Title of Report:	**Statement of Internal Control 05-06 review of evidence**	**Item 6**
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:		

Corporate Plan Priority:	D4 – Stronger governance
The proposals contained in this report will help to achieve the above Corporate Plan priority by:	
• Reviewing the evidence that is available to support the Statement of Internal Control	

Purpose of Report:	**To set out the evidence, contained in Service Risk Registers that will support the SIC**
Recommended Action:	**To examine the evidence provided by Heads of Service to support the SIC and to examine the Strategic Risk Register**
Reason for decision to be taken:	To ensure that the SIC has appropriate supporting evidence
List of other options considered:	none
Key background documentation:	Service Risk Registers and Assurance Statements from Heads of Service

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1   Introduction

1.1   The purpose of this report is to outline the purpose of the Statement of Internal Control (SIC) and explain how the necessary assurance to support the SIC is obtained. This will enable the Committee to make an informed judgement as to the sources and levels of assurance the Committee requires in order to be able to approve the SIC.

1.2   The report also considers the evidence received from Heads of Service Assurance Statements and associated service risk registers. This will allow the Committee to identify and seek explanations for any gaps in the assurance. In addition the Committee is also considering both the Strategic Risk Register for the Council and the Internal Audit Plan for the coming year.

2   Purpose of the SIC

2.1   The SIC is designed to provide stakeholders of the Council with assurance that the Council has operated within the law and that the Council has met the requirements of the Accounts and Audit Regulations 2003:

"The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control".

A copy of the SIC for 04-05 is attached to this report for information, at Appendix A.

2.2   The approach taken by the Council to carrying out the review of the system of internal control was set out in the report to Corporate Board in December 05. This report identified the sources of assurance that underpin the review. These are:

- The Strategic Risk Register
- Head of Service Assurance Statements and service risk registers
- The "Head of Internal Audit" annual report
- The Monitoring Officers annual report
- The s151 Officers annual report

This evidence provides the assurance that enables the Leader and Chief Executive to sign the SIC with confidence.

3   Role of Governance and Audit Committee re the SIC for 2005-06

3.1   A key function of the Governance and Audit Committee is to review and approve the SIC for 05-06 prior to it being signed off by the Chief Executive and Leader of the Council.

3.2   In order to be able to review the SIC the Committee needs to examine the evidence, noted in 2.2 above, that supports the SIC.

3.3   The first two items are now available for consideration. The Strategic Risk Register, which is reviewed quarterly by Corporate Board and the Heads of Service Assurance Statements and risk registers.

3.4   The committee will want to review the evidence that is currently available. The remaining evidence, along with a draft SIC for 05-06 will be available for the next meeting of the committee in June.

3.5   Key issues that the Committee should focus on are:

- That any issues of concern that have been highlighted by Heads of Service in their Assurance Statements have been considered by Corporate Board

- That where service risk registers highlight net "Red" risks that there is an associated action plan in place and that Corporate Board have been informed and have considered the implications of such risks.

3.6 The Committee will want to seek assurance from Corporate Board that the action plans associated with Strategic and Service Risk Registers are being monitored to ensure that actions are implemented

4 Role of Governance and Audit Committee re the SIC for 2006-07

4.1 The Committee will also want to consider what assurance is required for the coming year 06-07. The Internal Audit work programme is on the agenda for discussion. There are links between the work of internal audit and the risk management system and SIC. In effect there is a circular process:

- The risk registers set out areas of concern from the Heads of Service perspective

- The Internal Audit Plan identifies areas of risk from an audit perspective, and draws on the risk registers.

- The audit process provides assurance on the risks faced by services and can be used to inform updates of risk registers.

5 Areas of concern highlighted by Heads of Service

5.1 Key issues for Members to focus on are set out by Service Grouping below:

5.2 **Chief Executive / Strategy and Resources**

Service	Risk	Proposed Action
Assurance	Poor retention of staff in Internal Audit	Review structure of Internal Audit
	No Corporate Business Continuity Plan	Corporate BCP is being developed
	No Safety Management System in place	SMS is currently being developed
Human Resources	Staff Turnover	Priorities and Resource Allocation plan developed by HOS needs to be refined and timescales reviewed by HRMT
Resources & Commissioning	Recruitment & Retention	Review staff skills / training
Policy & Performance		No information available at present

Information and Communication	Children in libraries targeted by inappropriate adults	Banning of particular individuals Policy adhered to and signage
	Children in libraries targeted on-line	Staff able to monitor use of PCs. AUP in place. Banning of individuals. Parental Permission. Police referrals where appropriate
Legal		No information available at present
ICT	Malicious attack on systems	Firewalls offer Limited Protection- Continual Monitoring
	Loss of Landesk - Service	SLA with ICT Operations
Property	Staff turnover	Convert temporary staff to permanent
	Failure to adhere to H&S Asbestos Legionella - Fire	Capital bid and compliance officer in Assurance
	Projects fail	Project Management Methodology
	Delivery of improved Helpdesk	Funding required for effective software to monitor progress of works.
Service Access	Key Staff Leaving	Training, Cross Skilling, Secondments and Role Rotation
Exchequer	No issues of concern	
Finance Policy & Planning	No issues of concern	
Accountancy		No information available at present

5.3   **Environment and Public Protection**

Service	Risk	Proposed Action
Public Protection	Lack of storage facilities Inadequate security	Introduction of new evidence control system and building of new secure evidence storage room
	Working in dangerous situations / dealing with dangerous persons	Better inter departmental communications on potentially dangerous persons. Airwave radio Licence applied for
	Staff shortages	Service improvement programme
Highways & Engineering	Staff shortages	Relocation Package Good range of technical opportunities
	Adverse weather Climate change Poor maintenance Lack of Investment Poor design	EA Liaison Experienced staff
	Increasing traffic volumes High density housing Inadequate infrastructure Poor transport planning	LTP strategies TM Projects Emerging Network Management Plan
Countryside & Environment		No information available at present
Planning and Transport Strategy	No issues of concern	

5.4 **Children and Young People**

Service	Risk	Proposed Action
Education		No information available at present
Culture and Youth		No information available at present
Children	Injury to Carer or disabled child	Ensure Manual Handling training available to foster carers etc
	Loss of focus on operational priorities impacting on integration of services to children	Managers Behaviour / operational plan Change management programme
	Funding high cost low volume preventive measures	Active management & strong financial planning

5.5 **Community Care and Housing**

Service	Risk	Proposed Action
Community Care & Housing	Inadequate resources: reducing grants. Unexpected demand. Poor financial controls.	Service reviews. LD Reconfiguration plan, budget monitoring, accountancy systems. Contingency plan agreed by Council
Older People	Lack of contract compliance. Insufficient service provision in the market.	Robust contract monitoring. Cessation of contracts if poor service. Accreditation and commissioning and CSCI closely liaising. Development of External Market
	Lack of capacity due to recruitment. Development of specialist home care	Project plan with time frame identifying key stages. Recruitment initiatives Coldharbour modifications implemented and staff trained
	Care homes threatened with closure Provider services not meeting legal requirements.	Specialist H& S advice. Collaborative working across Council; Care homes, Property Planning. Appropriate links with Fire Service, CSCI and other regulatory bodies. Staff trained in awareness of H&S issues appropriate to care environment
Quality, Performance & Partnerships	No issues of concern for the service	

5.6 Detailed risk registers and action plans are available to Members if required.

5.7 As noted above the following services have not yet submitted their Assurance Statements and Risk Registers. These are currently being produced:

Legal
Policy and Performance
Accountancy
Countryside & Environment

Education
Culture and Youth

6   Strategic risks

6.1   A separate report on the strategic risk register is part of the agenda for this Committee. Members will want to review the Strategic Risk Register in conjunction with the above.

Statement on Internal Control

1. Scope of Responsibility

West Berkshire 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 targeted effectively. West Berkshire 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, West Berkshire Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of West Berkshire 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 West Berkshire 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 to deliver Best Value.

The system of internal control has been in place at West Berkshire Council for the year ended 31 March 2005 and up to the date of approval of the annual accounts.

The system is not static and improvements during 2004/05 have been made continuously.   The improvements in 2004/05 include

Review of the Constitution – Task Group continues to review
Improvements in the budgetary control systems for revenue and capital expenditure
Introduction of new Financial Management System (Agresso) in February 2005
Improvements in risk management governance
Improvements in revenue and capital financial planning

3. The Internal Control Environment

The key elements include:-
The corporate governance arrangements, with a structure of a Leader, Executive, Scrutiny Committees, Corporate Management Team and officers through agreed schemes of delegation for Member and officer decisions.
The Corporate Plan 2003 –2008 which has been updated in 2005and given the Title "Making a Real Difference""

The Corporate Plan takes the organisation forward and provides the focus for all the Council's improvement planning. It has been influenced by what the public, partners, government and many others have said about West Berkshire Council, including the views set out in the West Berkshire Community Strategy which has also been refreshed this year.. It guides and shapes the Council's use of resources through budget setting, service planning and its close integration with the Council's Medium Term Financial Strategy. The CPA refresh in 2004 maintained the Council's score for Use Of

Resources at the maximum possible and continues to recognise our strength in priority and policy-led use of resources.

The 2005 refresh builds upon the success of the 2003 – 2008 plan's second year of operation confirming the Council's ten strategic development priorities and four cross cutting themes with some minor variations.

In considering the Council's strong performance during 2004 and the changes that are taking place at a local and national level, this years update does not propose any changes to the Strategic Priorities or Development Themes. The "Update 2005" does however place a sharper focus, in terms of the effort, money and resources, on ten areas of greatest importance namely:

- Increasing the investment in highways and in the preparation of the new Local Transport Plan.
- Increasing the amount of waste that is recycled.
- Providing more affordable housing by seeking to maximise funding opportunities through the Capital Strategy and Programme, the planning system and through working in partnership with Housing Associations in the area.
- Putting in place preventative measures for vulnerable children and young people.
- Addressing the needs of all disadvantaged and excluded groups, with a particular focus on older people and those with high needs arising from disability and ill health.
- Continuing to improve the performance of our Planning Department and preparing for the new Local Development Framework.
- Providing new funding for library books to ensure that the Council meets national standards.
- Providing sufficient capacity to make sure important strategic partnerships become a reality.
- Providing the necessary infrastructure to help modernise the Council and improve its customer focus.
- Further improving the Council's efficiency through the development of an 'Invest to Save' programme over the next five years that will deliver further resources for investment.

In addition to the 2005 Update the Council is also publishing its three year Medium Term Financial Strategy to cover the remaining period of the Corporate Plan. The main objectives of this Strategy are to create a stable financial environment for the Council whilst at the same time identifying new resources and re-prioritising existing resources to ensure that the Council's Corporate Plan and annual Updates can be delivered. For 2005/06 £1.5 million of new and reprioritised revenue funding has been identified to ensure the Strategic Priorities and Development Themes can be progressed.

The Councils Corporate Plan contains a detailed action plan for each of its Strategic Priorities and Development Themes. To ensure that this is embedded in the performance management framework of the Council these priorities and themes are cascaded directly into the all service plans and into individual appraisals. This approach reinforces the idea that the whole council has responsibility for delivering good quality services and continuous improvement within a clear, strong and unambiguous performance management framework.

The Council's values are the test of everything we do and are shared with our Partners through the West Berkshire Local Strategic Partnership. The Government Office of the South East has recognised that West Berkshire is "considerably ahead" of many of its neighbours in the region in developing a partnership of this type.

The Council launched the Partnership in Autumn2001 and set up action groups for Transport, Housing, Learning and Rural Issues to tackle specific priorities identified by the community. In 2003 the Partnership absorbed the Safer Communities Partnership and the Children and Young People's Partnership into the framework. The Partnership produced a Community Plan "A Better Future for All, a Community Plan for West Berkshire 2003-2008".

Appendix A

The partnership is undergoing review and restructuring in 2005 to ensure continuity and governance and performance management so that it is fit for purpose in delivering LPSA2 and LAA targets.

The Council has introduced, through its Improvement Planning Group (IPG) a significant change to the way in which it approaches the theme of Best Value and continuous improvement. This group consists of four Directors, relevant Heads of Service and other officers as necessary. The Council has a commitment to benchmark it's services and processes with the best from both Private and Public sectors whilst applying Best Value principles through a variety of review approaches. The IPG co-ordinates this dynamic and practical approach and monitors specific action linked to projects supporting the strategic priorities.

The IPG has also initiated and organised several Service Improvement Days attended by the Councils Corporate Board and other key stakeholders with the aim of discussing and scoping of specific key issues such as Transport, Community Leadership, Older People and Performance improvement.

2004/05 continued the Audit Commission's joint audit and inspection programme, in turn this has shaped the Councils own internal review programme, resulting in a selection of cross-cutting reviews being undertaken rather than the service specific Best Value reviews. These have included*;*

- Transport
- Children's Services.
- Benefits

The Council has a Constitution, which includes the Scheme of Delegation and an Ethical Framework under which members and officers work to ensure compliance with established policies, procedures, laws and regulations.

Risk management is embedded in the activities of the authority. The policy lead for risk Management is with the Corporate Director - Strategy and Commissioning and advice and assistance has been led by the Assurance service provided through our key partnership with Amey. A Risk Management Committee of officers from all service groupings and also members is in place to provide an overview and manage the Risk Management process.
The Risk Management Strategy of the Council has been revised and updated to reflect the requirement to produce SIC.
The Strategic Risks that the Council faces have been revisited. Strategic Risks are now reviewed on a quarterly basis by the Corporate Board . An action plan has been drawn up and is being implemented at present to ensure appropriate mitigation is in place where necessary. Funding has been made available through the Council's Medium Term Financial Strategy to support the action plan. The Council's Executive has approved the Strategic Risk Register. A copy of these risks is attached as Appendix A to this statement. The Council's Corporate Plan and Medium Term Financial Strategy have been developed with reference to the key strategic risks.
Project risk management is now in place for all new major projects, e.g. the Waste PFI, Shaw House and Parkway redevelopment, with a quarterly review for all major projects. The Council's Corporate Board will receive updates on these projects.
Service based Operational Risk Registers have also been drawn up and action plans implemented to provide appropriate mitigation where necessary. The output from the risk registers, both strategic and operational was used to inform the internal audit plan for 2005-10.

Financial Procedure Rules, reviewed and kept up to date by the Head of Resources and Commissioning, are included in the Constitution. These set out the rules for the control of and management of the Council's finances and assets. Throughout the year there has been a well established monthly financial management reporting system, with cost centre managers reporting to Accountancy and quarterly reports to the Executive

Appendix A

Performance management is the responsibility of the Councils Corporate Directors. Reports to the councils Executive are produced on a quarterly basis.

4.   Review of Effectiveness

West Berkshire Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Councils Corporate Directors have responsibility for the development, maintenance and review of the internal control framework.
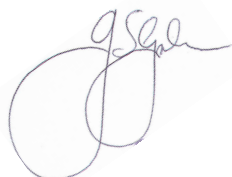
The review has been informed by

- the work of the Internal Audit who report twice during the year, to the Executive,
- the work of the Audit Commission,
- the work of other review agencies and inspectorates.
- The provision of Assurance Statements by all Council Heads of Service. These have been reviewed and agreed by the relevant Corporate Director (Copies attached)

The Audit Commission produced a number of audit and inspection reports during 2004/05. In it's Audit and Inspection Annual Letter the District Auditor recognised that; "Real improvements are evident in a number of services, which has led to wholesale demonstrable service improvement. The Council is to be congratulated in its increased corporate performance assessment (CPA) score of "good"."

The Auditors' CPA scorecard placed West Berkshire 18th out of 150 Unitary Authorities for Use of Resources and continued to award the maximum score achievable.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and the Executive, and a plan to ensure continuous improvement of the system is in place.

Chief Executive

Graham Jones
Leader of Council