

# APPENDIX 1

**DRAFT**



## **Statement on Internal Control 2006-07**

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## **DRAFT**



### **Statement on Internal Control 2006-07**

#### **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 2007, 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](http://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, which was updated in June 2006. 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.

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. In September 2006 the Council introduced its Leadership Competency Framework. This describes the behaviours which help managers to identify how they might deliver improved performance as well as providing a framework for manager development. It is supported by Manage2Lead, a training programme of short modules aimed at supporting managers in developing their management skills and equipping them to contribute to the successful implementation of the corporate change programme.

***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. Governance and reporting arrangements for the Council were agreed by Final Accounts and Audit Committee in September 2006. These are set out in a protocol to the Constitution.
18. The Cabinet is responsible for the majority of the functions of the Council, within the budget and policy framework set by the Council.
19. 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.
20. Schemes of Delegation are in place for Cabinet Members and Officers to facilitate efficient decision-making.
21. 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 Scrutiny Task Group, Performance Scrutiny Task Group, Customer First Scrutiny Task Group and various time limited Task Groups.
22. These bodies serve to hold the Council's Cabinet and Officers to public account in their executive decision-making.
23. The Standards Committee is responsible for:
  - The 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.
24. The membership of the Standards Committee comprises 2 elected members and 4 independent members and is chaired by an independent member.

25. 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.

26. 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.***

27. 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

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

29. 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.

30. The Council has a Whistle Blowing Policy and an Anti-Fraud and Corruption Policy. The Standards Committee receives an annual report on the effectiveness of these policies.

31. 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 the Corporate Leadership Team (CLT), departmental leadership teams and individual managers,

with advice and assistance from the Council's Health and Safety team.

32. 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.***

33. 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.

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

35. 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..

36. Performance against key performance indicators is monitored quarterly.

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

38. In March 2007 the Cabinet agreed to adopt a framework policy to help the Council to manage its resources, performance and risk in an integrated and dynamic way. This policy informs and influences the Corporate Plan and Medium Term Financial Strategy ensuring a cohesive approach to managing the Council's business.

39. The creation of a new Department of Resources in March 2007 has reinforced an integrated approach to the management of resources, performance and risk.



40. The Council has a Risk Management Strategy. This involves the identification and assessment of risks and controls at service, major project and corporate levels.
41. 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.
42. The Corporate Plan incorporates a summary of the key strategic risks, which are managed by CLT, reporting to the Cabinet.
43. All reports to Cabinet, the Council and its Committees include an assessment of risk.
44. The Council is undertaking a review of its risk management processes to strengthen the link between resources, performance and risk. A revised Risk Management Strategy will be issued in due course.
45. Risk management training is provided to Members and Officers.
46. 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.
47. The Council has a Procurement Strategy which is designed to ensure compliance with Contract Regulations and the efficient and effective use of resources.
48. In May 2007 the Cabinet agreed a framework policy for the evaluation, approval and registration of partnerships in order to make the Council's partnership governance arrangements more robust.

***Facilitating the County Council's financial management and reporting***

49. 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***

50. The main role of Internal Audit 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.

51. Internal Audit has the following additional responsibilities:

- providing support to the Chief Financial Officer in meeting their obligations under Section 151 of the Local Government Act 1972, 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***

52. 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**

53. 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 2006-07, the Final Accounts and Audit Committee agreed a process by which 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***

54. Key areas of work for the Standards Committee have included:

- reviewing the Members' register of interests and the register of gifts and hospitality. The Committee asked the Monitoring Officer to continue to remind Members every six months of their responsibility to ensure that their entries in these registers are up to date.
- reviewing arrangements for the involvement of non-executive members in the decision making process. The Standards Committee's recommendations as to how the current decision-making arrangements might be improved were agreed by Council on 8 May and the Standards Committee will monitor their implementation.
- responding to the consultation on the draft revised Code of Conduct for Members issued by DCLG. The Standards Committee will ensure that Members are made aware of the changes introduced by the new Code of Conduct before adoption by the Council.
- reviewing the effectiveness of the Whistleblowing Policy. The Committee noted that overall the policy was operating effectively and that action was being taken to address some particular concerns which had been identified.

### ***Overview and Scrutiny***

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

- monitoring the performance of the Council's major service providers, including external partners delivering residential care for older people (Orders of St. John), highways maintenance(Ringway), facilities management (Sodexo), Waste Management (Hills) and PFI Schools (White Horse Education Partnership);
- overseeing the implementation of the new Procurement Strategy;
- involvement in new major procurements including ICT Support Services, Agency Staff, Advertising and Business Management System;
- monitoring the Council's performance against the targets set by central government and those in its Corporate Plan;

- engaging in the Council's budget setting process and budget monitoring (including corporate recovery measures);
- initiating public inquiries into matters of local concern and contributing to the development and review of policy and service delivery, including the Council's response to a major planning application submitted to a neighbouring authority, cycle lanes, social care modernisation, real time bus information, train services, closure of community hospitals, mainstreaming mental health and out of county placements for children.

### ***Performance and Risk Management***

56. 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 leadership teams.
57. CRMG has established the regular reporting of key strategic risks to the Corporate Leadership Team, to ensure these are managed at Chief Officer level. In addition, progress on all aspects of risk management is reported to each meeting of the Final Accounts and Audit Committee.
58. The Council has now adopted a framework policy aimed at managing resources, performance and risk in an integrated and dynamic way. This will change the procedures employed to manage and control the performance, budgets and risks associated with the County Council's services. The integration of these processes will inform and influence the Corporate Plan and Medium Term Financial Strategy, this ensuring a more cohesive approach to managing the business of the County Council as a whole.
59. These new developments will give rise to a revised risk management strategy which properly reflects the linking of performance and risk management. The Council's risk management processes are also being strengthened as a result, a key part of which is the appointment of a specialist risk manager.

### ***Comprehensive Performance Assessment (CPA)***

60. The Audit Commission's overall assessment of the County Council was published in the CPA Scorecard for 2006, and the Direction of Travel report, which assess and measure how well the Council is seen to be performing and improving. In CPA 2006, Wiltshire County Council was

classified as four stars in its current level of performance, and was judged to be improving adequately.

61. The CPA Use of Resources assessment for 2006 showed an improvement in the Council's overall assessment compared to the previous year. The overall assessment now stands at 3 out of 4, and a contributory factor in achieving this improvement was an increase in the assessment for internal control, which is now assessed as 3 out of 4. Nevertheless, further improvements in internal control have been highlighted in the Audit Commission's report on Use of Resources, and the County Council is working towards implementing these. They are:

- To ensure risk management becomes fully embedded into working practices across the Council
- To undertake more proactive counter fraud and corruption work which is determined by a formal risk assessment.

### ***Internal Audit***

62. Internal Audit represents an important element of the Council's internal control environment, and to be effective it must work in accordance with the Code of Practice for Internal Audit in Local Government (the Code), issued by CIPFA, and representing the mandatory professional standards for the internal audit of public bodies.

63. As part of its review of internal control, the Council is required to review the effectiveness of its system of internal audit. This has been done by means of an assessment of internal audit's current arrangements for meeting the various standards within the Code. In practical terms this means that internal audit work is organised and undertaken to incorporate the following elements, in order to meet the requirements of each standard within the Code, as follows:

- **Scope of Internal Audit:** This is set out in IA's Terms of Reference, which establish its responsibilities and objectives
- **Independence:** IA has no operational responsibilities, has direct access to all officers and members, and reports independently
- **Ethics:** IA staff are bound by the Staff Code of Conduct, and are reminded of the need to declare interests, gifts and hospitality.
- **Audit Committees:** IA has a regular reporting cycle to the Final Accounts and Audit Committee, covering all aspects of its work and findings
- **Relationships:** IA has established effective working relationships with management, external audit, and other professional groups, which work well in practice
- **Staffing, Training and Professional Development:** IA looks to maintain appropriate staff numbers, experience and qualifications, and use regular appraisal and training to meet the development

needs of its staff

- **Audit Strategy and Planning:** This is set out in IA's strategy document, which lays down the approach to risk-based audit planning
- **Undertaking Audit Work:** IA plans, undertakes, and reports each audit in accordance with terms of reference agreed with audit clients
- **Due Professional Care:** This is maintained through the day to day process of audit management as laid down in the IA Strategy
- **Reporting:** Clear written guidelines have been laid down for reporting an audit opinion from each assignment, and for IA's annual report and opinion on internal control
- **Quality Assurance:** The aim is to achieve this through a combination of audit management, staff training and development, performance measures and client feedback.

64. 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 meeting the required standards, and continues to be an effective management control within the Council's overall system of internal control.

65. 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 Chief Officers, and presented to the Final Accounts and Audit 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.

66. 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 relation to the various systems and procedures reviewed. There are no significant internal control issues arising from Internal Audit's work, which need to be disclosed in Section E of this Statement on Internal Control for 2006-07.

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

67. The Audit Commission's Annual Audit and Inspection Letter for 2006 (the Letter) provided an overall summary of the Commission's assessment of the Council. In addition to presenting the results of the Comprehensive Performance Assessment, the Letter expressed the

overall view that *'The Council provides good value for money and has solid plans for further improvement'*.

68. The Letter recommended that the Council should:

- consider how to support the Chief Executive and Corporate Management Board in ensuring good practice and improvements take place consistently through all Council departments
- respond to the poor results contained in the recent public opinion survey by approving a strategy to improve public opinion about Council's services, which includes a review of the effectiveness of public consultation and communication methods
- support officers in introducing a new corporate data system to capture in one place all performance information produced by the Council.

69. A programme for taking forward these recommendations is currently being developed.

70. The Audit Commission has also issued specific reports on the following topics, with overall findings being:

- **Equalities and Diversity:** the Council is committed at senior level to improving its approach, and some departments are delivering excellent work to ethnic minority and disabled citizens. However, the commitment to improve is variable across departments and depends on line management. The Council's structural changes should help spread good practice across all departments.
- **IT Service Management:** risks relating to corporate IT resources are well managed, and good support is provided to Council users, whilst there is scope for improving business support and managing change. The prospects for improvement are good as the new organisation and business processes become more mature.

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

71. 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.

72. 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***

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

### ***Partnership Governance Arrangements***

74. Following a review of the Council's partnerships the Council identified the need for more robust governance and control arrangements. In May 2007 Cabinet approved a framework policy for the evaluation, approval and registration of partnerships across the Council. The policy aims to ensure:

- a consistent approach is followed in relation to new and existing partnerships;
- key issues of finance, performance, governance and risk are properly considered and documented;
- partnership arrangements are reviewed and monitored regularly;
- a comprehensive register of partnerships is maintained.

75. The Council is also reviewing and developing its strategic partnerships under the Local Area Agreement to ensure that effective, accountable governance arrangements are in place.

76. The Council will continue to monitor the effectiveness of its partnership arrangements closely through the implementation of the framework policy.

### ***Budgetary Control Pressures in relation to Adult and Children Social Services***

77. Successful measures were taken under the Corporate Recovery Plan to address the financial deficit which had arisen in the early part of the year. The financial position was resolved within the same financial year.

78. The Council will continue to take appropriate steps to manage the continuing cost pressures in these services.



## **E. Significant Internal Control Issues**

79. The previous section of this Statement describes how the Council has drawn 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 one specific internal control issue to which we need to draw attention, and to outline how this is being addressed:

### **Transformation Agenda**

80. The Council has some very significant projects to manage as part of the Government's transformation agenda for local authorities. These include the implementation of the One Council for Wiltshire proposal, if approved by the Government in July, and the procurement, installation and operation of a Business Management System, which will impact significantly on all of the Council's services.
81. The risks associated with these major projects will be managed through the adoption of PRINCE 2 and MSP methodology, with regular reporting to the relevant boards and formal agreement of agreed actions.

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

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Jane Scott  
Leader of the Council

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