsibility for the development and maintenance of the internal control environment outlined above. The review will also be informed by comments made by the external auditors and other review agencies and inspectorates.

##### **Internal Audit**

The annual Internal Audit Plan is based on an assessment of risk areas, and is discussed and agreed with the County Treasurer and Chief Officers. It is then presented to the Standards Committee, which also receives reports of progress against the plan throughout the year, and an annual report summarising the results and conclusions of the audit work as a whole. This provides a level of assurance on internal control for those areas covered by the plan.

Whilst Internal Audit is unable to give an absolute assurance, the results of the audits completed during the year support an overall audit opinion that internal control is in place and is operating satisfactorily in relation to the various systems and procedures reviewed. There have been no instances of fundamental weaknesses coming to light during the year, and satisfactory progress is being made to address and implement recommendations arising from previous audit reports.

##### ***External Inspection and Audit***

The Comprehensive Performance Assessment in 2002 rated the Council as 'Fair' overall. In response to the issues raised, the Council developed a Performance & Improvement Plan outlining the actions needed to achieve the necessary improvements. This included strengthening our arrangements in the following areas:

- integration of service planning and financial planning
- performance management
- communications
- risk management.

A number of measures have now been taken in these areas, and the updated Performance and Improvement Plan 2004 provides information on progress achieved.

The Audit Commission's Annual Audit and Inspection Letter for 2003 was essentially positive in its assessment of the County Council's performance in various areas, and did not identify any significant weaknesses in our internal control arrangements. The letter was presented to the Cabinet and the Standards Committee in February 2004.

## **5. Significant Internal Control Issues**

The Accounts and Audit Regulations 2003 have introduced this new requirement for there to be a review, at least annually, of the effectiveness of internal control. This is therefore the first year for which the County Council has been required to address its internal control environment in such a comprehensive, all-embracing manner.

We need to develop an ongoing comprehensive review process which improves and strengthens that which we currently have in place. This is essential in order to comply fully for the future. We therefore recognise that in this first year we are making an interim statement on internal control. However, over the course of the current year we will develop robust processes of review in order to obtain the necessary level of assurance required to prepare a full statement for 2004-05.

In addition, we also need to make specific mention of the following areas where we are currently developing our management processes, and where work will continue in order to achieve the necessary improvements for the future:

- **Business Continuity**

In common with other authorities, new legislation will impose additional duties on the Council to continue to perform its functions in the event of an emergency. We have therefore begun the process of drawing up improved contingency plans to cover this eventuality, although such plans will not be complete and in place until April 2005.

- **Risk Management**

Having laid down a strategy for the management of risk, we have established a corporate risk register, and have begun reporting key strategic risks to the Corporate Management Board. We are now in the process of introducing measures to integrate risk management more fully into our overall service planning and management arrangements. This will result in an improved assurance process for 2004-05.

### **Budgetary Control**

One major and continuing challenge in this Council (and others) concerns the management of the increasing demand in children's services. This is reflected in continuing budgetary pressures. The integration of children's services makes it all the more important that these budgetary pressures are managed corporately. We have taken a strong corporate approach to budget allocation and control in the context of increasing demand.

Keith Robinson  
Chief Executive

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Jane Scott  
Leader of the Council

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September 2004