

Committee : **AUDIT AND PERFORMANCE COMMITTEE**

Date : **29 JUNE 2006**

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

**REPORT OF THE PROGRAMME LEAD FOR PERFORMANCE
IMPROVEMENT**

SUMMARY/PURPOSE

1. The Council is required by the Accounts and Audit Regulations 2003 to review annually its system of internal control and having done so, to make a statement on it as part of its published annual accounts. (The Council's draft accounts appear elsewhere on the Committee's agenda.) This report presents the Statement and asks that the Audit and Performance Committee recommends it to the Council's Chief Executive and Leader for approval.

BACKGROUND

2. The Committee plays an important part in reviewing the Council's Statement on Internal Control. The requirement to conduct a review and to provide a statement about it is statutory. The Accounts and Audit Regulations also require that the Statement 'shall be considered by a committee of the relevant body ... and following that consideration, the relevant body shall approve a statement on internal control'.
3. As members are aware, the Statement is based on 'assurance' statements made by the Council's Senior Managers. Senior managers are asked to give an assurance that procedures designed to maintain control over the Council's activities are operating effectively in their departments. Where managers are unable to give the necessary assurance, those issues are likely to be the ones that feature in the annual Statement. The Council follows recommended best practice in producing the Statement. The Chartered Institute of Public Finance and Accountancy (Cipfa) provides guidance on how the Statement should be produced and its format.

4. The Committee had an opportunity to review the Statement on 25 May. As a result, it recommended that the Statement should include a specific reference to the landslide at Ventnor in connection with the potential impact of climate change on the Island's infrastructure. The Committee otherwise approved the draft Statement.
5. The Statement should add value to existing arrangements, such as the corporate plan, service plans, performance, budget and risk management arrangements which collectively set out what the council is trying to achieve, how it intends to do so and manage the risks which may prevent delivery. The statement must, therefore, perform a function which would otherwise be lacking from the Council's governance arrangements.
6. The value which the Statement can add is a focus on the *processes* and *systems* by which the authority ensures it discharges its functions safely and effectively, and ensuring that those systems and functions are fit for purpose.
7. The structure and substance of the draft Statement remains significantly the same as the last time on which this Committee considered it. In a few cases, however, whilst the same action points are identified, they have now been re-phrased so that they reflect the more general weaknesses in the Council's arrangements and processes rather than substantive (and often symptomatic) issues.
8. As an example
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.

The substance of this issue will be addressed by the Workforce Plan/Workforce Development Strategy and the action plans/policies associated with that area of activity, and is not easy to see any added value being given by the SIC, as drafted.

If the issue became:

Ensuring that staff are (i) treated lawfully and fairly, and (ii) act lawfully and with high standards of probity, and (iii) are deployed efficiently,

then a rather different set of actions would emerge:

- Ensure human resource policies and procedures are up to date and regularly reviewed
- That HR policies and procedures are adhered
- That the effectiveness of HR policies and procedures is monitored and remedial action taken when necessary

Detailed actions may be needed to ensure that, to take two examples:

- arrangements to monitor and manage absence are up to date, adhered to and are effective
- that guidance and systems to identify, record and deal with real/potential conflicts of interest are in place, being followed and are effective

OUTCOME OF CONSULTATIONS

9. The Statement is itself an outcome of consultation with the Council's Senior Management. In addition, the Statement has been reviewed by:
 - (a) the Council's Chief Internal Auditor who has compared issues highlighted by managers with the contents of service risk registers;
 - (b) a working group of officers drawn from the Council's risk 'champions' and officers with responsibility for control; and
 - (c) the Council's Directors Group
10. The purpose of such reviews is to ensure that the Statement accurately reflects the Council's risk and control profile. In general terms, the reviews resulted in the Statement being enhanced to include better definitions of issues raised.
11. The Council's external auditor has also been kept informed of the way the Council has compiled the Statement. So far he has not raised any concerns about the *process*. He has, however, made recommendations about the content of the issues which should be included in the SIC. This has resulted in a further three issues being added.

FINANCIAL IMPLICATIONS

12. There are no financial implications of the Statement itself although there is a potential cost and resource implication of many of the actions needed to address control issues.

LEGAL IMPLICATIONS

13. The Council has a statutory duty to provide a statement the effectiveness of its system of internal control. The Statement must be published with the Council's annual accounts.

RISK IMPLICATIONS

14. Although the Statement is largely concerned with risk and the way the Council manages it, there are limited implications with the Statement itself. The only risks are that we fail to provide a statement or that it does not conform to best practice. Significant effort has been devoted to improving the process this year (some of which the Committee has participated in). The Council has also consulted its external auditors about the process as a way of managing the risk of non-compliance with best practice.

OPTIONS

15. The Committee does have the opportunity to further amend the Statement. The options therefore are to approve the Statement in its draft form as presented or to recommend amendment. The Committee is asked to recommend the Statement to the Chief Executive and Leader for signature.

RECOMMENDATIONS

16. The Committee is asked to approve the Statement and to recommend it to the Chief Executive and Leader.

BACKGROUND PAPERS

The Statement of Internal Control – meeting the requirements of the Accounts and Audit Regulations 2003 – A Rough Guide for Practitioners (Cipfa).

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

ADDITIONAL INFORMATION

None.

APPENDICES ATTACHED

Appendix A - The Council's draft Statement on Internal Control 2005-2006

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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

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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 two weeks before the first day of each calendar 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 relation to the decision taken, during which period the decision cannot be implemented.
- The Council discharges its overview and scrutiny functions through 5 member bodies – 4 Policy Commissions and a Scrutiny 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 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 member decisions are supported by a legal assessment provided by named officers.

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- 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, particularly the Financial Procedure Rules. The Accounts and

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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.
- 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

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- 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

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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 renews the Constitution each year at the Annual Meeting of Full Council

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- 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

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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

Draft for Audit Committee 29 June

19 June 2006

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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/Undertaken
1	Ensuring that the Council makes adequate arrangements to identify, assess, manage and review the risks it faces in a consistent, rigorous and comprehensive way	The Council will continuously review its risk management arrangements to ensure that they are fit for purpose. Such arrangements will include: <ul style="list-style-type: none"> • Risk policy and strategy, • Governance, • Processes and systems, and • Responsibilities
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

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No.	Issue	Action Planned/Undertaken
4	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>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"> • Fraud, • Corruption, • Complaints, • Conflicts of interest and • Allegations of misconducts amongst Council members and officers.
5	Business continuity planning and disaster recovery plans need to be embedded throughout the organisation to ensure compliance with the Civil Contingencies Act	<p>Awareness seminars for members and senior managers and implementation seminars for BCP across the Council By March 2006</p> <p>Collate individual plans and produce corporate BCP Co-ordination and Crisis Management Procedure By June 2006</p> <p>New arrangements to be tested regularly to ensure they continue to be robust enough for the purpose</p>
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	<p>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.</p> <p>The implementation of the new internet filtering and security system has taken place, helping to overcome capacity issues.</p> <p>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</p>

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No.	Issue	Action Planned/Undertaken
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 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>
8	<p>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. 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;</p>	<p>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 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</p>

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No.	Issue	Action Planned/Undertaken
	<p>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>that money invested to date in the design of the project may have to be written off if the project does not proceed. As with all major highway schemes 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.</p> <p>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.</p> <p>By September 2006</p>
<p>9</p>	<p>Ensuring that staff are</p> <p>(i) Treated lawfully and fairly, and</p> <p>(ii) Act lawfully and with high standards of probity, and</p> <p>(iii) Are deployed efficiently.</p>	<ul style="list-style-type: none"> • Ensure human resources policies and procedures are up to date and regularly reviewed • That HR policies and procedures are adhered • That the effectiveness of HR policies and procedures is monitored and remedial action taken when necessary
<p>10</p>	<p>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.</p>	<p>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.</p> <p>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.</p> <p>By December 2006</p>

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No.	Issue	Action Planned/Undertaken
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	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 LSCB. 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.
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 <i>(Immediate Priority)</i>	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 CSD 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.

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No.	Issue	Action Planned/Undertaken
15	<p>The Council needs to ensure that it maximises the benefits and minimises the potentially adverse risks of partnership working.</p> <p><i>(Immediate Priority)</i></p>	<ul style="list-style-type: none"> • Ensure that the Council, both corporately and in service departments has sufficient awareness of its partnerships involvement • Ensure that appropriate support is available to Council management, staff and partners so that the risks of partnership working are appropriately managed • Ensure that governance arrangements of those partnerships which the Council has are sufficiently robust
16	<p>Performance management arrangements need to be applied consistently across all service areas to enhance service delivery and continuous service improvement</p>	<ul style="list-style-type: none"> • Ensure that the performance management system is implemented and that further phases of the project's implementation are successful. • Ensure that the Council develops its performance framework which will encompass the new system as well as other aspects of the improvement agenda, including: <ul style="list-style-type: none"> ○ Staff development and appraisal ○ Business planning ○ Prioritisation and resources allocation ○ Governance arrangements for performance management ○ Risk management
17	<p>Ensuring that the Council manages its projects in a manner which is proportionate to their scale and strategic significance</p>	<ul style="list-style-type: none"> • Ensure that there is agreed project management methodology • Ensure that it is consistently applied according to the scale and significance of individual projects • Ensure that the risk associated with individual projects features in their management arrangements.

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STATEMENT ON INTERNAL CONTROL 2005/06

No.	Issue	Action Planned/Undertaken
18	<p>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</p> <p><i>(Immediate Priority)</i></p>	<p>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.</p> <p>By May 2006</p>
19	<p>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</p>	<p>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</p> <p>The Scrutiny Committee have included in their work plan that they require regular reports on the delivery and impact of the efficiency savings identified</p> <p>Quarterly Reports from June 2006</p>
20	<p>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</p>	<p>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.</p>

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No.	Issue	Action Planned/Undertaken
21	<p>Improve the efficiency of the management and organisational policies and practices 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.</p> <p><i>(Immediate Priority)</i></p>	<p>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 is going through a major restructuring as a result, including the 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. Service improvement and change management is now being embedded throughout the service, however as it is a three year plan, full improvements will not be realised until the 2008/9 financial year.</p>
22	<p>There is limited consistency and quality assurance for higher end delegated decisions by officers</p>	<p>Introduction of a corporate protocol for the more significant, higher risk, higher cost and potentially controversial officer delegated decisions to ensure:</p> <ul style="list-style-type: none"> ➤ Create consistency of approach ➤ A more easily accessible series of decision records ➤ Specialist advice is taken and received <p>Consideration also to be given to creating a publicly accessible record</p>
23	<p>The Council needs to ensure that its Internal Audit function is fit for purpose.</p>	<p>The Council has, through the 2006-07 budget process, strengthened the Internal Audit function. Two posts have been created for trainee auditors.</p>
24	<p>To ensure that the Council has good project management in order to deliver capital programmes on time and in budget.</p>	<p>Improvements in project management standards across the Council will help ensure significant projects are delivered in accordance with an agreed timetable and within the approved budget.</p>

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No.	Issue	Action Planned/Undertaken
25	Ensuring that the delivery of Aim High (which necessitated changes in senior personnel) did not prejudice effective service delivery and administration.	The Council has reviewed the capacity of its senior management structure. The new structure was approved by the Cabinet at its meeting of 13 June 2006. Aim High, first as a change management plan and latterly as the Corporate Plan has provided consistency since May 2005.

Andy Sutton
Leader of the Council

Date

Joe Duckworth
Chief Executive Officer

Date

List of Abbreviations Used

BCP	Business Continuity Planning
CIPFA	Chartered Institute of Public Finance and Accountancy
CorVu	The Council's Performance Management System
CSD	Children's Services Directorate
DCLG	Department for Communities and Local Government
DDA	Disability Discrimination Act
DfES	Department for Education and Skills
EOI	Expression of Interest
GOSE	Government Office for the South East
ICT	Information and Communications Technology
ISP	Island Strategic Partnership
LAA	Local Area Agreement
LAC	Looked After Children
LSCB	Local Safeguarding Children's Board
LSP	Local Strategic Partnership
LTP	Local Transport Plan
MTFP	Medium Term Financial Plan
ODPM	Office of the Deputy Prime Minister (now replaced by Department for Communities and Local Government)
PFI	Private Finance Initiative
QPMR	Quarterly Performance Management Report
S151 Officer	Officer responsible for proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972
SIC	Statement on Internal Control

Draft for Audit Committee 29 June