



**Statement on Internal Control**  
**2004-05**

**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 2005, 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.

The key purposes and elements of the Council's internal control environment are set out below.

Documents referred to are available from the Council or may be viewed on the Council's website ([www.wiltshire.gov.uk](http://www.wiltshire.gov.uk)).

#### **Establishing and monitoring the achievement of the County Council's objectives.**

The Council's aims and key priorities are set out in its Performance & Improvement Plan 2004, and its Medium Term Financial Plan. These reflect the long term priorities agreed by the Wiltshire Strategic Board, which the Council has adopted as its Community Strategy.

The Council's priorities are reflected in service plans, work plans and in managers' and staff personal targets. 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 operates a corporate appraisal system for staff which monitors individual performance against corporate and service targets.

The Council has 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.

These measures allow members and managers to monitor achievement of the corporate objectives.

#### **Facilitating 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.

In May 2004 the Council agreed a revised scheme of delegation for officers.

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

**Ensuring 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) - together with the Council's Legal Unit 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 taking further steps 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. Following a review by the Standards Committee the Whistle Blowing Policy has been strengthened to increase its effectiveness.

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.

**Ensuring 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 performance 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.

**Facilitating 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 Final Accounts 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 (CPA; OFSTED, SSI).

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

The Council 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 our external auditors, the Audit Commission, and other review agencies and inspectorates.

#### **Chief Officers' Assurance Statements**

Chief Officers have completed annual assurance statements on internal control arrangements in their departments. They are responsible for monitoring and reviewing internal controls as an integral part of the risk management process.

#### **Internal Audit**

The annual Internal Audit Plan is based on an assessment of risk areas, using the most up to date sources of risk information. The plan is agreed with the County Treasurer and Chief Officers, and presented to the Standards Committee, which also receives reports of progress against the plan throughout the year. The Internal Audit Annual Report summarises the results and conclusions of the audit work throughout the year, and provides an audit opinion on the internal control environment for each department, and for the County Council as a whole.

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.

There are no significant internal control issues arising from the work of Internal Audit.

## **External Audit and Inspection**

The latest Comprehensive Performance Assessment (CPA) from the Audit Commission, reported at the end of 2004, rated the Council as 'Good' overall, representing an improvement on the earlier assessment from 2002. In addressing those areas previously seen as capable of improvement, the CPA Report recognised that the Council has achieved significant progress in a number of important areas.

It now has an effective performance management framework, and there is a clear link between the priorities identified by the community strategy and those adopted by the Council. These are reflected in service plans, work plans and in managers' and staff personal targets. In addition, the Council has introduced an effective corporate appraisal system which monitors individual performance against corporate and service targets. These developments help the Council to monitor achievement of its corporate objectives.

The Council has developed an action plan in response to issues raised in the latest CPA. This is intended to achieve further improvements in a range of areas as follows:

- Communications
- Medium-term Financial Planning
- IT Infrastructure and Systems
- Management of Human Resources
- Risk Management
- Project Management.

The Audit Commission's Annual Audit and Inspection Letter for 2004 continued to emphasise the positive achievements of the County Council over the past year. It recognised the Council's leadership as strong and firmly focussed on improving services important to the local community. The Council was seen to be managing its performance well and applying what it has learnt to improving its services further.

The Audit Commission did not identify any significant weaknesses in the Council's internal control arrangements. The letter was presented to the Standards Committee and the Cabinet in March 2005.

The Audit Commission has also issued an Interim Audit Report for 2004-05, setting out the results of further audit work in relation to core financial processes and financial aspects of corporate governance. The overall conclusion is that the Council's core processes are sound, and that it has satisfactory arrangements for ensuring proper conduct of its financial affairs. Areas cited for further improvement were:

- Strengthening controls over ordering and purchasing arrangements
- Revising the reporting mechanisms for Internal Audit.

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

The Accounts and Audit Regulations 2003 introduced the requirement for there to be a review, at least annually, of the effectiveness of internal control. This means that the Council must address its overall internal control environment in a comprehensive, all-embracing manner.

In carrying out this review, we again need to draw attention to the following specific areas first mentioned in last year's Statement on Internal Control. In both areas we are committed to developing our management processes further, and will continue working to achieve the necessary improvements for the future:

### **Risk Management**

The Council's risk management strategy has been developed into a framework of management arrangements, supported by a corporate risk register, aimed at ensuring that risks are regularly identified and effectively managed across all departments. The Corporate Risk Management Group has now established a quarterly reporting of key strategic risks to the Corporate Management Board.

However, there remains a need to improve the consistency of risk reporting and risk management activity within departments, and to demonstrate that risks are being systematically identified and managed in all cases. Work will therefore continue in these areas to ensure risk management becomes properly embedded into the Council's management arrangements during 2005-06.

### **Budgetary Control**

In common with many other authorities, the Council continues to face an increasing demand in children's services, which brings with it ongoing pressure on our budget in this area. The integration of our children's services has brought this challenge clearly into focus, and demonstrates a continuing need to manage these budgetary pressures at a corporate level. We must therefore continue to focus our budgetary control arrangements particularly in this area of increasing demand.

Keith Robinson  
Chief Executive

\_\_\_\_\_

Jane Scott  
Leader of the Council

\_\_\_\_\_