Committee :   **AUDIT COMMITTEE**

Date :   **25 MAY 2006**

Title :   **THE COUNCIL'S STATEMENT ON INTERNAL CONTROL**

Report of: **THE PROGRAMME LEAD FOR PERFORMANCE IMPROVEMENT**

1.   SUMMARY

1.1   This report introduces the Council's Statement on Internal Control for the financial year 2005/2006.

1.2   The Audit Committee has a key role in evaluating the Statement and the main purpose of this report and the meeting is to afford the opportunity for the Committee to play an important and valuable part in the Statement's development.

2.   BACKGROUND

2.1   For only the second year, the Council has a statutory duty to conduct a review of the 'effectiveness of its system of internal control' (Accounts and Audit Regulations, 2003, as amended). Having done so, it is required to publish the findings of its review in the form of a statement to be included with its annual statement of accounts.

2.2   The format and content of the statement is at the discretion of each local authority, but the main accounting body for local authorities – the Chartered Institute of Public Finance and Accountancy (Cipfa) – has produced guidance on both how the statement should look and indeed, the processes by which the statement should be developed. The steps it recommends are reproduced as Appendix A to this report. The recommended process is endorsed by the Council's external auditors who are likely to review the statement as part of their review of the Council's accounts.

2.3   At this stage in the proceedings, we are at Step 5. Officers have been seeking assurances from senior managers that key controls designed to achieve control over the Council's activities are operating effectively (or rather were operating at least during 2005/2006). Step 5 in the process recommends that the Council 'evaluates the assurances provided and identifies any gaps'.

2.4   Members will recall that following their review of last year's statement, the external auditors recommended that: 'The Audit Committee should take a leading role in reviewing and challenging the assertions implicit in the statement'. This involvement will meet another of the (emerging) statutory requirements, Regulation 4.3 which states: 'the findings of the review … shall be considered by

a committee of the relevant body … and following that consideration, shall approve a statement on internal control … '.

2.5 It is important to remind the Audit Committee at this juncture that the Committee itself is not responsible for achieving or maintaining internal control within the Council. That is the responsibility of management and the Cabinet. The Committee needs to be independent if it is to perform the role included in its Terms of Reference (Article 9 of the Council's Constitution):'to be satisfied with the authority's assurance statements, including The Statement on Internal Control, (and that it) properly reflects the control environment and any actions required to improve it'.

3. HOW THE COMMITTEE CAN PERFORM ITS ROLE

3.1 How can the Committee perform a useful role in this process which demonstrably adds value to it? As already mentioned above, the Committee is uniquely placed to provide an independent challenge to management. It does this routinely in any case and is supported in its function by both internal and external auditors.

3.2 Last year, the external auditors highlighted that the Committee was not afforded sufficient time to review the draft statement in respect of the previous year. This time we have been particularly determined to present the draft statement at this relatively early stage. This gives the Committee the opportunity to properly challenge any inappropriate assertions and indeed to require further enquiries to be made and answered before the Committee meets on 29 June to formally approve the Council's Statement.

3.3 As explained in the development session which we held on 3 May, the 'assurance framework' which is used to compile the Statement comprises of a complete set of assurance statements which are required of all departmental Heads of Service (hence there are around 13 in total). In addition some key officers are required to make statements because of their particular responsibilities in relation to internal control and corporate governance. The template used for assurance statements, including the guidance that accompanies it, is shown Appendix B.

3.4 The assurance statements are collated centrally and used to compile the draft statement. During this stage in the process, officers have undertaken two important validation exercises:

(a) a review of all the assurance statements received has been undertaken by the Council's Chief Internal Auditor who has identified any generic themes which feature in more than one statement. He also compares each statement with the Council's risk register to identify whether there are any omissions; and

(b) a specially convened meeting of the Council's Risk Management Group and other key officers in the SIC process met on 10 May to consider the draft statement again as a way of validating its content, challenging any assertions and recommending that significant weaknesses in internal control are added to the Statement if appropriate.

The results of both these exercises have contributed to the draft Statement now being presented to the Committee, and are reproduced at Appendices C and D.

4.   WHAT ENQUIRIES CAN THE COMMITTEE MAKE?

4.1   As a way of assisting the Committee to perform its role, the following questions are those that members might ask:

(a)   How has the assurance process been conducted? Does it appear to follow recommended best practice? (See again Appendix A.)

(b)   Does the process appear to have been applied consistently across all Council services? Are there any significant areas where members believe that internal control is ineffective but which fail to appear in the Statement? Can officers charged with compiling the statement justify why a known control weakness is omitted?

(c)   Has the draft statement been subject to a sufficiently rigorous review by others – for example the Chief Internal Auditor and the Risk Management/SIC Project Group. What were the outcomes of those reviews and were any changes made as a result? (See again Appendices C and D.)

(d)   As the Statement is intended to only highlight those issues which represent *significant* weaknesses in the system of internal control, does the draft appear to reflect the Committee's perception of the internal control environment? Does it for example resonate with the findings of the Internal Auditors' routine reports?

(e)   Are the outcomes of external (and therefore independent) reviews and inspections reflected in the draft Statement? In particular, does it include the issues raised in the External Auditor's Annual Audit and Inspection Letter discussed by this Committee at its meeting on 16 March?

(f)   Are there any issues identified in the draft Statement on which the Committee requires clarification? (The Statement needs to be approved when the Committee meets again on 29 June – thus allowing sufficient time for any further enquiries to be made by officers and reported back.)

5.   NEXT STEPS

5.1   Subject to any changes or further enquiries arising from this meeting, the final draft Statement on Internal Control will be considered for approval at the Committee's next meeting on 29 June.

5.2   At that meeting the Committee will be asked to approve the Statement and to recommend it to the Leader and Chief Executive for signature.

6.   LEGAL IMPLICATIONS

6.1	The Council has a statutory duty to carry out a review of its system of internal control and to include a statement on its findings with its annual statement of accounts (under the Accounts and Audit Regulations 2003).

7.	FINANCIAL IMPLICATIONS

7.1	There are no financial implications which stem directly from the requirement to provide the Statement. There are potential financial and resource issues which arise from any of the remedial actions which are needed to address control weaknesses.

8.	APPENDICES

Appendix A	An extract from Cipfa's Rough Guide to meeting the requirements of the Accounts and Audit Regulations 2003

Appendix B	The pro-forma for the Council's Assurance Declaration

Appendix C	Significant Internal Control Issues to be reported in the SIC – Chief Internal Auditor

Appendix D	Minutes of the Risk Management/SIC Project Groups, 10 May 2006

Appendix E	The draft Statement on Internal Control

9.	BACKGROUND DOCUMENTS USED IN COMPILING THIS REPORT

9.1	The Statement on Internal Control – meeting the requirements of the Accounts and Audit Regulations 2003 – A Rough Guide for Practitioners (Cipfa's Finance Advisory Network).

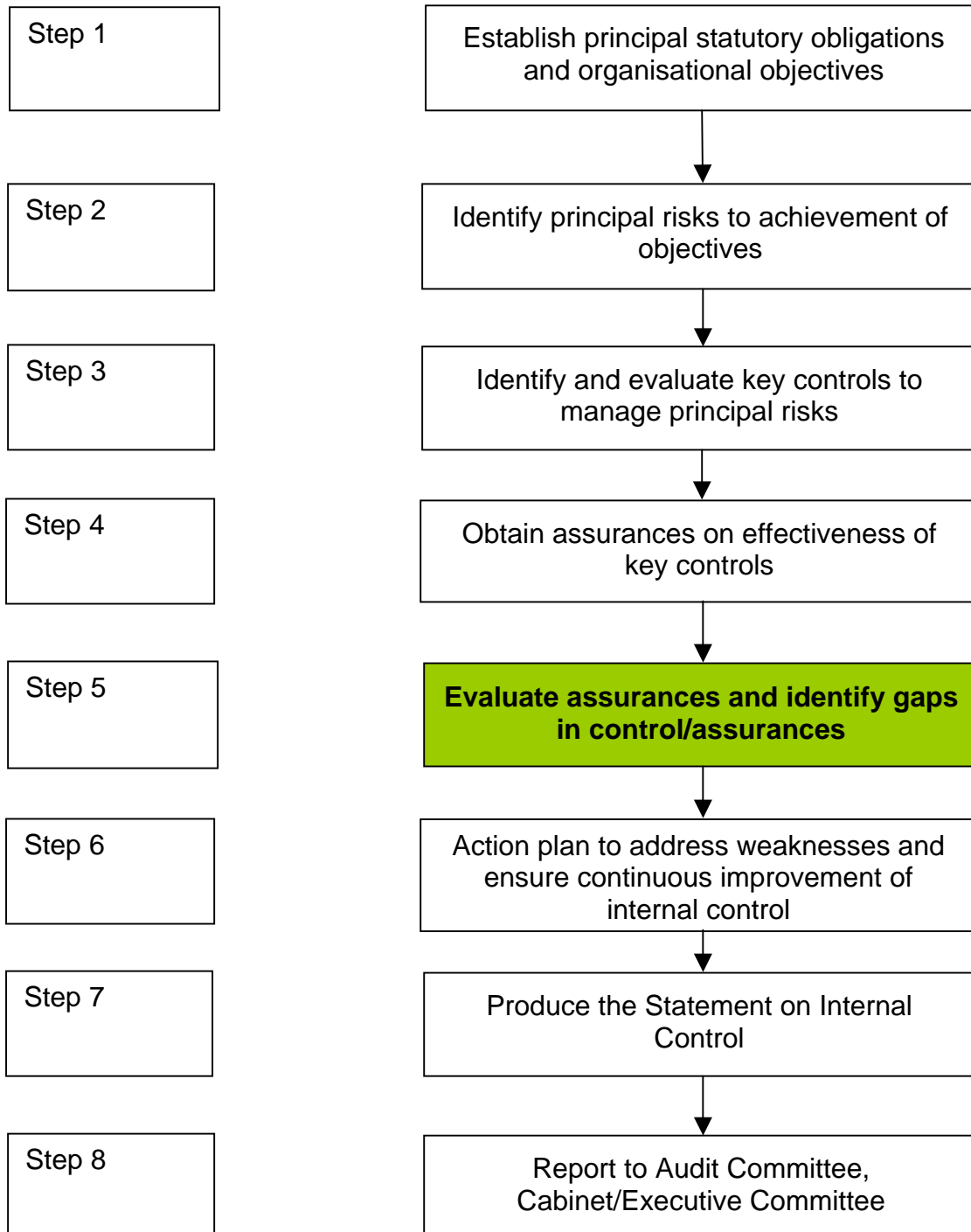9.2	Review of the Statement on Internal Control – (Audit Commission, January 2006).

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BOB STREETS
PROGRAMME LEAD FOR
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STUART FRASER
PROGRAMME LEAD FOR BUSINESS
MANAGEMENT

APPENDIX A

REVIEW OF INTERNAL CONTROL AND SIC ASSURANCE GATHERING PROCESS (SOURCE: Cipfa's Rough Guide)

Step 1	Establish principal statutory obligations and organisational objectives
Step 2	Identify principal risks to achievement of objectives
Step 3	Identify and evaluate key controls to manage principal risks
Step 4	Obtain assurances on effectiveness of key controls
Step 5	**Evaluate assurances and identify gaps in control/assurances**
Step 6	Action plan to address weaknesses and ensure continuous improvement of internal control
Step 7	Produce the Statement on Internal Control
Step 8	Report to Audit Committee, Cabinet/Executive Committee

STATEMENT ON INTERNAL CONTROL – ASSURANCE DECLARATION
PERIOD ENDED 31ST DECEMBER 2005

Column A	Column B	Column C	Column D	Column E	Column F
Issues Requiring Assurance Declaration	**Description of Weakness (if no weakness enter none)**	**Cause of Weakness**	**Proposed Management Action to Address Any Weakness**	**Planned Completion Date (Mandatory)**	**Reasons for Delay (if weakness was included on previous assurance)**
Statutory Obligations Compliance with statutory obligations i.e. the legislation governing your service					
Organisational Objectives Compliance with strategic objectives i.e. the principal policy priorities of the Council identified in Aim High					
Principal Risks Identify the principal risks to the achievement of statutory obligations and key objectives of the Council Please see notes for completion on the Appendix to this document					
Corporate/Strategic Risks Corporate/Strategic risks assigned to Head of Service Please append risk assessment data/reports held on Risk 2003 risk management system for all Corporate/Strategic risks assigned to your service					

STATEMENT ON INTERNAL CONTROL – ASSURANCE DECLARATION
PERIOD ENDED 31ST DECEMBER 2005

Column A	Column B	Column C	Column D	Column E	Column F
Issues Requiring Assurance Declaration	**Description of Weakness (if no weakness enter none)**	**Cause of Weakness**	**Proposed Management Action to Address Any Weakness**	**Planned Completion Date (Mandatory)**	**Reasons for Delay (if weakness was included on previous assurance)**
Service Risks Service risks as identified on the service risk register with an original risk score **of 9 or over** and recorded on the Risk 2003 system. (Those with a residual risk rating of less than 9 should be on Risk 2003 risk management system with control measures in place) Please append risk assessment data held on Risk 2003 risk management system for service risks with a score of 9 or above.					
Service Risks Service risks as identified on the service risk register with an original risk score **less than 9.** (Those with a risk rating less than 9 will not necessarily be recorded on the Risk 2003 system) Please provide an assurance that control measures are in place for service risks with a score less than 9.					

STATEMENT ON INTERNAL CONTROL – ASSURANCE DECLARATION
PERIOD ENDED 31ST DECEMBER 2005

Column A	Column B	Column C	Column D	Column E	Column F
Issues Requiring Assurance Declaration	Description of Weakness (if no weakness enter none)	Cause of Weakness	Proposed Management Action to Address Any Weakness	Planned Completion Date (Mandatory)	Reasons for Delay (if weakness was included on previous assurance)
Emerging Risks Principal risks to the achievement of objectives not identified elsewhere deemed likely to score **9 or over** using the same scoring matrix Please append supporting data for principal risks not recorded on the risk management system e.g. any which may have arisen in the interim period					
Internal Control Internal control procedures are up to date, subject to regular review and supported by documentary evidence. Please see notes for completion on the Appendix to this document					
Corporate Governance Compliance with the Council's constitution and corporate governance arrangements e.g. scheme of delegation, codes of conduct, decision making rules etc					
Consultation Procedures exist for consultation with stakeholders (both internal and external) where appropriate					

STATEMENT ON INTERNAL CONTROL – ASSURANCE DECLARATION
PERIOD ENDED 31ST DECEMBER 2005

Column A	Column B	Column C	Column D	Column E	Column F
Issues Requiring Assurance Declaration	Description of Weakness (if no weakness enter none)	Cause of Weakness	Proposed Management Action to Address Any Weakness	Planned Completion Date (Mandatory)	Reasons for Delay (if weakness was included on previous assurance)
Planning and Prioritisation Commitment to the Council's prioritisation and planning processes e.g. Corporate plans, Service and Team plans, resource prioritisation, medium term financial planning, Development Review Process					
Performance Management Commitment to the Council's performance management processes e.g. production and monitoring of BVPI's and local PI's, contribution to quarterly QPMR report, action taken to review and improve performance on a continuous basis					
Business Continuity Planning for business continuity, service interruption, and disaster recovery.					
Health and Safety Compliance with Corporate Health and Safety policies					
Procurement Strategy Compliance with Corporate procurement procedures e.g. Contract Standing Orders, OJEU, Gateway Review Process, ordering procedures etc					

STATEMENT ON INTERNAL CONTROL – ASSURANCE DECLARATION
PERIOD ENDED 31ST DECEMBER 2005

Column A	Column B	Column C	Column D	Column E	Column F
Issues Requiring Assurance Declaration	Description of Weakness (if no weakness enter none)	Cause of Weakness	Proposed Management Action to Address Any Weakness	Planned Completion Date (Mandatory)	Reasons for Delay (if weakness was included on previous assurance)
Project Management Compliance with Corporate project management procedures e.g. Prince 2 methodology used in appropriate circumstances					
Financial Management Compliance with Financial Management standards and procedures e.g. Financial Regulations, budget management and financial control, financial planning, prudential code where appropriate, virement procedures etc					
Human Resources Compliance with People Management Strategy e.g. Corporate HR Policies and Procedures, People Management Framework, Equality and Diversity Policy etc					
External Inspections Positive response to recommendations for improvement from external agencies and inspectorates					

STATEMENT ON INTERNAL CONTROL – ASSURANCE DECLARATION
PERIOD ENDED 31ST DECEMBER 2005

Column A	Column B	Column C	Column D	Column E	Column F
Issues Requiring Assurance Declaration	**Description of Weakness (if no weakness enter none)**	**Cause of Weakness**	**Proposed Management Action to Address Any Weakness**	**Planned Completion Date (Mandatory)**	**Reasons for Delay (if weakness was included on previous assurance)**
Partnerships and Joint Funding Arrangements Joint arrangements to provide services in conjunction with other agencies are subject to the same control and risk standards as other existing methods of service provision					
Other Issues Please provide details of any other internal control issues you feel ought to be recorded which are not covered elsewhere on this declaration					

Signature_____

Position_____

Date_____

NB 1 This statement forms an integral part of the assurance system in support of the Statement on Internal Control, which is published each year alongside the Council's Statement of Accounts, and is to be signed, dated and forwarded in an electronic format (together with any supporting attachments) to Carol Harrison, Personal Assistant to the Assistant Chief Executive and Chief Financial Officer.

NB 2 Notes to assist with the completion of this form are attached at Appendix A

NOTES FOR COMPLETION

General	**Internal Control** An internal control system encompasses all of the policies, processes, tasks, behaviours and other aspects of an organisation that, taken together, facilitate its effective and efficient operation by enabling it to respond to all significant risks to achieving its objectives, help ensure the quality of internal and external reporting, and help ensure compliance with laws and regulations, and also with internal policies with respect to conduct of business. The system of internal control will reflect the control environment which encompasses the organisational structure. As such, the system will include control activities, information and communication processes, and processes for monitoring the continuing effectiveness of the system of internal control. Examples include organisation charts, job descriptions, segregation of duties, checks and balance mechanisms, reporting lines, authorisation procedures, financial controls, variance reporting, risk assessments and control mechanisms etc
Principal Risks	**Risk Management** In order to ensure complete identification of risks it is advisable to consider risk from both a strategic and an operational perspective. Strategic risk includes those to service provision, reputation and political standing, whilst operational risk includes financial, physical and contractual risks. Following initial risk identification it is advisable to perform a validation exercise to confirm the accuracy of the data. Risks should then be prioritised according to their likelihood and potential impact. Those risks that are both highly likely and of high impact are likely to be the principal risks to achievement of objectives. Once identified the authority should assign ownership of key risks to members of management with sufficient authority to assign appropriate resources to control the risk. The relevant body should establish a mechanism to identify emerging risks and feed these through the above process.
Column A	**Issues requiring declaration.** (This column identifies those issues which require a positive response from each person required to complete a declaration).
Column B	**Description of any weakness or inadequacy in the system of internal control (or in extreme cases failure in the system of internal control).** (If there is no weakness or inadequacy in the system of internal control please enter none in the appropriate spaces below. Partial weakness – it may be that for some of the issues requiring declaration you feel that you are partially compliant i.e. fully compliant in some cases but other areas require improvement. In those cases enter part-compliant in the appropriate spaces below and provide further information on the areas where you feel an improvement is necessary).
Column C	**Identified cause of weakness or inadequacy in the system of internal control.** (A separate schedule should be attached where the spaces below do not allow adequate description of the issues involved. Where a separate schedule supports the declaration please enter see attached in the appropriate spaces below).
Column D	**Any current controls to mitigate or eliminate weakness and control improvements planned to be implemented in due course.**

	(A separate schedule should be used where the spaces below do not allow adequate description of the mitigation strategies for improvement).
Column E	Completion date that all key controls will be in place and operational. (This is a mandatory requirement to demonstrate that an improvement plan is in place for identified weaknesses or inadequacies in the system of internal control).
Column F	If any weakness listed in Column B appeared in a previous SIC and action has yet to be completed, set out reasons for delays in completion in the spaces below. (A separate schedule should be used where the spaces below do not allow adequate description of the issues involved).

Statement Of Internal Control

Significant Internal Control Issues To Be Reported In The SIC

SERVICE	SOURCE	WEAKNESS	PROPOSED ACTIONS	OBJECTIVE	RISKS	SCORE	CONTROL MEASURES
Tourism	AD	**Principal Risks** Lack of business continuity planning.	Identify key business areas and ensure disaster recovery or alternative procedures are documented so they can be referred to in the light of disaster or major business disruption.				
	AD	**Service Risks** Failure of ICT	Ensure back-up facilities and disaster recovery procedures are in place.				
Engineering	AD	**Statutory Obligations** Failure to comply with the Highways Act 1980.	Implementation of a highway asset management PFI.				
	AD	**Corporate/Strategic Risk** Failure to secure a Highways PFI.	Ensure EOI meets all DFT criteria. Financial advisers to assist. Produce a Highway Asset Management Plan and Highway Asset Register to support case.				

Statement Of Internal Control

Significant Internal Control Issues To Be Reported In The SIC

SERVICE	SOURCE	WEAKNESS	PROPOSED ACTIONS	OBJECTIVE	RISKS	SCORE	CONTROL MEASURES
	AD	Risk of a major landslide occurring.	Coastline Defence Strategies, Shoreline Management Plans and Undercliff Landslide Management Strategy in place. Advice to Homeowner publication produced. Ventnor study undertaken.				
	AD	Major coastal erosion risks	Risk assessments undertaken, movement monitors installed and coastal inspection team in place. £13m scheme for A3055 Undercliff Drive approved by DFT. Bid for £135m funding to secure all known areas of instability on highway network being considered.				
	AD	**Service Risks** Loss of key personnel.	Formal succession planning to be implemented including determination of key personnel.				
	AD	**Business continuity** Business continuity risks may not be covered	Corporate initiative underway for departmental				

Statement Of Internal Control

Significant Internal Control Issues To Be Reported In The SIC

SERVICE	SOURCE	WEAKNESS	PROPOSED ACTIONS	OBJECTIVE	RISKS	SCORE	CONTROL MEASURES
		adequately.	business continuity plans to be produced.				
Property	AD	**Corporate/Strategic Risks** Expired asset management plan	Consultant appointed to consult with members and stakeholders to produce new corporate asset strategy.				
Community Development	AD	**Corporate/Strategic Risks** Loss of Council's licence to hold public records and that the Public Records Office removes all such records to the mainland.	Cabinet Member approval for HLF funding for feasibility study. Bid application underway at time of writing. Cabinet member approval for pursuit of "Standards for Record Repositories".				
Adult Services					Managing Future Overspends. NHS budget situation indicates high overspend and deficit. Risk to services and financial stability of services.	16	
Housing	RR				Cut in Supporting People Funding will result in the service not being able to continue.	16	Review of all current funding to ensure best value Development of SP strategy to ensure best strategic fit. Reconfiguration of floating support accommodation.

Draft for Audit Committee 25 May

16 May 2006

Statement Of Internal Control

Significant Internal Control Issues To Be Reported In The SIC

SERVICE	SOURCE	WEAKNESS	PROPOSED ACTIONS	OBJECTIVE	RISKS	SCORE	CONTROL MEASURES
	RR				Failure to contain expenditure on bed and breakfast accommodation within budget.	16	Weekly review of temporary accommodation need and availability. Changes in provision of temporary accommodation to be authorised by Housing Needs Manager.
Consumer Protection	AD	**Principal Risk** Lack of implementation of tree safety policy.	Position advertised X2. Emphasis may shift to project manager rather than tree specialist.				
Children's Services	AD	**Service Risks** Fatality of LAC registered on the child protection register. Serious injury/abuse to LAC on child protection register or child in need, while under care of IWC.	High standard of scrutiny and care within directorate. Regular audit of child protection and LAC cases Local safeguarding procedures regularly updated on a regional basis. Regular and audited supervision for C&F staff, workforce development addresses training needs.				

Statement Of Internal Control

Significant Internal Control Issues To Be Reported In The SIC

SERVICE	SOURCE	WEAKNESS	PROPOSED ACTIONS	OBJECTIVE	RISKS	SCORE	CONTROL MEASURES
	AD	High re-referral rates of children and young people Poor educational attainment of LAC Increase in numbers of LAC and children on the CPR	Action plan including review and revision of team. Further development of LACES. Early support to year 9 group to increase potential. Regular PEP audit. Analysis of activity to determine developing trends to enable accurate planning.				
	AD	Lack of reliable data from SWIFT database to guarantee validity of activity data.	Feedback to project board.				
	RR				Failure of schools to meet annual targets for KS 1,2,3,and 4. Impact on CPA & on consequent Council Freedoms	16 16	

Statement Of Internal Control

Significant Internal Control Issues To Be Reported In The SIC

SERVICE	SOURCE	WEAKNESS	PROPOSED ACTIONS	OBJECTIVE	RISKS	SCORE	CONTROL MEASURES
Communications	AD	Failure to manage external communications effectively	Recruit strategic communications advisor. Draft interim communications strategy. Pilot new communications activity. Review policies and protocols.				
Performance Improvement	AD	Failure of the organisation to devote adequate resources to the internal audit function.	ICT auditor recruited. Two additional trainee auditor posts approved and under recruitment				
Business Management	AD	Failure to embed risk management standards throughout the council	Risk management training to be made available to services where appropriate. Risk management group formed with regular quarterly meetings Risk champions identified for specific service areas.				
Public Access					Adequacy of Building Security, particularly at county hall.	16	

G B RICHARDSON
CHIEF INTERNAL AUDITOR

MAY 2006

16 May 2006

Statement Of Internal Control

Significant Internal Control Issues To Be Reported In The SIC

(Contact details : Tel 3683, email: ged.richardson@iow.gov.uk)

Risk Management Group/SIC Project Team

10th May 2006   2pm – 4pm

Council Chamber - County Hall

Chair: Stuart Fraser

Present: Bob Streets, Chris Bentley, John Metcalf, April West, Ged Richardson, Penny Law, Tracy Ringer, Steve Milford, John Brocklehurst, Gill Preston, John Ashley, Andrew Morris, Kim Trevallion, David Hughes, Malcolm Smith

1	Apologies	Actions
	Apologies were received from Debbie Platt, Sean Newton, Warren Haynes, Kerry Hubbleday, Chris Mathews, Pat Szatter, Janet Giles, Nigel Blackmore, Rose Ward and Kate Freeman.	
	Stuart Fraser gave a brief introduction and outlined that the purpose of the meeting was to look at the draft SIC which is to be approved by 30th June. It was felt that the mix of Risk Champions and those involved in control issues would be the best form of moderation at officer level.	
2	**Minutes of last meeting and Matters Arising (CB)** It was agreed that the actions on the previous minutes would be carried forward for review at the next Risk Champions Group. The report on Risk Management went to the Aim High Strategy Group on 25th April, in general it was approved and it was agreed that monthly reports will go to the AHSG with details of issues which need to be resolved. The terms of reference for the group will be amended to reflect this. The Risk Management Group will be renamed to the Risk Champions Group.	
3	**SIC Presentation – Background (RS)** Bob Streets gave a presentation on the background of the SIC. Copy of slides attached for information.	
4	**SIC Presentation – Process (SF)** Stuart Fraser followed on from Bob's presentation with an outline of the processes involved in the SIC. Copy of slides attached for information.	

5	**Extract from CIPFA Rough Guide – Assurance Statement (RS)** Bob informed the group that reading through the extract will provide more substance as to what is required, in particular objective 5.	
6	**2005/06 SIC – Risk/Assurance Modernisation (GR)** Ged provided a brief summary of the process he went through when reviewing the assurance declarations and risk registers. The three criteria which were used were; - Generic themes (e.g. BCP) - Need to comply with legislation - Potential serious impact on the Council Ged talked the group through the items he had selected and with which criteria they met. Several issues/questions were then raised by the group the main points to note are listed below. - John Brocklehurst suggested that there were issues surrounding property legislation which needed to be included on a similar basis to the issue identified for highway maintenance. - John Metcalf highlighted the fact that there should be some correlation to the Councils 5 objectives. Mapping issues to be looked at. - It was questioned whether Fire Modernisation should be included. Ged pointed out that it was not included on the basis that an improvement plan is currently being implemented, however it was felt that perhaps it ought to be included in the SIC for consistency - Bob Streets suggested that the information provided from the CPA/JAR inspection should highlight areas to look at. This would provide a robust system of external assurance. - It was questioned whether Partnerships should be included in Ged's list. As he was aware of it already going into the SIC there was no need to include as part of his independent review statement. - It was noted that it was the residual risk scores which were used for the exercise but there is a need to manage and update the risk information held.	To discuss with Stuart To discuss with Stuart J. Metcalfe / R Streets
7	**2005/06 Draft SIC – Review and identify potential amendments** Stuart gave a brief overview of the draft statement. Paragraphs 1 & 2 are standard and will appear in everybody's SIC and it's from section 3 onwards that it become specific to this Council. Paragraph 3 details the main elements of the internal control environment.	

	Paragraph 5 was constructed by Stuart following various meetings with key officers. The group then reviewed the list item by item and details of the review are listed by the number below. With actions listed for the officer who will discuss the issue with Stuart Fraser.	
	1. Risk awareness / training plans to be written into wording.	C. Bentley
	2. Approved – agreed that reflects current position	
	3. Approved – agreed that reflects current position	
	4. As last year as no change. The testing and collation process was questioned and it was decided that this should be reworded slightly	J. Metcalfe
	5. Possible rewording following further implementation, Stuart to discuss with Nigel Blackmore.	N. Blackmore
	6. To be reworded following progress with power supply and air-conditioning system	G. Preston
	7. Dates need to be amended, reads as if expecting approval of a PFI and needs to mention plan B. To be rewritten and presented in chronological order	M. Smith
	8. Approved	
	9. Possibility of adding capacity issues identified as part of the CPA/JAR review	J Metcalfe/ P Law
	10. Language needs to be looked at and reworded	J. Brocklehurst
	11. Suggestion that Trees might not need to be mentioned specifically. Should it not be general Health & Safety issues. It was decided the best person for Stuart to discuss with would be Warren Haynes	W. Haynes
	12. Approved – constructed by Pru Grimshaw	
	13. Currently being worked on by Janet Giles following discussions with Ian Sandbrook.	J Giles
	14. To be reworded to include internal communication too	J. Metcalfe
	15. Approved	
	16. Wording to be revised with respect to the description of CorVu as a performance management system rather than a means of assisting improved performance management	J Metcalfe/ R Streets
	17. Specific actions to be included to improve project management.	R Streets
	18. Wording approved – possible reference to number 10	S Fraser
	19. Scrutiny committee has requested this be added to their agenda, this should be written into detail.	S Fraser
	20. It was decided that the wording of this should be discussed with Andrew Williamson and Kerry Hubbleday	A Williamson/K Hubbleday
	In addition to the items above there were a couple of other issues raised:	
	Stuart will discuss with John Metcalf the possibility of adding an issue with the transition from child to adult care as this was	J Metcalfe/S Fraser

	picked up in the JAR/CPA.	
	Steve Milford raised the issues of: Substance misuse, death or injury to children in our care and RTAs. These will be discussed with Stuart.	S Milford/S Fraser
	The group were thanked for their input and it was decided that the papers should be sent to those who are absent for a response before Monday 15th May in order that full information is available for the Audit Committee on 25 May	
	The next meeting will revert to the normal Risk Champions Group and a date will be arranged shortly.	

Meeting Close 16:00

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

1.   Scope of Responsibility

The Isle of Wight 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. The Isle of Wight Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Isle of Wight Council is 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.

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 Isle of Wight 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 has been in place at the Isle of Wight Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

3.   The internal control environment

The key elements of the Council's internal control environment are separated into a number of specific areas which are set out below:

Establishing and Monitoring Achievement of the Council's Objectives

➢   The Council is a key member of the Local Strategic Partnership (LSP), the Island Strategic Partnership. As a member of the partnership, the Council has prepared a draft Community Strategy and has set out its own priorities in support of this strategy in its corporate plan. The Council's corporate plan, Aim High, aligns all of its activities to the achievement of its vision for the Island that it shares with the LSP. The vision is for 'a progressive Island built on economic success, high standards and aspirations and a better quality of life for all'. The Council will build on its existing strength of leadership (political, managerial and community),

corporate governance, people development, partnerships, clarity of purpose, financial management and delivery of quality services in its pursuit of this vision. A strong partnership with the LSP was responsible for the Island being invited to submit a bid to the Government Office for the South East for funds to support a Local Area Agreement (LAA). Aim High mirrors the core themes of the LSP and the LAA and contains within it those areas of the LAA for which the Council is the lead delivery body.

➢ A medium term financial plan, capital investment strategy and asset management plan are evolving to ensure resources are allocated to support the achievement of the Council's principal objectives. In addition, the service planning and budget timetables are now aligned to ensure that the annual budget reflects the agreed aims and objectives of the Council. Targets for achievement of these priorities are set out in the Aim High Delivery Plan.

➢ Progress towards achievement of the targets is performance managed by the Aim High Strategy Group and Corporate Objective Groups on a monthly basis. Specific reports on the achievement of efficiency savings and exception reports on other areas of particular concern are also considered monthly. Quarterly progress reports on performance are considered by the Cabinet, and specific performance issues may be referred to a Policy Commission or the Scrutiny Committee.

Governance Arrangements

➢ The Council has adopted a constitution which sets out the framework within which the Council operates, how decisions are made and the procedures to ensure that they are efficient, transparent and accountable. The constitution is reviewed on a regular basis to ensure it remains fit for purpose.

➢ The Cabinet is responsible for the majority of the functions of the authority, within the budget and policy framework set by Full Council. Executive decisions can be taken by the Cabinet, by cabinet members or by officers acting under delegated powers, depending upon the significance of the decision being made. A Forward Plan is published on the first day of the month providing details of key member decisions to be taken in the next four months. This enables consideration by other elected members, the public and Strategic Directors, in time for advice and recommendations to be made should it prove necessary. The Scrutiny Committee have the ability to call-in decisions and seek detailed information in support of the action taken.

➢ The Council discharges its overview and scrutiny functions through 6 member bodies – 4 Policy Commissions, a Scrutiny Committee and an Audit Committee. The role of the Policy Commissions is to drive the development of key areas of policy identified by either the Commission or the Cabinet. Internal scrutiny of Council functions and decision making is carried out by the Scrutiny Committee. A separately constituted Audit

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

Committee oversees internal and external audit, the Council's risk management arrangements, and the outcome of external inspections.

➢ A properly designated Monitoring Officer has been appointed by the Council with adequate resources to carry out the role effectively, including the support of 2 Deputy Monitoring Officers. The Monitoring Officer has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All key decisions are supported by a legal assessment provided by named officers.

➢ The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its senior officers has ultimate responsibility for the administration of those affairs. The Council has designated the Chief Financial Officer as that officer in accordance with S151 of the Local Government Act 1972. All key decisions are supported by a financial assessment provided by a named financial officer.

➢ The Council has a number of policies and procedures which apply to its operations including Financial Procedure Rules, Procurement Rules, Risk Management Policy, Codes of Conduct for Members and Officers, Anti-Fraud and Corruption Policy, a Whistleblowing Policy and Human Resources Policies. Ensuring compliance with these policies is the responsibility of all managers throughout the Council. In addition, the Internal Audit section carries out regular checks throughout the year to ensure policies are complied with and should instances of non-compliance be identified, relevant management action is recommended to secure future compliance.

Risk Management

➢ The Council's Risk Management Policy is regularly reviewed and one of its aims is to embed risk considerations into all key management activities throughout the Council. These include policy development and decision making, service planning, project management and financial management, both in terms of revenue budgets and the Council's capital programme. The policy is currently being updated to ensure it remains fit for purpose.

➢ There is a comprehensive framework for identifying and managing risk, including a dedicated risk management database which has been developed, and maintained, with the active participation of those involved in planning and delivering services. Identification of risks and actions necessary to control the risks identified are included as part of the service planning process. Appropriate staff with links to each service area have been trained in the assessment, management and monitoring of risks, and these staff form the basis of a Risk Management Group. The group meets on a regular basis to consider best practice in risk management, review service risks and share learning experiences, and identify strategic risks. Due to departmental restructuring and other changes in the Council, the

group needs to be refreshed with a number of new representatives being sought to ensure full coverage of all Council services.

➢ Further progress is being made with regard to developing the consideration of risk at a corporate level to ensure risks are identified and monitored as part of the Corporate Planning and Performance Management processes. At elected member level this will be through means of regular reports to the Aim High Strategy Group and the Audit Committee. In addition, the alignment of service planning and budget timetables will help to ensure that key risks identified in the service planning process are adequately resourced as part of the budget strategy.

Financial Management and Use of Resources

➢ Financial management of the authority is delivered in accordance with the rules set out in the Constitution and within the Financial Procedure Rules. The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management arrangements are adequate and effective, and that there is a sound system of internal control which underpins the effective exercise of the Council's functions. In addition, CIPFA have produced various codes of practice and standards of professional practice with which finance staff are required to comply, including that the Chief Financial Officer is required to advise the Council on the robustness of its budget and the adequacy of its reserves, to regularly monitor financial performance against budget, and to produce a medium term financial strategy which supports the aims and objectives set out in the corporate plan.

➢ The Council has reviewed many of its services under the Best Value criteria, and discharges its duty to secure Best Value in service delivery for the local community by seeking to be a high performing, cost effective Council which aims to deliver continuous improvement across all services. Progress in achieving service improvement is monitored through the Aim High Strategy Group at member and strategic director level and through Corporate Objective Groups at service management level.

➢ All services of the Council are subject to reviews by external inspection agencies, external auditors, Internal Audit, Policy Commissions, Scrutiny Committee and the Audit Committee. They may also be asked to make contributions towards prioritisation initiatives from time to time. The results of such inspections inform the review process and allow the Council to make decisions to ensure the economic, efficient and effective use of resources in achieving the Council's objectives by using objective criteria.

➢ Following the Comprehensive Spending Review 2004 the Government introduced efficiency savings targets for the public sector, including local authorities (Gershon review). The outcomes of the inspection processes, together with efficiency gains identified as part of the budget strategy, are combined in Annual Efficiency Statements submitted to the ODPM on a regular basis.

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

➢ The Medium Term Financial Strategy requires the redeployment of financial resources to promote service improvement and ensure that available resources are targeted towards the Council's principal objectives. These objectives currently include five immediate priorities identified by the Council as essential - (Improving educational attainment especially at key stage 4; Highways PFI to assist an accessible, effective and integrated transport system; Create effective partnerships where they are able to improve service delivery, cost effectiveness or community engagement; Have an effective Fire and Rescue service; and to ensure that all services are cost effective and offer maximum value for money).

➢ The Council maintains an Internal Audit function whose role is to provide an independent and objective assurance about the Council's functions aimed at adding value and improving the Council's service delivery to stakeholders.

➢ The Council has an objective and professional relationship with its external auditors as demonstrated in the Annual Audit and Inspection Letter, and also the Final Accounts Memorandum and other similar Audit Commission reports.

Financial Reporting and Control

➢ Financial reporting and control processes and procedures are set out in the Council's Financial Procedure Rules and include the following:

- Comprehensive budgeting systems on a medium term basis

- Cash limited budgets identified on a service by service basis prior to commencement of the financial year

- Regular reviews of performance against budgets and monthly reports to service managers identifying predicted outturns and action required to control significant variations

- Regular monthly reports to Aim High Strategy Group providing details of progress with identifying and delivering efficiency savings

- Regular monthly reports to Aim High Strategy Group on budget performance, specifically identifying significant financial exceptions with action plans for control

- Key financial risks are identified at the start of the financial year and are monitored throughout the year both departmentally and corporately

- Regular capital monitoring reports which compare actual expenditure and commitments to budgets and identify predicted

outturns

- Clearly defined capital and revenue expenditure guidelines

- Council wide training programmes for budget managers, supporting documents identifying key financial issues, and the inclusion of financial management as a core competency in the Council's management development scheme

Performance Management

➢ The Council has a range of performance indicators and targets used to measure progress against key priorities. Details of these indicators are included in the Best Value Performance Plan. The indicators include a mixture of nationally and locally set performance measures which measure our performance in achieving statutory functions and in delivering the Corporate Plan.

➢ Performance management is delivered through an agreed framework, the main focus having been a process of quarterly performance management reports (QPMR's) to Cabinet. This has now been augmented by monthly reports to the Aim High Strategy Group on performance against each corporate objective. Emphasis has been placed on improvements to services identified as contributing to the five immediate priority areas. The Council has a clear commitment to improve performance and, to that end, a new performance management system (CorVu) has recently been procured with the aim of embedding performance management consistently through all services and collecting data to inform the performance process and identify areas where further action may need to be considered to secure improvements. As stated previously, performance is reported on a regular basis to both the Aim High Strategy Group and the Cabinet, utilising the CorVu system to identify specific issues which may have an impact on the Council's ability to deliver its principal objectives, and identifying action plans for improving performance.

➢ Directors and Cabinet Members have agreed objectives/targets for which they are jointly responsible and held to account for effective delivery by the Chief Executive Officer and the Leader. These objectives/targets derive from the Corporate Plan and find expression in the detailed plans of each service.

➢ The Council contributes towards a Community Strategy and Local Area Agreement for the Island and has set out its own priorities in its Corporate Plan, Aim High. These corporate arrangements are under-pinned by service plans for all service areas, setting performance targets and improvement plans. The service plans are in turn supported by team plans to help ensure that all staff in the Council focus on corporate objectives, linked to outcomes for the community.

> All services are delivered by properly trained and experienced staff. Each post has a job description and person specification, and the individual work-plans and training requirements of each member of staff are identified through a Development Review Process which is undertaken on an annual basis with six monthly reviews.

> In order to achieve the required change in performance, key groups of employees will need to be engaged in shaping and delivering the change agenda. The Workforce Strategy currently being developed aims to get the right people with appropriate skills into the right place in the staff structure to achieve the corporate objectives. Ultimately, the aim is that the objectives of each individual member of staff will be recorded on the CorVu Performance Management software to demonstrate the link from staff objectives through to the Community Strategy.

4. Review of effectiveness

The Isle of Wight Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The Internal Control Process

The process that has been applied by the Council in maintaining and reviewing the effectiveness of the system of internal control during 2005/06, and in the period to publication of this statement, includes:

> The Monitoring Officer and his staff have a duty to keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose. The Council reviews the Constitution each year at the Annual Meeting of Full Council

> The Cabinet, both collectively and individually through the scheme of delegation, is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. More regular reports on aspects of performance and financial management, in particular significant exceptions and progress with achieving targets, are taken to Aim High Strategy Group on a monthly basis, together with action plans for dealing with corporate risks

> The Council has established four Policy Commissions as part of the overview and scrutiny function. The principal role of the Commissions is to deliver evidence based policy recommendations to the Cabinet, and which are capable of being adopted by the Cabinet. These Commissions have detailed work programmes reflecting the priorities of the administration,

and provide stakeholders with the opportunity to participate in Council initiatives and matters of public concern

➢ There is a well resourced Scrutiny Committee which is chaired by a member of an opposition group and includes a number of co-opted independent members. This Committee is wholly independent of the Executive functions of the Council, has developed its own work plan, and is responsible for delivering independent scrutiny of service and financial performance, decision making processes, efficiency and effectiveness in achieving the Council's objectives.

➢ The Council has an established Audit Committee, also independent of the Executive functions of the Council, and responsible for overseeing internal and external audit, risk management processes, reviewing the adequacy of internal controls and the outcome of external inspections

➢ Internal Audit is an independent and objective assurance service for the management of the Council, and is responsible for bringing a systematic and disciplined approach to the evaluation and improvement of internal control, risk management and governance processes. The audit approach is a mixture of risk and systems based audits, ensuring available resources are directed at areas of greatest need through a planned programme of work. The audit plan is developed and approved by the Audit Committee, allowing the annual audit programme to be delivered. Reports on reviews are provided to service managers, and include recommendations for improvement and a timetable for implementation. Recommendations are subsequently reviewed to ensure action has been taken, and the results of audit reports are fed back to the Audit Committee

➢ The work programme of Internal Audit is subject to regular review and discussion with the Council's external auditors, who place reliance on the work carried out by the section when forming their own judgements about the effectiveness of internal control arrangements across Council services

➢ The external auditor's Annual Audit and Inspection Letter is considered by the Cabinet and the Audit Committee. Monitoring of progress towards implementing recommendations contained in the letter takes place as required

➢ The Council has a Risk Management Group which includes a 'risk champion' to represent each service area. The group meets on a quarterly basis to consider best practice in risk management, review the risk register and service risks, identify strategic risks and to ensure that consistent management action is being taken to minimise risk to the Council's operations.

The Assurance Process

To augment the normal internal control process, the Chief Financial Officer co-ordinates an assurance process which includes:

➤ Obtaining assurances from Chief Officers and Heads of Service that key elements of the internal control framework were in place during the year in their service area. As part of this process they were asked to identify areas of control weakness and identify action to be taken to resolve the weakness together with a timescale for improvements to be in place

➤ Assurances were required from service managers, initially for the period to 31 December 2005, and then updated to include the period to 31 March 2006

➤ Obtaining assurances from other senior managers, including the S151 Officer and the Monitoring Officer, that internal control and corporate governance arrangements were in place throughout the year

➤ The S151 Officer and Monitoring Officer required all managers of key financial management services, and deputy monitoring officers, to provide assurance statements regarding the adequacy of the internal control systems in place

➤ As part of the service planning process, the Council had identified Corporate Norms for use in creating Service Plans. Those Corporate Norms are broadly consistent with issues covered in the assurance statements, so that links between risks identified in service plans, the risk register and the SIC assurance statements can be made

➤ Once all assurance statements had been received, the Chief Internal Auditor carried out an independent review of the statements, the risk register and other supporting evidence in order to draw some conclusions about the effectiveness of internal control across the Council. The results of his review have been summarised into broad control themes in a separate document and form the basis of the issues identified in section 5 below

➤ The draft SIC, background information and other supporting documents were considered at a meeting of the Risk Management Group/SIC Project Team. Suggested amendments to the draft document were recorded and those accepted have been included in the final draft

➤ The amended draft SIC, background information and other supporting documents were considered at a meeting of the Audit Committee. The final SIC document for publication includes all issues identified by the Audit Committee as likely to indicate a problem with the internal control environment.

Review

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee and Risk Management Group, and a plan to address weaknesses and ensure continuous

improvement of the system is in place.

5.   Significant internal control issues

A number of significant internal control issues have been identified, arising from the assurances provided by service managers, review of the risk register database, and the results of external inspection processes. These are described briefly in the table below. For each one, detailed action plans have been determined by a responsible officer and a summary of the key actions is included in the table:

No.	Issue	Action Planned
1	Consistent risk management standards to be embedded throughout the organisation	Risk management policy to be updated to ensure it is current By June 2006 Risk Management Group to be refreshed to ensure full coverage of all Council services By June 2006 Regular risk reports to the Aim High Strategy Group and Audit Committee to ensure focus is maintained on corporate risks Process commenced April 2006 Programme of risk awareness training to be planned and delivered to ensure the profile of risk management is raised across the organisation To commence September 2006
2	The Council's Constitution is regularly reviewed and is undergoing further refinement to accommodate the bedding in of new administration and governance structures	Awareness sessions for partners and other stakeholders; continued development of intranet/web based resource to ensure governance documents are accessible. Document Standards Group established to improve the documentation process Process commenced May 2006
3	Overview and scrutiny functions have been regularly reviewed to ensure they are sufficiently robust and that independence from Executive functions is maintained	Revised arrangements are now in place, including co-opted independent members and an opposition group member providing the Chair of the Scrutiny Committee. Arrangements are settling down and the Scrutiny Committee has devised a work plan, however it is still too early to judge on outcomes. By March 2007

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

No.	Issue	Action Planned
4	Register of Employee's Personal Interest forms are not completed consistently throughout the Council	All line managers are expected to ensure that the declaration of interest forms are completed at the annual development review meeting and updated at the half-yearly review – register to be retained by line managers to demonstrate that all employees are aware of this requirement, that forms are completed and subject to regular review By September 2006
5	Business continuity planning and disaster recovery plans need to be embedded throughout the organisation to ensure compliance with the Civil Contingencies Act	Awareness seminars for members and senior managers and implementation seminars for BCP across the Council By March 2006 Collate individual plans and produce corporate BCP Co-ordination and Crisis Management Procedure By June 2006 New arrangements to be tested regularly to ensure they continue to be robust enough for the purpose
6	Corporate ICT systems need to be regularly reviewed to ensure resilience, system security is safeguarded and that all systems are fit for purpose and updated to current technology standards	ICT criticality review was carried out to identify business critical systems, producing a business continuity plan for networks and business critical systems. Work identified in this review for the upgrading of the power, air conditioning and fire alarms in the server farm has now been completed. The implementation of the new internet filtering and security system has taken place, helping to overcome capacity issues. A new ICT Security Manager is currently being appointed and will head a team responsible for the new arrangements being tested regularly to ensure they continue to be robust enough to provide the required resilience, safeguard security and keep pace with technological innovations. By June 2006
7	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) *(Immediate Priority)*	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 for a highways asset management PFI scheme EOI Required by September 2006 Utilise the LTP process to secure adequate

No.	Issue	Action Planned
		resources to maintain the highway network through capital investment December 2006 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
8	There is a need to plan for the potential impact of climate change on the Island's infrastructure, in particular major landslides, coastal erosion and cliff falls	Coastline Defence Strategies, Shoreline Management Plans and Undercliff Landslide Management Strategy are in place. Risk assessments undertaken and movement monitors installed. Potential bid for funding to develop a long term strategy secure all known areas of instability on the highways network being considered. By Spring 2007
9	Human resource activity needs to be strengthened to provide support to the Council's workforce, to enable their development through improvements to working practices and to ensure the right staff capacity and skills are available to contribute towards the Council's improvement agenda	Workforce Strategy being developed to develop leadership capacity and develop the skills and capacity of the workforce. By September 2006 Regular employee surveys are carried out to monitor staff morale and progress with the change agenda Develop a competency framework to suit the workforce strategy when complete Consideration to be given to ensuring the staff capacity and skills are available to be able to deliver the improvement agenda To Follow Once the Workforce Strategy is in Place

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

No.	Issue	Action Planned
10	There is a need to manage the Council's asset base effectively to clearly identify the scope of the portfolio required to support service delivery, to ensure that Asset Management Plans (condition, suitability and sufficiency assessments) are in place and up to date, and able to inform the decision making process with due regard to eliminating the backlog of repairs, non-compliance issues, prioritised and planned programmes, general building security issues and property disposals.	The formation of the Strategic Asset Management Plan Working Group comprising members, directors, senior officers and stakeholders to produce a new Corporate Asset Management Plan and Capital Strategy 2006/8, utilising property data and the MTFP is in place. Consultant appointed to assist with scoping and outline vision, including workshops with the group and service directorates in order to prepare and deliver a suite of options to co-ordinate asset investment and management plans, aimed at optimising the contribution of the Council's property assets to the Aim High principal objectives. These will include a holistic view of building fabric improvements, building services upgrades, fire and security initiatives, DDA and compliance issues. By December 2006
11	Progress needs to be maintained in improving the Council's overall approach to the management of Health and Safety, particularly with regard to the management of stress and the tree safety policy	Review and revise the impact of the existing training courses for managers, including the numbers still to attend. Review and assess the impact of the recently completed stress audits across all services.
12	The potential for a fatality, non-accidental injury or abuse to a child known to the Council, on the child protection register or cared for by the Council needs to be kept under constant review	High standard of scrutiny and care within directorate and by LCSE. Regular audit of child protection and LAC cases. Local safeguarding procedures regularly updated on a regional basis. Regular and audited supervision of staff. Each of the above is delivered on an ongoing basis to ensure high standards of child care are in place at all times.

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

No.	Issue	Action Planned
13	Standards of achievement in the Isle of Wight's schools are inadequate at Key Stages 2, 3 and 4. Although efforts have been made to improve results, local performance still remains below local and DfES targets and in the lower quartile for Key Stages 2, 3 and 4 when compared to other English authorities. By contrast, Key Stage 1 results are consistently in the upper quartile *(Immediate Priority)*	The action plan to improve educational attainment is included in the Local Area Agreement and the Children and Young People Plan. The Council has taken action to improve standards in the CSA by restructuring the management team and entering a partnership with external service providers to support delivery of the improvement agenda. The new school funding arrangements from April 2006 have introduced new funding targeted at Personalised Learning, which has been allocated on the basis of low prior attainment.
14	Management of external communications needs to be improved to ensure the Council sends the right messages to partners and stakeholders	Action is currently being taken to improve the overall approach to external communications, led by the Chief Executive. A short term communications strategy has been prepared for the current year, pending the completion of the review by the Chief Executive.
15	Management of partnership arrangements continues to require attention to ensure that the Council's principal aims and objectives are consistent with those of its partner organisations and that partnerships are dealt with consistently throughout the authority and in the same manner as other methods of service delivery *(Immediate Priority)*	A corporate project team has been established to develop best practice standards for partnership management and ensure they are applied consistently. First step was to create a partnership register to record details of significant partnership arrangements. By March 2006 Create a partnership management protocol document as a best practice guide for use by Council officers By July 2006 Consider governance issues related to partnerships and ensure they are applied as appropriate By September 2006

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

No.	Issue	Action Planned
16	Performance management arrangements need to be applied consistently across all service areas to enhance service delivery and continuous service improvement	Implement improved performance management standards across the Council in accordance with the Aim High improvement plan, in particular through use of the CorVu performance management system. By May 2006 – phase 1- to implement the software system to enable the indicator database to be populated configured around both Aim High and the Local Area Agreement By April 2007 – phase 2 – to continue the development of the system and to ensure its widespread use at all levels within the Council By December 2007 - to develop a performance management framework which encompasses all necessary features to achieve effective performance management.
17	Project management processes have been considered and improved, however they are not applied consistently to all major projects throughout the Council	Implement improved programme and project management arrangements including: - a project management guide - further training in project management - setting standards for project management - using an appropriate risk assessment tool for all projects to establish their relative importance. By March 2007
18	Medium term financial strategy needs to be reviewed and updated to be consistent with the Council's principal objectives, in particular the requirement to be a High Performing, Cost Effective Council which delivers a Council Tax increase of no more than inflation year on year *(Immediate Priority)*	MTFP to be rewritten in accordance with the Council's changed corporate objectives to demonstrate how resources are directed towards priorities. Updated document to be considered by Directors Group and Aim High Strategy Group, prior to formal approval by the Cabinet. By May 2006

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

No.	Issue	Action Planned
19	There is a need to manage the Council's financial resources effectively in order to ensure that we can deliver the efficiency savings targets set as part of the budget strategy	Efficiency savings identified as part of the budget strategy were in excess of the ODPM 'Gershon' target for the Council. Regular reports on progress with identifying and delivering the efficiency savings targets to the Aim High Strategy Group to ensure focus is maintained on achievement. Process commenced April 2006 The Scrutiny Committee have included in their work plan that they require regular reports on the delivery and impact of the efficiency savings identified Quarterly Reports from June 2006
20	The Adult Social Services/Housing budgets regularly show pressures in the areas of community care and homelessness. Future plans to form a Health and Social Care partnership on the Isle of Wight may increase the financial risk to service delivery	The Medium Term Financial Plan acknowledges pressures within Adult Services budgets and allocates a significant amount of resources over the next four years to deal with the demographic growth predicted in the older people client group, children with learning disabilities in transition to adult services, increased costs relating to other learning disability and elderly clients with mental health problems, and homelessness in particular. All known pressure areas have been included in the MTFP; however the risk remains that other items may come to the fore, particularly as health partners continue the review of their services and financial support. Close monitoring of the budget and identification of emerging issues will continue to be a priority until the Health and Social Care partnership issues are resolved.

ISLE OF WIGHT COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

No.	Issue	Action Planned
21	Improve the effectiveness of the Fire and Rescue Service. The Fire Service has recently gone through a significant period of change, in particular with regard to pay verification, peer review and the Comprehensive Performance Assessment. An Improvement Plan is now in place. *(Immediate Priority)*	The Fire Service Improvement Plan takes into account the need for the Service to deliver its own objectives in line with the corporate objectives of the Council, Local Area Agreement and Community Strategy. The service is building capacity to undertake the Modernisation Agenda, and has undertaken a major restructuring as a result, including a Rank to Role process. Risk management training is planned for managers, performance management processes have been improved, and improvements are under way in other areas including empowerment of staff through delegated authority, partnership arrangements and managing the cost of meeting objectives. The Improvement Agenda is now being embedded throughout the service, however it is likely that full improvements will not be realised until the 2006/7 financial year.

Andy Sutton   **Date**
Leader of the Council

John Lawson   **Date**
Acting Chief Executive Officer