

Committee : **AUDIT AND PERFORMANCE COMMITTEE**

Date : **14 NOVEMBER 2006**

Title : **STATEMENT ON INTERNAL CONTROL – UPDATE OF  
OUTSTANDING ISSUES**

**REPORT OF THE DIRECTOR OF FINANCE**

---

## SUMMARY

1. This report provides a further update on the progress being made to address the issues identified in the last (2005/6) Statement on Internal Control (SIC) which were outstanding from the previous report given at the Committee's last meeting in October.

## ACTION REQUIRED

2. The Committee is requested to note the responses received in respect of the outstanding issues.

## CONFIDENTIAL ITEMS

3. There are no confidential items connected with this report.

## BACKGROUND

4. The Council's Statement on Internal Control highlights weaknesses in the system of internal control. The last statement, in respect of 2005/06, identified 25 such issues. It is important for the Council to demonstrate that it is taking appropriate action to address such issues, and the Committee had the opportunity to review plans when it last met. The issues shown at Appendix A were outstanding at that time and in all but one case responses have now been received. In the case of the one outstanding issue, a verbal assurance will be given at the meeting.

## STRATEGIC CONTEXT

5. The action planning and achievements of corrective action demonstrate to stakeholders including external inspectors, that the Council's direction of travel is positive and at an appropriate pace.

## CONSULTATION

6. Heads of Service responsible for the three outstanding issues have been consulted in order to report their response.

## FINANCIAL IMPLICATIONS

7. There are no financial implications that arise from the action planning required to address the three issues.

## LEGAL IMPLICATIONS

8. There are no legal implications arising from the action planning to address these issues.

## OPTIONS

9. (i) To note the report and to request further updates on the progress of action plans.

## EVALUATION

10. The Audit & Performance Committee has now had the opportunity to consider the action plans that have been developed to address the issue raised by the 2005/06 Statement on Internal Control. The Committee may wish to ask for further updates as the financial year progresses.

## RISK

11. The most significant risk associated with the SIC is that by failing to address known weaknesses identified in the 'assurance' process, or by not having robust action plans in place, the Council will be unable to demonstrate to others that its 'direction of travel' is positive.

## RECOMMENDATIONS

12. As option (i) above

## BACKGROUND PAPERS

13. The Council's Statement on Internal Control 2005/06

## APPENDICES ATTACHED

14. Appendix A - Statement on Internal Control – Outstanding Issues from Audit and Performance Committee meeting held on 10 October 2006

Contact: Bob Streets, Programme Lead for Compliance, ☎ 823622,  
Email: [bob.streets@iow.gov.uk](mailto:bob.streets@iow.gov.uk)

PAUL WILKINSON  
Director of Finance

# APPENDIX A

## STATEMENT ON INTERNAL CONTROL – OUTSTANDING ISSUES FROM 10 OCTOBER 2006

Issue No	Issue	Action Planned	Responsible	Progress
4	<p>The Council's reputation is potentially at risk if it does not manage issues which are a threat to proper standards of propriety, openness and accountability.</p>	<p>The Council will continue to further develop good practice and procedures that enable it to maintain effective control over its operations and to protect it from the potential threats to its reputation. This will include robust processes for dealing with</p> <ul style="list-style-type: none"> <li>• Fraud,</li> <li>• Corruption,</li> <li>• Complaints,</li> <li>• Conflicts of interest and</li> <li>• Allegations of misconduct amongst Council members and officers.</li> </ul>	<p>All Directors and Heads of Service</p>	<p>This originates from a perception that the Council's rules on potential conflicts of interest are not being followed. The requirement to declare interests is a requirement of the personal development review process (DRP). Assurances that had not been received by the time of the last Audit and Performance Committee have now been received in respect of:</p> <p style="text-align: center;">Head of Engineering Head of Tourism</p> <p>At the time of writing this report , assurance has not been forthcoming from: Head of Communications</p>
7	<p>There is a need to identify sufficient resources for highway maintenance in order to ensure full compliance with Section 41 of the Highways Act 1980 (duty to maintain the highway)</p> <p><i>(Immediate Priority)</i></p>	<p>The Council approved the use of £800,000 of capital slippage to fund urgent highway safety surfacing works December 2005 – Decision 19/05 Produce a Highway Asset Management Plan and Highway Asset Register to support submission of an Expression of Interest (EOI) for a highways asset management PFI scheme EOI Required by September 2006 Utilise the LTP process to secure adequate resources to maintain the highway network through capital investment December 2006</p>	<p>Head of Engineering Services</p>	<p>The Expression of Interest (EOI) in respect of the Private Finance Initiative was submitted in September 2006. A decision by the Department for Transport is expected in late December 2006 or January 2007.</p> <p>In the meantime, the Council is progressing with the development of the Outline Business Case (OBC) which will be required in the event of the bid being successful.</p> <p>In parallel, the project's governance arrangements (eg in relation to the project board and team) are being firmly established, including the development of a risk register for the different stages of the scheme.</p>

		<p>Develop an alternative strategy for improving the quality of the highways network should progress with a highway asset management PFI be unsuccessful          By Spring 2007          Planned implementation of a highway asset management PFI scheme to improve the quality of the highway network in the local area          By Spring 2009</p>		<p>The development of an alternative strategy will not be considered until the outcome of the bid is known as a way of avoiding unnecessary and abortive cost.</p>
--	--	---	--	--

8	<p>Specifically, during 2001/2 there was a major landslide in the Undercliff which caused the closure of Undercliff Drive for an extended period. Funding was secured from Government to allow a temporary solution to be delivered, and a further application was made to allow a permanent realignment to the highway. This second application was approved in principle in December 2003, however there have been delays in commencing the project. There is a need for progress to ensure available funding for the project is not lost.</p>	<p>Progress has been made with the design solution for the Undercliff Drive project which is now substantially complete, pending approval of other issues. Current delays are being caused by the need for Compulsory Purchase Orders for land required for the realigned highway, and there may be a requirement for further consultation and public enquiries with regard to revisions to the project, before further progress is made. There is a risk that money invested to date in the design of the project may have to be written off if the project does not proceed, and there is a further risk that money approved in principle by the Government may be withdrawn if other issues change the economic viability of the project. Full risk assessment of the project to be carried out identifying key issues which are having an impact on project delivery and how these risks are being managed. In addition, there is a need for a full project plan and timetable to be developed to show the critical path to be achieved towards securing the available funding and delivering the realigned highway. By September 2006</p>	<p>Head of Engineering Services</p>	<p>Funding for this scheme (and indeed for the Ryde Transport Interchange) has been guaranteed for the next three years in the South East Transport funding allocation. The risk of losing the funding has therefore receded.</p> <p>Although there had been delays in securing land through compulsory purchase, these could not be progressed until the design solution identified exactly what extra land was required. Without a substantially complete solution, it would have been very difficult to prove that the land being acquired, was in fact needed.</p> <p>The Council has also been mindful that, wherever possible, the land should be acquired by negotiation with land owners, rather than by compulsory purchase, which has meant that longer time was needed.</p> <p>A report dealing with the Compulsory Purchase of land required for the scheme is to be considered by the Council's Cabinet on 7 November 2006.</p> <p>The need for the project to be managed by a dedicated project manager has been acknowledged and a senior officer is to be seconded to that position in the near future.</p>
---	--	--	-------------------------------------	---