Statement on Internal Control
2005-06

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Wiltshire
COUNTY COUNCIL

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A. Scope of Responsibility

1. 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.

2. 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 Council's functions and which includes arrangements for the management of risk.

B. The Purpose of the System of Internal Control

3. 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 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.

4. The system of internal control described in this statement has been in place for the year ended 31 March 2006, and up to the date of signature of the statement by the Chief Executive and Leader of the Council.

C. The Internal Control Environment

5. The Council's internal control environment is made up of a series of strategic and operational controls.

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

7. Documents referred to are available from the Council or may be viewed on the Council's website (www.wiltshire.gov.uk).

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

8. The Council's aims, goals and priorities are set out in its Wiltshire 2009 Corporate Plan. These reflect the Council's ambitions for itself and for the County of Wiltshire, recognising the characteristics of the County and the needs of those who live and work in it. They also reflect the long term priorities agreed by the County's local strategic partnership, the Wiltshire Strategic Board, as set out in its strategy 'a County fit for our children'.

9. The Corporate Plan links the funding of the Council's goals and priorities to its Medium Term Financial Strategy and includes a statement of the principal strategic risks to the operation of the Council and the achievement of its objectives.

10. 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.

11. Services are delivered by trained and experienced staff. Each post has a job description and person specification, and the training requirements of each member of staff are identified through the Council's corporate appraisal system, under which individual performance is monitored against personal, corporate and service targets. All staff are required to meet high standards of ethical conduct under the Officers' Code of Conduct.

12. *Through its People Strategy, "Success through People", the Council aims to:*

   - *become an exemplar employer - creating employment, development and reward arrangements and working environments*

to stimulate innovation and promote best practice;

- *be a developer of people - creating strong leaders, promoting professional and personal development and helping staff to take responsibility for their own development and lifelong learning.*

- *be a good communicator - developing better access to information, greater opportunity to contribute ideas for service improvement and more partnership alliances.*

- *promote change - creating an environment responsive to change, developing new ways of working and generating enthusiasm for service improvement;*

- *value diversity - recognising everyone's contribution to improving service delivery, ensuring fair treatment for all staff and taking positive action to achieve this aim.*

"Success through People" is a leading corporate objective for the Council. As such, outcomes and actions are reported and audited on a monthly basis through the Corporate Management Board (CMB).

13. 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.

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

Facilitating policy and decision-making.

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

16. 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, Standards Committee and Final Accounts and Audit Committee.

17. The Cabinet is responsible for the majority of the functions of the Council, within the budget and policy framework set by the Council.

18. The Council publishes a Forward Work Plan once a month giving details of all the matters to be considered by the Cabinet over the following 4 months. This

enables Members and the public to be aware of forthcoming business and gives them the opportunity to influence the decision-making process.

19. Schemes of Delegation are in place for Cabinet Members and Officers to facilitate efficient decision-making.

20. The Council discharges its overview and scrutiny functions through:

- the Overview and Scrutiny Management Committee;

- the Children's Services' Scrutiny Committee;

- the Health Overview and Scrutiny Committee;

- Task Groups, including the Budget Process Task Group, Performance Task Group, Customer First /E-Government Task Group and various time limited Task Groups.

These bodies serve to hold the Council's Cabinet and Officers to public account in their executive decision-making.

21. The Standards Committee is responsible for:

- promoting and maintaining high standards of conduct by Members and Officers across the Council;

- determination of complaints under the Members' Code of Conduct;

- oversight of the Constitution, complaints in relation to the Council's services, and the whistle blowing policy.

22. The membership of the Standards Committee comprises 2 elected members and 4 independent members and is chaired by an independent member.

23. The Final Accounts and Audit Committee was established in July 2005. Its main responsibilities are:

- promoting internal control;

- focusing audit resources;

- monitoring and performance of the audit function.

The Constitution is reviewed regularly by the Monitoring Officer and the Standards Committee to ensure that it remains fit for purpose.

Ensuring compliance with established policies, procedures, laws and regulations.

24. 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

25. Cabinet Members and Officers exercising delegated powers under their respective schemes of delegation are required to take decisions in accordance with these requirements.

26. 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 statutory officers are supported in this role by the Council's legal services, finance, and procurement teams and Internal Audit.

27. The Council has a Whistle Blowing Policy and an Anti-Fraud and Corruption Policy. Both policies have been revised recently to increase their effectiveness and staff and Members have been made aware of the new arrangements.

28. The Council has a comprehensive health and safety plan to enable it to fulfil its duty to protect the health and safety of its employees, contractors and visitors to its premises. Implementation of the plan is undertaken by all services and monitored by CMB, departmental management teams and individual managers, with advice and assistance from the Council's Health and Safety team.

29. The following bodies have an important role in ensuring compliance:

   - Final Accounts and Audit Committee
   - Overview and Scrutiny Committees and Task Groups

- Standards Committee
- Internal Audit
- External Audit and Inspection Agencies.

Ensuring the economical, effective and efficient use of resources, and securing continuous improvement in the way functions are exercised.

30. The Council's Corporate Plan is a key tool for these purposes and provides specific targets and 'milestones' by which performance is measured throughout the year. It is supported by a comprehensive performance management system which cascades priorities, key targets and milestones through service plans.

31. The Council has a comprehensive change programme to improve its capacity and effectiveness in order to secure sustained improvement towards its aims and goals.

32. The Council's corporate goals are broken down into service standards which identify the volume and quality of services planned and explicitly link these to budgets to deliver them. These standards are used throughout budget deliberations and are included in the monthly performance monitoring reports to Cabinet. This enables Members to review performance in the context of approved budgets and the Medium Term Financial Strategy..

33. Performance against key performance indicators is monitored quarterly.

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

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

36. The Council manages risk on a daily basis throughout its services. In addition, the Council has assessed the major risks to the operation of the Council and to the achievement of its aims, goals and priorities. These are contained in the Council's Risk Register.

37. The Corporate Plan incorporates a summary of the key strategic risks, which are managed by CMB, reporting to the Cabinet.

38. All reports to Cabinet, the Council and its committees include an assessment of risk.

39. The Corporate Risk Management Group is taking steps to improve the consistency of information in risk registers, to ensure risks are assigned and progress is monitored across the Council. Risk management training is provided to Members and officers.

40. Risks inherent in project and programme delivery are managed appropriately through the adoption of PRINCE 2 and MSP methodology, with regular reporting to the relevant boards and formal agreement of agreed actions.

41. The Council has a Procurement Strategy which is designed to ensure compliance with Contract Regulations and the efficient and effective use of resources.

Facilitating the County Council's financial management and reporting

42. 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 and Audit Committee.

Internal Audit

43. In March 2006 the Final Accounts and Audit Committee agreed terms of reference for Internal Audit in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

44. Under the terms of reference agreed for Internal Audit the main role is to provide an independent and objective opinion to the Council on its internal control environment, comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives.

45. Internal Audit has the following additional responsibilities:

- providing support to the County Treasurer in meeting his obligations under Section 151 of the Local Government Act1972, including the responsibility to make arrangements for the proper administration of the Council's financial affairs;

- providing consultancy services to departments, including advice on strategic and operational risk management;

- investigating any allegations of fraud or irregularity;

- advising on the internal control implications of new systems.

External Audit and Inspections

45. All services of the Council are subject to reviews by external inspection agencies, including the Audit Commission, OFSTED, and SSI. The results of these inspections are used to strengthen and improve the Council's internal control environment, to ensure the economic, efficient and effective use of the Council's resources and to secure continuous improvement in the delivery of its services.

D. Review of Effectiveness

46. The Council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. In order to meet this responsibility for 2005-06, the Council's Statement on Internal Control Management Group (SICMG) determined a process whereby it would gain assurances from a variety of sources on internal control. When taken together, these assurances present a comprehensive assessment of the effectiveness of internal control as a whole. The sources of assurance are outlined as follows:

Standards Committee

47. Following an Audit Commission survey of members and senior officers in February 2006 on the Council's ethical governance arrangements the Commission concluded that the Council has established a comprehensive ethical governance framework and that there is generally a good level of awareness of the framework and indications that appropriate behaviours and values amongst members and officers are being applied. The Commission also concluded that the Standards Committee is having a positive impact on the ethical environment within the Council.

48. The Standards Committee is overseeing an ethical government improvement project led by the corporate standards manager based on the recommendations in the Audit Commission's report. This will include member training on ethical governance issues and information about the revised whistleblowing and anti-fraud and corruption policies.

49. The Standards Committee is also overseeing a project to implement the recommendations in the Corporate Complaints Business Process Re-engineering Report.

Overview and Scrutiny

50. Work of the Overview and Scrutiny Committees and Task Groups has focused upon:

- monitoring the performance of the Council's major service providers eg school catering; residential care for the elderly; highway services

- overseeing the implementation of the new Procurement Strategy;

- involvement in new major procurements, including highway services, residential care for the elderly, ICT, agency staff and advertising services;

- monitoring the Council's performance against the targets set by central government and those in its Corporate Plan;

- monitoring the effectiveness of the annual revenue budget setting process; in addition to this the Budget Process Scrutiny Task Group will now take on a role in budget monitoring.

51. Initiating public inquiries into matters of local concern and contributing to the development and review of policy and service delivery eg school catering; contracted out placements for children and young people; health services consultation 'Pathways for Change'

Risk Management

52. 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 throughout the Council. The Corporate Risk Management Group (CRMG) receives a quarterly assurance that the risk register has been updated across all departments, including review and agreement by departmental management teams.

53. CRMG has established a quarterly reporting of key strategic risks to CMB, to ensure these are managed at chief officer level. In addition, progress on all aspects of risk management is now reported to each meeting of the Final Accounts and Audit Committee.

Comprehensive Performance Assessment (CPA)

54. CPA 2005 was acknowledged by the Audit Commission to be a more stretching assessment than the previous CPA assessment. The output from

CPA incorporated the full 'Direction of Travel' judgement and the CPA Scorecard that respectively assess and measure how well the Council was seen to be improving. In CPA 2005, Wiltshire was judged to be 'a council that is improving strongly and demonstrating a 3 star overall performance'.

55. The CPA Use of Resources assessment 2005 highlighted a number of areas where the Council's system of internal control could be improved. An action plan for improvement was prepared as a result, and progress against this plan has been regularly monitored by the Performance Steering Group. Specific areas where improvements in internal control are being sought are:

- Risk management training for staff and members
- Reporting of legal issues to members
- A clearly-defined framework that links strategic objectives to risks, controls and assurances
- Maximising the effectiveness of the Final Accounts and Audit Committee
- Monitoring compliance with standards of conduct.

Internal Audit

56. Internal Audit (IA) must work in accordance with the Code of Practice for Internal Audit in Local Government, issued by CIPFA, and representing the mandatory professional standards for the internal audit of public bodies.   The important measure of the extent to which IA achieves the various standards laid down by the Code of Practice, is the Audit Commission's annual review of IA working practices. Their review completed earlier in the year concluded that IA was making good progress towards meeting the Code in full, and was 'materially compliant'.

57. 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 for 2005/06 was presented to the Standards Committee. Oversight of IA has now been taken over by the Final Accounts and Audit Committee, who received a progress report against the plan in December 2005.

58. *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. The Annual Report for 2005-06 concluded that internal control was good in the departments of Environmental Services, Corporate and Library Services, and Finance and IT. Internal control was satisfactory in the Department for Children and Education, whilst in Adult and Community Services there were areas with scope for improvement.*

59. Whilst IA is unable to give an absolute assurance, the results of the audit work completed during the year support an overall audit opinion that internal control is in place and is operating satisfactorily in the main, although there are areas of the internal control environment where there is scope for improvement, and which are disclosed as significant internal control issues in Section E of this Statement.

External Audit and Inspection

60. The Audit Commission's Annual Audit and Inspection Letter for 2005 (the Letter) summarised the conclusions and significant issues arising from recent audit and inspections of the Council. The Letter contained the overall key message that *'The Council is improving strongly. Service delivery is improving in most areas, and crucially in services that are most important to local people. The Council has made progress in securing economy, efficiency and effectiveness in the way it uses its resources. However, scope now exists to develop further in this area to ensure financial arrangements are fully effective'.*

61. The Council has developed a programme of action in response to issues raised in the Letter. This is intended to achieve further improvements in the following areas:

   - The Audit Commission's Use of Resources report 2005
   - Management of the revenue budget
   - Implementing additional controls over the ordering and purchasing of goods and services
   - Embedding risk management into the organisational culture
   - The Audit Commission's review of customer focus
   - Increasing the Council's understanding and consideration of the needs of all sections of the community.

62. The Audit Commission has issued specific reports on the following topics:

   - Ethical Governance, as summarised under paragraph 47 above;

   - Your Business @ Risk, where an online survey of IT users and IT staff demonstrated that both groups have a good awareness of information security issues, better than the national average in both cases.

   - *Annual Governance Report to the Council for 2005-06, which summarises the conclusions of audit work on the Council's financial statements, and arrangements for securing economy, efficiency and effectiveness in the use of resources. The key messages from this report are:*

- *Financial statements: audit work on the financial statements is now complete, and an unqualified opinion is expected to be issued at the end of September 2006;*

- *Use of resources: audit work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is now also complete, and an unqualified conclusion on the arrangements in place is expected to be issued at the end of September 2006;*

- *Data Quality: the Council's management arrangements for data quality have been assessed as adequate with some elements of good practice in place;*

- *Internal Audit: the overall conclusion is that Internal Audit continues to provide officers and members with an independent assessment of the adequacy and effectiveness of the internal controls operating within the Council.*

Chief Officers' Assurance Statements

63. *Each Chief Officer has completed and signed an assurance statement on internal control arrangements within their department. These statements provide confirmation that each department has identified the risks to achieving its service objectives, and the key controls in place to manage those risks. The statements also disclose, where applicable, those significant internal control issues which have arisen during the year. Specific issues arising from these disclosures are highlighted in section E of this Statement.*

Monitoring Officer

64. *The Monitoring Officer has not made any adverse findings in the course of the exercise of his statutory responsibilities.*

E. Significant Internal Control Issues

65. The previous section of this Statement describes how the Council has draw upon assurance from a number of sources to inform its review of the effectiveness of internal control. In carrying out this review, the Council has identified certain specific internal control issues to which we need to draw attention, and to outline how we are working in relation to these matters, in order to achieve the necessary improvements for the future. They are as follows:

Budgetary Control

66. Following an overspending on the provision of adult care services in 2005-06, the Council is again facing severe pressure on its budget for providing these services in the current financial year. The magnitude of the problem has been increased significantly by the NHS Primary Care Trust's recent reduction in funding for local health services. This has caused considerable additional costs to fall on the Council's services for adult care.

67. In order to minimise the impact on the Council's budget, a corporate recovery plan has been agreed, and a corporate recovery team established to achieve the necessary savings. The need to maintain effective management and control of the budget for adult care services will be the top priority for the Council throughout the current financial year.

68. In addition, the Council continues to face an increasing demand and increasing costs in relation to children's services, in particular the costs of placements for Children Looked After. These again give rise to significant budgetary pressures, and whilst efforts to manage these cost pressures will be given priority, they will continue to pose a significant challenge for the remainder of the current financial year.

Partnership Arrangements

69. As a consequence of the NHS reduction in funding for local health services, involving a withdrawal from arrangements for integrated management of health and social care, the Council has instigated a review of the governance frameworks in place for its partnership arrangements across the board. The aim is to ensure that robust governance and control arrangements are established in respect of all significant partnerships.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Final Accounts and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Keith Robinson
Chief Executive   _____

Jane Scott
Leader of the Council   _____