

PART A

AGENDA
ITEM **10**

Report to: Audit Committee
Date of Meeting: 25th June, 2007
Report of: Director of Finance
Title: Statement on Internal Control

REASON FOR URGENCY

The Statement set out in this report will form part of the Statement of Accounts that must be approved by 30th June 2007. Ensuring that it reflects the annual reviews elsewhere on this agenda and is as current as practical before submission has resulted in a delay in circulation. It could be signed by the Mayor and Managing Director without being considered by this Committee but that would not be good practice.

1. SUMMARY

This report covers the Statement on Internal Control that the council is required to produce annually and includes the supporting evidence for the conclusions contained in the report. Best practice requires that Members consider this separately from the annual accounts.

2. RECOMMENDATION

- 2.1 That the Statement on Internal Control, including the Action Plan in Section 5, be approved.

Contact Officer:

For further information on this report please contact: Janice Maule
telephone extension: 8189 e-mail: janice.maule@watford.gov.uk

3.0 DETAILED PROPOSAL

- 3.1 All councils have a legal duty to produce a Statement on Internal Control (SIC) annually and publish it as part of the annual accounts. Its purpose is to allow the authority to assess the adequacy of its internal controls, formulate action plans for improvement and communicate to the public accordingly. The draft Statement is set out at Appendix 1 and follows the format laid down by CIPFA. Members' attention is directed particularly to Section 5 – Significant Internal Control Issues and Appendix 2 – Supporting Evidence. In reviewing the SIC, Committee needs to consider whether it is an accurate representation of the arrangements in place (i.e. to decide whether or not the evidence is credible and consistent with Members' own knowledge of the organisation) and whether the issues and actions identified in Section 5 are the key priorities. The evidence provided is not intended to be an exhaustive list but should offer confidence about the extent of compliance.
- 3.2 I have utilised CIPFA's guidance to review the evidence of the effectiveness of the council's internal controls of all kinds, not simply the financial ones, with input from other relevant officers. The report is being circulated to CMB and Heads of Service and any amendments will be reported at the meeting.
- 3.3 The advice on best practice is that an officer group should take responsibility for the compilation of the SIC, to reinforce its corporate importance. However, this appears excessive for a district council and other mechanisms such as the introduction of assurance statements from Heads of Service and the increased emphasis on risk management are having a similar impact. .
- 3.4 Compliance with the council's Code of Corporate Governance has been reviewed as part of compiling the evidence for this report. This policy was compiled before the requirement to produce an annual Statement on Internal Control existed and there is some overlap in coverage. CIPFA and SOLACE have very recently published new guidance on an annual governance statement, which will apply from 2007/08. It is understood that this new statement will replace both the Code of Corporate Governance and the Statement on Internal Control, in their current forms. A report on the new framework will be submitted in due course.
- 3.5 The formal requirement is for the SIC to be signed by the Mayor and Managing Director, for inclusion when the accounts are published by the end of September. It will be necessary to review the SIC to ensure it is still accurate at the time of publication.
- 3.6 The external auditors will review the SIC to check it is consistent with their own knowledge of the council and complies with proper practice but will not audit it as

such. They will take it into account in forming their overall opinion of the control environment.

3.7 The significant key issues reported last year have been addressed, although there is still room for improvement and a need to ensure that improved practices are maintained. Payroll continues to be an area of concern, as a key financial system where internal audit reports continue to identify potential weaknesses.

4.0 **IMPLICATIONS**

4.1 Financial

The Director of Finance comments that there are no direct financial implications arising from this report, as improvements will be implemented within existing resources.

4.2 Legal Issues (Monitoring Officer)

The Head of Legal & Democratic Services comments that the requirement to publish a statement on internal control is set out in the Accounts and Audit (Amendment) Regulations (England) 2006.

Appendices

Appendix 1 – Statement on Internal Control

Appendix 2 – Supporting Evidence

Background papers:

None

Statement on Internal Control

1. Scope of Responsibility

Watford Borough 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. Watford Borough 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, Watford Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its 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 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.

A system of internal control has been in place at Watford Borough Council for the year ended 31st March 2007 and up to the date of approval of the Statement of Accounts.

3. The Internal Control Environment

The key elements of the internal control environment include:

- Establishing and monitoring the achievement of the authority's objectives:

The full council meeting sets key policies and objectives, through the annual Performance Plan and the Budget and individual strategies for key activities. The Mayor and Cabinet form the Executive and are responsible for ensuring that the council's plans are carried out by officers. Monitoring reports on the achievement of service improvements and financial performance are reported to Cabinet meetings and to the Call-In and Performance Scrutiny Committee. In addition, Cabinet Members, in their capacity as Portfolio Holders with specific responsibilities, hold quarterly meetings with Heads of Service to review performance.

- Facilitation of policy and decision-making

Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from Members include comments on financial, legal and other appropriate issues such as potential risks, to ensure that comprehensive advice is provided. Policy Development Scrutiny Committee

considers selected topics and advises Cabinet on its findings. Call-in and Performance Scrutiny may review Cabinet decisions. Budget Panel considers the draft budget proposals made by Cabinet.

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

This is achieved through a combination of: training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal audit and use of the disciplinary procedure where appropriate. Officers are subject to the Code of Conduct for Council Employees and the standards of any professional bodies they belong to.

A Risk Management Group comprised of senior officers from all services is responsible for implementing and developing the Risk Management Strategy in accordance with the agreed Framework. Corporate and service-specific Business Continuity Plans for the council's own activities have been formulated. A Disaster Recovery Plan for ICT systems is in place and has been tested.

The Head of Legal & Democratic Services is the Council's Monitoring Officer and her duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

Members are subject to a Code of Conduct and the Standards Committee has a key role in promoting and maintaining high standards of conduct for members.

- Ensuring the economical, effective and efficient use of resources, and ensuring continuous improvement in the way its functions are exercised

The council seeks to ensure the economic, effective and efficient use of resources and to secure continuous improvement through:

- o work carried out as part of the annual budget process
- o project appraisal and formal project management for major schemes
- o undertaking Best Value and managerial reviews
- o implementing the recommendations of Internal Audit
- o implementing the recommendations of external auditors and inspectors
- o the adoption of best practice in all aspects of its activities
- o modernisation of working practices
- o consultation with the public and staff
- o partnership working with companies and other public bodies

During 2006/07 the Council submitted a "backward-looking" Annual Efficiency Statement for 2005/06 and a "forward-looking" Annual Efficiency Statement for 2006/07, both of which showed efficiency savings in excess of the target set by the Government.

- Financial management and its reporting

The Director of Finance is the statutory Chief Finance Officer. Her duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the Mayor, councillors and officers on the

Budget and Policy Framework or issues of maladministration, financial impropriety or probity.

The council's Internal Audit team works in accordance with the standards prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the Code of practice for Internal Audit in Local Government in the United Kingdom. The audit team's objectives are to independently provide assurance on the adequacy of internal controls as a contribution to the proper, economic, effective and efficient use of resources and to support the achievement of Best Value and other key corporate objectives.

At the completion of every audit a report is issued to the line manager and his or her Head of Service setting out the conclusions of the audit and recommendations to address any weaknesses identified. Follow-up procedures are in place to ensure recommendations are acted on. The Audit Manager produces an annual report providing an overall opinion on the effectiveness of the system of internal financial control.

The Council has established an Audit Committee which operated throughout 2006/07. It approved the annual audit plans of the internal and external auditors, and receives the quarterly and annual reports of the Audit Manager. It approves the Statement of Accounts, the Statement on Internal Control and the review of the effectiveness of the internal audit system. It receives reports on risk management and certain governance issues. During the year it considered a report from the Benefit Fraud Inspectorate.

The Council approved a Code of Corporate Governance in July 2003. This sets out the framework for accountability by the Council to users, stakeholders and the community at large.

Budget monitoring reports are submitted to Cabinet and Call-In and Performance Scrutiny Committee quarterly. The 2006/07 Statement of Accounts has been approved by the Audit Committee.

The Annual Audit and Inspection Letter from the council's external auditors is circulated to all Members and formally reported.

- Performance Management and its reporting

Reports detailing progress on the Performance Plan and Best Value Performance Indicators are submitted to Call-In and Performance Scrutiny Committee. Service plans are reviewed quarterly by Portfolio Holders.

During 2006/07 the Council reported progress on its improvement plans to an Improvement Panel to obtain the benefit of external advice and challenge. The Panel is chaired by the Audit Commission's Relationship Manager for the council, and is attended by representatives of the Government Office for the East of England and the IDeA. The council is represented by the Mayor and Managing Director.

4. Review of Effectiveness

Watford Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review 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.

Key elements of the process of maintaining and reviewing the effectiveness of the system of internal control over the past year (from 1st April 2006 to the publication of these accounts) are as follows:

The Council:

- Has revised the Scheme of Delegations in the Constitution
- Amended the Constitution to reduce the number of Members required to initiate the Call-in procedure
- Received the annual report on Overview & Scrutiny
- Approved the Performance Plan, the Council's Budgets and other key strategy plans
- Adopted the new Code of Conduct for Members

The Cabinet:

- Has considered and proposed key strategy plans for Council approval
- Has agreed operational strategies and plans
- Reviewed performance management and budget monitoring reports
- Considered reports from Scrutiny Committees
- Received the external auditor's report on the Inspection of Environment Services

Council Functions Committee:

- Has approved various new and amended policies, mainly on employment issues

Audit Committee:

- Has approved the Internal Audit Service Plan and Annual Plan
- Has received progress reports from the Audit Manager and his Annual Report, including his assessment of the adequacy of internal control
- Has received progress reports on Risk Management, including an external review, has received risk management training and has appointed a Member Risk Champion
- Has reviewed the adequacy of the system of internal audit
- Has approved a revised Corporate Anti-Fraud and Corruption Strategy, including the Whistle-blowing Policy
- Approved the annual Statement of Accounts and Statement on Internal Control
- Considered the annual report on Health & Safety
- Received the annual governance report on the accounts from the external auditors

- Received the annual letter from the Ombudsman
- Considered a report on management of the housing capital programme
- Reviewed requests made under the Freedom of Information Act
- Considered the report of the Benefit Fraud Inspectorate and the Action Plan for improvement arising from it

Standards Committee

- Has approved a procedure for local investigations
- Has responded to Government consultation on changes to the Code of Conduct for Members

Licensing Committee

- Considered a report on the lessons learned from the judicial review of hackney cab delimitation

Scrutiny Committees

- Reviewed a number of activities and reported to Cabinet on suggestions for improvement
- Considered reports on performance monitoring
- Exercised the right to call-in a Cabinet decision
- Contributed to the Council's self-assessment for the Comprehensive Performance Assessment
- Considered the Audit Commission Inspection report on Environment Services
- Considered the approach to Members' performance
- Received a report from the IDEA on the operation of Overview and Scrutiny in Watford
- Considered the Medium Term Financial Plan and Cabinet's budget proposals

Internal Audit:

- Have carried out a programme of audits throughout the year across the council's range of activities, achieving 89% of the audit work set out in the annual plan for 2005/06
- All internal audit staff are suitably experienced and qualified
- The Audit Manager, in his report to the Audit Committee in June 2007, concluded that, based on the work done by internal audit, the internal control environment is effective. A number of recommendations for improvement were identified and have been taken into account in Section 5 below.

The Audit Commission:

- Issued its Annual Audit and Inspection Letter in March 2007. The council's accounts were unqualified. No significant weaknesses or areas of concern were identified, although some suggestions for improvement were made. The report notes improvements in a number of areas, although the overall assessment for Use of Resources as adequate was unchanged.
- Undertook a review of the Environment Service and assessed it as "good with promising prospects for improvement"

Other External Review mechanisms

- The Ombudsman made no findings of maladministration, although the number of cases referred to him did rise in 2006/07
- The Legal service has successfully retained its Lexcel status
- Leisure facilities have Quest accreditation
- The whole council has achieved Investor in People accreditation
- The council has reached Level 3 of the Equality Standard

These activities are consistent with the expectations of the Internal Control Environment outlined above.

The overall conclusion is that the council's internal control environment is adequate and has improved but further steps can be taken to ensure that it is made fully effective and robust.

5. Significant Internal Control Issues

The following significant issues have been identified as a result of review: The target date for overall completion is 31st March 2008.

No.	Issue	Action	Lead
1	Business Continuity Plan	Implement the Action Plan to make the current BCP more robust	Head of Strategic Services, specific Heads of Service and Risk Management Group
2	Benefit Fraud Inspectorate report	Complete the Action Plan	Head of Revenues and Benefits/Audit Manager
3	Payroll Service	Identify and implement a long-term resolution to lack of resilience	Head of Human Resources
4	Arrangements for managing software changes	Need to improve controls	Head of Business Information Services

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. A plan to address weaknesses and ensure continuous improvement of the system is in place.

.....

Mayor

Managing Director

Date

Date

Supporting Evidence

This uses the format suggested in the good practice guidance.

Assurance checklist	Evidence
Mechanism established to identify principal statutory obligations	
Responsibilities for statutory obligations are formally established	Set out in the Constitution, including scheme of delegations
Record held of statutory obligations	Constitution on website. Operational documentation on intranet.
Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used	Head of Legal and Democratic Services is a qualified and experienced solicitor. She and 3 other members of the legal team have current practising certificates. HoL&DS attends Council and is a member of CMB. All reports to Members are reviewed for legal implications. CMB receive periodic updates on significant pending legal issues.
Effective action is taken where areas of non-compliance are found in either mechanisms or legislation	Some local settlements made in cases referred to Ombudsman. Reports made to Licensing Committee following judicial review.
Mechanism in place to establish corporate objectives	
Consultation with stakeholders on priorities and objectives	Annual public survey, using citizens' panel. Local Strategic Partnership objectives reviewed. Formal consultation plan adopted for Local Development Framework. Specific project consultation as required
The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).	Set out in Community Plan and Performance Plan. Based on public consultation and agreed with other Local Strategic Partnership members
Priorities and objectives are aligned to principal statutory obligations and relate to available funding	Performance Plan reflects priorities. Revenue growth and capital funding directed to priorities. Medium-term financial plan in place.
Objectives are reflected in departmental plans and are clearly matched with associated budgets	Service plans reflect Performance Plan and Community Plan. Guidance issued by Strategic Services to ensure consistency and quality assurance. Improved process for service plan creation adopted this year.
The authority's objectives are clearly communicated to staff and to all stakeholders	Through "Wat's Up" for staff, Members' Bulletin for councillors, "About Watford" for public. The Annual Report publicises outcomes. Performance Plan on website and on intranet

Effective Corporate Governance arrangements are embedded	
Code of corporate governance established	Approved in 2003.
Review and monitoring arrangements in place	Reviewed as part of SIC reporting.
Committee charged with governance responsibilities	Standards Committee for issues of Member conduct. Audit Committee for other aspects.
Governance training provided to key officers and all members	Training provided for new members. Specific training re planning issues and on Member code of conduct. Officer training through induction and based on identified needs.
Staff, public and other stakeholder awareness of corporate governance	Specific items on website and intranet. Covered as part of induction for new staff.
Performance Management Arrangements are in place	
Comprehensive and effective performance management systems operate routinely	Progress on Performance Plan and Best Value Performance Indicators reported to Members (Scrutiny and Portfolio Holders) quarterly. Strategic Services lead corporately to ensure consistency and promote improvement Budget monitoring regularly reported to Cabinet and Budget Panel.
Key performance indicators are established and monitored	Key Indicators shown in Performance Plan and monitoring reports. Local Performance Indicators included in service plans and monitored quarterly by Portfolio Holders. (Some PIs monitored fortnightly, where appropriate.)
The authority knows how well it is performing against its planned outcomes	Performance Monitoring reports show trends and whether targets are being met. Internal Audit review year end calculations to ensure robust compliance with external guidance. Under current arrangements, the Improvement Panel provides external challenge in reviewing progress on the Improvement Plan. Budget Monitoring forecasts expected out-turn and reports on significant variances.
Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes	Local performance and national quartiles for BVPIs are used to determine improvement targets. Some use of other benchmarking e.g. from Best Value Reviews, Use of Resources scores..
The authority continuously improves its performance management	Performance reporting to Members now more focused. Scrutiny more active in seeking improvement plans. CMB receive monthly reports on key indicators. Audit Commission analysis of a basket of

	performance indicators shows 66% improvement compared with 58% for the average district (two year period).
Robust systems and processes for the identification and management of strategic and operational risk are in place	
There is a written strategy and policy in place for managing risk which: <ul style="list-style-type: none"> ➤ Has been formally approved ➤ Is reviewed on a regular basis ➤ Has been communicated to all staff 	Risk Management Strategy approved by Functions in 2004 and was circulated to all services. Available on the intranet. Currently being updated following an external health check
The authority has implemented clear structures and processes for risk management which are successfully implemented and: <ul style="list-style-type: none"> ➤ Management board and elected members see risk management as a priority and support it by personal interest and input ➤ Decision making considers risk ➤ A senior manager has been appointed to “champion” risk management ➤ Roles and responsibilities for risk management have been defined ➤ Risk management systems are subject to independent assessment ➤ Risk management is considered in the annual business planning process 	Risk management progress is reported to Audit Committee. CMB receive update reports periodically. Strong support from senior management through representation on the Risk Management Group. Elected Member “champion” appointed and involved. Risk factors reflected in reports to Cabinet on major schemes and annual budget and operationally through risk logs Officer champion is Director of Finance Director of Finance leads and chairs corporate Risk Management Group As part of Strategy. External assessment undertaken in 2006 and action plan in progress As part of the budget process and report to Cabinet/Council. Forms part of new service planning process
The authority has developed a corporate approach to the identifications and evaluation of risk which is understood by all staff	There is a corporate approach to developing Risk Registers. Issues are shared with service management teams and other staff as appropriate
The authority has well defined procedures for recording and reporting risk	Risk Registers follow a standard format and consistency of analysis is obtained through discussion at the corporate group. Significant risks are included in Service Plans and subject to quarterly review. Potential risks are now specifically identified in reports to Cabinet. Major projects use detailed risk logs.
The authority has well-established and clear arrangements for financing risk	Established practices on insurance cover and funding of uninsured risks.
The authority has developed a programme of risk management training for relevant staff	Training at GMT level in progress. Included in service planning and in project management training. Health and Safety Training programme in hand. Presentation made to Members.
The corporate risk management board adds value to the risk management	

<p>process by:</p> <ul style="list-style-type: none"> ➤ Advising and supporting CMB on risk strategies ➤ Identifying areas of overlapping risk ➤ Driving new risk management initiatives ➤ Communicating risk management and sharing good practice ➤ Providing and reviewing risk management training ➤ Regularly reviewing the risk register(s) ➤ Coordinating the results for risk reporting 	<p>Areas of common risks have been identified. Corporate risks have been considered by the RM group before finalisation by CMB.</p> <p>Through service management teams</p> <p>Wider training needs to be identified..</p> <p>Risk Registers to be reviewed quarterly. Major projects risk logs are reviewed more often</p> <p>Significant risks are included in quarterly reviews by Portfolio Holders</p>
<p>A corporate risk officer has been appointed with the necessary skills to analyse issues and offer options and advice and:</p> <ul style="list-style-type: none"> ➤ Support decision-making and policy formulation ➤ Provides support in the risk identifications and analysis process ➤ Provides support in prioritising risk mitigation action ➤ Provides advice and support in determining risk treatments ➤ Inspires confidence in managers 	<p>A corporate post has been established and the postholder has the relevant experience and knowledge to support services. He is part of the Risk Management Group and provides input in a variety of ways. He is a member of ALARM (the national body for local authority risk management). He provides support to services on specific topics and circulates information on risk management.</p>
<p>Managers are accountable for managing their risks</p>	<p>Attendance at Risk Management Group is generally by Head of Service, or next level of management. Risk Registers identify relevant manager as responsible for managing the risk.</p>
<p>Risk management is embedded throughout the authority</p>	<p>Hard to evidence this but low number of employee and third party insurance claims plus quick return to work post-water damage incident and successful implementation of corporate plans suggests that it is embedded in practice.</p>
<p>Risks in partnership working are fully considered</p>	<p>Memoranda of Understanding in development for Watford Health Campus and Civil Contingencies working with HCC. Most partnerships are informal and carry low risk.</p>
<p>A Robust System of Internal Control includes systems and procedures to mitigate principal risks</p>	
<p>There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff:</p> <ul style="list-style-type: none"> ➤ Authority has adopted CIPFA code on Treasury Management 	<p>Financial Rules in Constitution, supplemented by more detailed Financial Regulations which are due to be updated. Write-off procedures and limits amended during the year.</p> <p>Treasury Management Code adopted</p>

<ul style="list-style-type: none"> ➤ Compliance with the Prudential Code 	and reviewed annually Prudential Code of limited application while council is debt-free but required indicators form part of Budget report.
There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff	Included in Constitution. Reviewed in Feb 2005.
There is a whistle blowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	Policy was updated in 2004 and is on intranet.
There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	Policy was updated in 2006 and is on the intranet.
There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff	Constitution includes code of conduct for employees and guidance for professional relationship between councillors and council employees New national Code for Members adopted May 2007. Specific guidance issued on stock transfer issues.
A register of interests is maintained, regularly updated and reviewed	Register of Members' interests maintained and Members asked annually to report any changes. Register of officer gifts and hospitality maintained. Some staff sign declarations of interest based on risk assessment but there is no corporate approach..
Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff	Contained in the Constitution.
A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff	Updated by Cabinet Jan 2006 after consideration by Procurement and Contracts Board. On intranet
Business/service continuity plans have been drawn up for all critical service areas and the plans: <ul style="list-style-type: none"> ➤ Are subject to regular testing ➤ Are subject to regular review 	First version of corporate BCP, based on service plans, now in place but some areas for development identified in Action Plan. ICT Disaster Recovery plan was in place and worked effectively when the Town Hall suffered water damage.
The corporate/departmental risk register(s) includes expected key controls to manage principal risks	Yes and reviewed by Risk Management Group. CMB reviews corporate risk register.
Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed	Used in major projects risk logs.
The internal control framework is subject to regular independent assessment	Audit Manager reports progress quarterly and annually. External auditors consider the performance of internal audit in determining the extent of their reliance on its work for their audit and assess the wider framework as part of the annual

	Use of Resources assessment.
A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff	Available on intranet, Last reviewed June 2005. Is supported by policies on specific areas. Corporate H&S committee meets quarterly, supported by service meetings. Refresher training courses in hand. Profile of corporate team being raised.
A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders and is regularly reviewed	Yes, reviewed in 2006. Training provided and policies and documents on intranet. New procedures to analyse complaints and ensure lessons are learned put in place 2006.
Appropriate assurance statements are received from designated internal and external assurance providers	
Appropriate internal and external sources of assurance have been identified	CPA progress report to Cabinet 2005 Annual Audit & Inspection Letter Mar 2007 (to Audit Committee June 2007). CPA reassessment undertaken but not yet reported Audit Manager Annual Report to Audit Committee June 2007 Director of Finance annual review of system of internal audit BFI report 2006 Audit Commission inspection of Environment Services 2006 External health check of Risk Management External health check of Housing repairs Quarterly meetings of Improvement Panel
Key controls have been identified and agreed	Financial and Procurement Rules; HR policies; ICT policies; Report writing guidance and checklists; Scheme of Delegation; Constitution
Departmental assurances are provided	Introduced for the first time for 2005/06. Not of consistent standard for all services
External assurance reports are collated centrally: <ul style="list-style-type: none"> ➤ Reports are reviewed by relevant senior managers and reported to committee ➤ Action plans are prepared and approved as appropriate ➤ Follow up reports on recommendations are requested and reviewed by senior management and progress regularly reported to committee 	Strategic Services lead on most reports except Annual Audit & Inspection Letter. Reports are circulated to senior managers and reported to Cabinet/Scrutiny/Audit Committee as appropriate Performance Plan is key Action Plan and progress is report quarterly
Internal audit arrangements	Audit Manager reports to Audit Committee Annual report includes his opinion on the internal control framework

	Audit staff are experienced and have relevant qualifications Annual assessment of effectiveness of internal audit system approved by Audit Committee
Corporate Governance arrangements	Comply with Code of Corporate Governance in all material respects. Arrangements in hand to publicise Whistle-blowing policy to contractors
Performance monitoring arrangements	Quarterly reviews and focused reports to committee. Monthly reports to CMB on key indicators. External validation in past year through achieving Investors in People status and Level 3 of Equality Standard
Adequate arrangements to identify, receive and evaluate reports from assurance providers to identify areas of weakness in controls	
Responsibilities for the evaluation of assurances are clearly defined throughout the organisation	Minutes of relevant meetings Job descriptions of relevant officers Terms of reference for internal audit Terms of reference for Audit Committee
Mechanism established for collecting SIC assurances: <ul style="list-style-type: none"> ➤ Overall responsibility allocated to SIC senior officer group ➤ Required assurances are agreed and recorded ➤ Central record of all assurances ➤ Clear guidance as to evaluation procedure including assurance over risks, independence and objectivity of assurances ➤ Defined evaluation mechanism ➤ Timetable for completion by statutory deadline ➤ Gap assessment – performed and challenged 	Report compiled by Director of Finance and reviewed by senior officer group, based on documented evidence, including Audit Manager annual report and annual audit & inspection letter. Statements of Assurance held by Audit Manager. Timetabled to be considered by Audit Committee to ensure meets statutory timetable for publication Significant gaps set out in section 5 and also reviewed by senior officers
Robust mechanism to develop, implement and monitor an appropriate action plan to address identified control weaknesses	
Action plan drawn up and approved	Included in this report
All actions are: <ul style="list-style-type: none"> ➤ Specific ➤ Measurable ➤ Achievable ➤ Realistic ➤ Time-bound 	See Section 5. All actions to be accomplished by 31 st March 2008.
Actions communicated and responsibilities assigned	CMB and all Heads of Service have been copied this report in draft
Implementation timescales agreed	As part of Internal Audit reports for specific services. SIC Action Plan subject to consultation.
Ongoing review of progress and of continuing appropriateness of action	Progress report to be included in Audit Manager's quarterly report

Statement of Internal Control produced to statutory requirements and CIPFA guidance	
Responsibility for the compilation of the SIC has been assigned	Lead role taken by Director of Finance in view of responsibility for financial administration and corporate governance
A timetable for production meets the statutory deadline	Timed to coincide with statutory accounts
Statement is reviewed, challenged and approved by the authority	Considered by Audit Committee and CMB Produced in compliance with CIPFA guidelines
An annual report on the SIC is made to Members	
Responsibility for reporting is clearly defined	Set out in the covering report
The signatories to the SIC are defined and accord with statutory requirements i.e. most senior member and most senior officer	Set out in the report i.e. Mayor and Managing Director
The report is likely to be published in a timely fashion with the statutory accounts	Yes as publication not due until September 2007