

# Notice of Meeting

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## **Governance and Audit Committee**

**Tuesday, 26 June 2007 at 6.30pm**

In Committee Room 1, Council Offices,  
Market Street, Newbury

# **'To Follow' Reports**

Date of despatch of Agenda: Friday 15 June 2007

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Vicky Wheatley, Policy & Research Officer on (01635) 519241  
e-mail: [vwheatley@westberks.gov.uk](mailto:vwheatley@westberks.gov.uk)

Further information and Minutes are also available on the Council's website at [www.westberks.gov.uk](http://www.westberks.gov.uk)

## Governance and Audit Committee to be held on 26 June 2007 (continued)

- To:** Councillors: Jeff Beck (*Chairman*), Paul Bryant, Mike Johnston, Irene Neill, Julian Swift-Hook, Tony Vickers (*Vice-Chairman*) and Quentin Webb.
- Substitutes:** Councillors: Lee Dillon, Owen Jeffery and 2 vacancies.
- Guests & Officers:** Councillors: Graham Jones (Leader of Council), Jeff Brooks (Leader of the Opposition), Laszlo Zverko (Executive Member for Finance) and David Rendel (Shadow Executive Member for Finance).
- David Holling (Head of Legal & Electoral Services), Ian Priestley (Service Head - Assurance), Charles Morris (Risk Manager), Andy Walker (Head of Finance), Simon Freeman (Service Head – Accountancy) and Vicky Wheatley (Policy & Research Officer).

# Agenda

## Part I

	Page No.
1. <b>Apologies.</b> To receive apologies for inability to attend the meeting (if any).	
2. <b>Minutes.</b> To approve as a correct record the Minutes of the meeting of this Committee held on 26 March 2007 and 10 May 2007.	1 - 6
3. <b>Declarations of Interest.</b> To receive any Declarations of Interest from Members.	Verbal
4. <b>Training: The Accounts Process and Statement of Accounts.</b> <i>Purpose: To receive a briefing on the accounts process and statement of accounts.</i>	Verbal
5. <b>Statement of Accounts.</b> <i>Purpose: To review and approve the 2006/2007 Statement of Accounts, as required by the Audit Commission. The Leader, Executive Member for Finance, Leader of the Opposition and Shadow Executive Member for Finance have also been invited for this item.</i>	To Be Tabled
6. <b>Statement of Internal Control – Report of the Monitoring Officer and S151 Officer.</b> <i>Purpose: To consider and approve the annual report of the Monitoring and S151 Officers in support of the Statement of Internal Control.</i>	7 - 11
7. <b>Statement of Internal Control – Report of the Head of Internal Audit.</b> <i>Purpose: To consider and approve the annual report of Internal Audit in support of the Statement of Internal Control.</i>	41 - 49
8. <b>Statement of Internal Control – Heads of Service Assurance Statements.</b> <i>Purpose: To consider and approve the annual report of the review of Assurance Statements and Service Risk Registers by Corporate Board, in support of the Statement of Internal Control.</i>	50 - 55
9. <b>Statement of Internal Control.</b> <i>Purpose: To consider and recommend the signing of the Annual Statement of Internal Control.</i>	56 - 59
10. <b>The Quarterly Review of the Strategic Risk Register and Red Risks.</b> <i>Purpose: To receive the Strategic Risk Register and consider information on actions designed to mitigate the red risks identified on the Strategic Risk Action Plan.</i>	12 - 26

**Governance and Audit Committee to be held on 26 June 2007 (continued)**

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|-----|---|---------|
| 11. | <b>Quarterly Risk Management Report.</b><br><i>Purpose: To receive an update on the Risk Management process.</i>  | 27 - 35 |
| 12. | <b>Annual Work Programme for the Committee</b><br><i>Purpose: To approve the draft annual work programme for 2007/2008 and agree future meeting dates of the Committee.</i> | 36 - 40 |

Sue Curtis Davison  
Head of Policy & Communication

<b>Title of Report:</b>	<b>Annual Report of Internal Audit for the Year 2006-2007</b>	<b>Item 7</b>
<b>Report to be considered by:</b>	Governance and Audit Committee	
<b>Forward Plan Ref:</b>		

<b>Council Plan Priority:</b>
The proposals contained in this report will help to achieve the Council Plan by <ul style="list-style-type: none"> <li>Updating the committee of the findings and concerns raised by Internal Audit over the last 6 months</li> </ul>

<b>Purpose of Report:</b>	<b>To provide an annual report from Internal Audit, including an audit opinion on the operation of the internal control framework of the Council</b>
<b>Recommended Action:</b>	<b>To consider the findings of Internal Audit and take appropriate action.</b>
<b>Reason for decision to be taken:</b>	To support the annual statement of internal control.
<b>List of other options considered:</b>	None.
<b>Key background documentation:</b>	Internal Audit files.

<b>Contact Officer Details</b>	
<b>Name:</b>	Ian Priestley
<b>Job Title:</b>	Service Head - Assurance
<b>Tel. No.:</b>	01635 519253
<b>E-mail Address:</b>	ipriestley@westberks.gov.uk

## **1 Introduction**

1.1 The CIPFA Code of Practice for Internal Audit in Local Government requires the "Head of Internal Audit" to make a formal report annually to the Council. The report should:

- include an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement on internal control
- compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

1.2 In addition to the formal annual report, the Head of Internal Audit should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the formal annual report. An interim report was made to the November meeting of this committee

1.3 This annual report meets the requirements of the CIPFA Code of Practice.

## **2 The Internal Control Framework**

2.1 The internal control framework remains robust. No fundamental weaknesses were identified in the work carried out by Internal Audit. The following audits were rated as red during the year. (ie follow up audits indicated unsatisfactory progress in implementing agreed actions)

Post Implementation reviews – ICT (this was considered at the November meeting of G&A, progress has been made in that the responsibility for carrying out such reviews has been allocated to Finance, but resources have not yet been identified to conduct such reviews.

Planning Obligations – P&T (this was considered at the November meeting of the G&A. The Council has agreed additional resources to enable the outstanding recommendations to be implemented)

Procurement – Finance (this was considered at the November meeting of the G&A. Further work has been carried out to implement the recommendations)

Unaccompanied asylum seeking children – Children Services (this is dealt with in detail in appendix B)

Change Control - ICT (this is dealt with in detail in appendix B)

The fact that the Council has responded quickly and effectively to the items of concern identified above provides further evidence of the robust nature of the system of internal control within the Council.

### **3 Results of work completed**

- 3.1 The audit plan was approved in April 2006 by the Governance and Audit Committee.
- 3.2 A listing of the results of work that has been completed over the last six months is attached at appendix A. This list uses a traffic lights system to set out the position of each audit or follow up audit.
- 3.3 A rating system is used to derive the overall opinion. Each audit is categorised into one of five, these are – Very Weak, Weak, Satisfactory, Well Controlled, Very Well Controlled. Satisfactory and better are given a Green rating, weak and very weak are given Amber. Where our follow up work indicates that satisfactory progress has not been made in implementing the action plan then a Red rating is given.
- 3.4 A key outcome of each audit is a management action plan that is designed to resolve issues of concern. All action plans are drawn up between the auditor and the service manager, agreed with the Head of Service, and copied to the relevant Corporate Director.
- 3.5 Internal Audit carry out follow up reviews, where significant weaknesses are identified or where the overall opinion of the audit is less than satisfactory, to ensure that action plans are progressing as agreed.
- 3.6 The areas of real concern are those where follow up work, or repeat audits, by Internal Audit indicate difficulties in delivery of agreed action plans. As noted above, such audits are given a Red.
- 3.7 Details of concerns raised by the audit reports for Amber and Red audits are set out in Appendix B and C.

### **4. Performance of Internal Audit**

- 4.1 Delivery of the audit plan fell below target in the current year, 85% against a target of 90%. There are two reasons for this.
  - The turnover of staff on the team has reduced the experience base significantly. New untrained auditors require more supervision and take longer to complete work. Vacancy levels have also remained quite high.
  - The DfES have introduced a new Financial Management Standard for schools. Internal Audit are committing resources to help schools achieve the standard. Internal Audit also assessed all Secondary schools against the standard during 2006/07.

- 4.2 As a result a number of audits were not completed, or have rolled over into the present year. The audit team prioritised the work during the second half of the year to focus on high risk and key financial systems.
- 4.3 The Council is required, under the Accounts and Audit Regulations 2006, to carry out an annual review of the system of internal audit. This was carried out at the November meeting of the Committee.

**APPENDIX A – SUMMARY OF COMPLETED AUDITS AND OPINIONS  
(2<sup>nd</sup> half of 2006/2007)**

	Service	Audit	Opinion
1	Benefits and Exchequer	Housing Benefits (2006/7)	Green
2	Benefits and Exchequer	NNDR (2006/7)	Amber
3	Benefits and Exchequer	Council Tax (2006/7)	Amber
4	Benefits and Exchequer	Electronic Payments Follow-up	Green
5	Cultural Services	Off-Site Activities	Green
6	Cultural Services	Libraries Internet Use Follow-up	Green
7	Countryside	PFI Project	Green
8	Countryside	Licensing Reform	Green
9	Children's Services	Unaccompanied Asylum Seeking Children	Red
10	Finance	Bank Reconciliation Follow-up	Green
11	Finance	Capital Accounting	Green *
12	Finance	Treasury Management	Green **
13	Finance	MTFS	Green *
14	Finance	General Ledger (2006/7)	Green **
15	Finance	Income Spot checks	N/A
16	Housing and Performance	Renovation Grants/Disabled Facility Grants	Green *
17	Property Services	Asset Management Follow-up (1 <sup>st</sup> Stage)	N/A
18	Legal and Electoral	Registrars Service Follow-up	Green
19	I.T.	Change Control Follow-up	Red
20	I.T.	Manage Problems and Incidents Follow-up	Green
21	Cultural Services	Museum Follow-up	Green
22	Cultural Services	Libraries Internet Use Follow-up	Green
23	Planning	Enforcement Follow-up	Green
24	Education	Kennet School FMSiS	
25	Education	Little Heath School FMSiS	
26	Education	Willink School FMSiS	
27	Education	Park House School	
28	Education	Denefield School	
29	Education	The Downs School FMSiS	
30	Education	John O Gaunt FMSiS	
31	Education	St Bartholomew's School FMSiS	
32	Education	Theale Green Community College FMSiS	
33	Education	Trinity School FMSiS	
34	Education	Victoria Park Nursery	Amber
35	Cultural Services	Youth Services – Riverside	Amber
36	Finance	Risk Management Follow-up	Green

Key:-

\* Overall opinion of the audit - well controlled

\*\* Overall opinion of the audit - very well controlled



**APPENDIX A – SUMMARY OF COMPLETED AUDITS AND OPINIONS  
(2<sup>nd</sup> half of 2006/2007)**

**Advisory Reviews (such reviews arise from the provision of advice on system key controls, where the Service concerned is already aware that improvement is needed or the systems are being reviewed by the service area, and this approach as been agreed between the relevant Head of Service and Internal Audit at the commencement of the Review).**

**The Standard follow-up process applies to these reviews - at which time progress made would be linked into the traffic light reporting process.**

1	Older People's Services	Home Care – External Provision
2	I.T.	Business Continuity

**Follow-ups where we have agreed extended deadlines for implementation :-**

	No audits in this category	
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**APPENDIX B**  
**BRIEFING NOTE TO SUPPORT GOVERNANCE AND AUDIT COMMITTEE AUDIT PLAN UP-DATE REPORT**  
**(2<sup>nd</sup> half of 2006/2007)**

The following comments relate to those audits highlighted as Amber:-

**1) Council Tax**

- 1.1 We found that there are satisfactory controls in place for many of the areas we reviewed, however, as there were some key areas where this was not the case, we considered that an overall opinion of weak was required rather than satisfactory. We established that in previous years there has been no communication between Council Tax and Planning Sections in order to determine the number of properties to be used as the Council Tax base for the following year, but that more recently (approximately last 12 months) some information had been provided by Planning. We were informed that this process was to be further investigated in time for estimating the Council Tax base for the next financial year although a timetable/detailed communication process is not currently in place.
- 1.2 An exercise to confirm the eligibility of all taxpayers in receipt of Single Person's Discount was carried out at the end of the 2005/06 financial year. It is intended that this will be carried out annually in future to provide greater assurance that the Single Person's Discounts awarded are valid. However, there is no review of the validity of other types of discount/exemptions that are in place.

**2) NNDR**

- 2.1 The previous audit findings were also taken into account when arriving at the overall opinion, as there had only been a short time lapse between the two reviews (move to fixed dates for annual audits ). The main areas of concerns were:
- The management of the recovery process on SX3 had not been fully established. Standard recovery reports identifying the number/value of accounts at each recovery stage had not been set up.
  - Reconciliations between SX3 and the Valuation Office information were not being kept up-to-date.
  - End dates had not always been established for suppressed accounts.

**3) Victoria Park Nursery**

- 3.1 Although the school is well run, significant weaknesses were identified in the purchasing process and control of the school fund. At the time of the audit we also noted that the budget had not been fixed in FMS. The main area of concern identified was the potential lack of segregation in duties within the purchasing process. Throughout the audit we noted that the school is heavily reliant on the Finance Officer and although the majority of controls are in place and work effectively, a number of key controls expected in processes were not operational, resulting in instances of self signing of cheques for example.

**4) Youth Services – Riverside Community Centre**

- 4.1 At the time of the most recent audit (report issued April 2007), weaknesses were identified in: budgetary control, petty cash, income collection, inventory control, stock control and lettings. Budgetary control was identified as a concern during the previous audit (July 2003 and follow up May 2004) and still remains weakly controlled. The follow up after our previous audit in May 2004 highlighted that the

**APPENDIX B**  
**BRIEFING NOTE TO SUPPORT GOVERNANCE AND AUDIT COMMITTEE AUDIT PLAN UP-DATE REPORT**  
**(2<sup>nd</sup> half of 2006/2007)**

inventory check was not certified by the Centre Manager, we found that there has still been no action regarding this and overall the inventory recording and reporting is very weak.

- 4.2 We also observed that currently there are not effective controls in place to cope if the centre attracts a greater volume of external lettings, more specifically there are few controls in place relating to the setting, invoicing and collection of hirer's fees.

**APPENDIX C**  
**BRIEFING NOTE TO SUPPORT GOVERNANCE AND AUDIT COMMITTEE AUDIT PLAN UP-DATE REPORT**  
**(2<sup>nd</sup> half of 2006/2007)**

The following comments relate to those Follow-up's identified as red

**1) Unaccompanied Asylum Seeking Children**

**1.1 Unaccompanied Asylum Seeking Children (UASC)** - the completed follow-up audit had an "unsatisfactory " opinion as a number of recommendations remain outstanding. The main concerns that remain were:-

- The Service has not defined what level of accommodation is required from providers, also, there is no formal process for checking that accommodation used is of an acceptable standard.
- Allowances paid to UASC do not reflect the national rates. The rate of allowance should relate to the age of the child, this was not always the case. One of the accommodation providers was not obtaining a signature from each child as confirmation that the allowance had been paid. A larger exercise is being undertaken to review allowances, which the Service intends to complete early in 2007.
- The need for the use of interpreters is not being fully recorded, so there is no detailed record available to ensure that timesheets/invoices submitted for payment are for valid costs.

**2) Change Control**

**2.1** In essence the IT function did not have a documented process for managing changes to systems.

<b>Title of Report:</b>	<b>Heads of Service Assurance Statements Operational Red Risks</b>	<b>Item 8</b>
<b>Report to be considered by:</b>	Governance & Audit Committee	
<b>Council Plan Ref:</b>		

<b>Council Plan:</b>
The proposals contained in this report will help to achieve the above Council Plan priority by: <ul style="list-style-type: none"> <li>• Reviewing the evidence that is available to support the Statement of Internal Control</li> </ul>

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

<b>Contact Officer Details</b>	
<b>Name:</b>	Charles Morris
<b>Job Title:</b>	Risk Manager
<b>Tel. No.:</b>	01635 519310
<b>E-mail Address:</b>	crmorris@westberks.gov.uk

**Supporting Information**

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**1 Introduction**

- 1.1 The purpose of this report is to update the Committee on the evidence supplied by Heads of Service in their Assurance Statements for 06-07 and associated risk registers.
- 1.2 All Heads of Service have completed an Assurance Statement which has been reviewed and agreed by their Director and Portfolio Holder. Any areas of concern that they may have are highlighted on the associated service risk register.
- 1.3 Corporate Board have reviewed the areas of concern, highlighted below, and will bring these issues into consideration at the next quarterly review of the Strategic Risk Register.

**2 Areas of concern highlighted by Heads of Service**

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

**2.2 Chief Executive**

<b>Service</b>	<b>Risk</b>	<b>Proposed Action</b>
Benefits & Exchequer	Key Members of staff leaving	Development of training strategy funding in future budgets for back fill
Customer Services	No issues of concern	
Finance	<p>To ensure s151 responsibilities are fulfilled</p> <ul style="list-style-type: none"> <li>1. Poor inadequate advice</li> <li>2. Lack of strategic capacity post SMR</li> </ul> <p>To ensure the Council delivers VFM agenda</p> <ul style="list-style-type: none"> <li>1. Poor understanding of VFM</li> <li>2. Lack of tools to measure VFM</li> <li>3. Lack of consistency across services</li> <li>4. Internal recharges do not match use of service</li> </ul> <p>To Develop and maintain a strong anti fraud and corruption policy</p> <ul style="list-style-type: none"> <li>1. Lack of commitment from</li> </ul>	<ul style="list-style-type: none"> <li>1. Set up Governance group</li> <li>2. Adopt code of Corporate Gov</li> </ul> <ul style="list-style-type: none"> <li>1 Proactive support for service managers</li> <li>2 Effective review process</li> </ul> <ul style="list-style-type: none"> <li>1. Adopt Cipfa anti fraud guide</li> </ul>

	<p>Senior Officers and Members</p> <p>2. Lack of resources / appropriately trained staff</p> <p>3.lack of joined up approach</p> <p>To ensure that there are effective Governance Arrangements in Place for all Major partnerships</p> <p>1 Lack of clear lines of accountability</p>	<p>1.Review governance arrangements for all partnerships</p>
Finance	<p>To achieve a 4 for use of resources</p> <p>1. Lack of resources</p> <p>2. Lack of joined up approach with Benefits / property</p> <p>Recharging process</p> <p>1. Correct charges not made</p>	<p>1.Report to management Board re resourcing.</p> <p>1.Complete review of charging process</p>
Human Resources	<p>IT equipment to slow / inadequate for demand</p> <p>Maintaining staffing levels</p>	<p>HR need to map &amp; document the IT hardware / software required and build in to IT plan.</p> <p>Implement HR service review as soon as possible.</p>
ICT	<p>Power failure of 1 hour or more</p> <p>Maintaining confidentiality of information</p>	<p>Longer life UPS's being procured</p> <p>Further user training / awareness Regular security reviews</p>
Legal & Electoral	<p>Lack of resources</p> <p>Operational Land Charges inability to access office</p>	<p>1-2-1 Appraisals Agreed Priorities Corporately plan timetable for major projects</p> <p>Implementation of electronically held records. Consideration by ICT Strategy Board in Oct / Nov 07</p>
Policy & Communication	<p>Loss of Key staff who are not replaced in key posts</p>	<p>Learning and training in those areas where individual officers have specialist knowledge are going on planned absences</p>
Property	<p>No issues of concern</p>	

2.3 **Environment and Public Protection**

<b>Service</b>	<b>Risk</b>	<b>Proposed Action</b>
Highways & Transport	<p>Failure to recruit and retain staff due to issues such as uncompetitive salaries and perceived reduction in benefits</p> <p>Information Overload and increased bureaucracy</p> <p>Flooding</p> <p>Traffic congestion</p>	<p>Consideration by Corporate Board of remuneration package for certain roles, more in line with the private sector</p> <p>Improved management of corporate initiatives and fewer meetings, leading to more effective use of resources and greater focus on service delivery</p> <p>Additional funding for drainage maintenance and road repairs. Prohibition of house building in known flood risk areas.</p> <p>Delivery of LTP2 policies in respect of modal shift and targeting of known congestion hot spots</p>
Countryside & Environment	No issues of concern	
Planning and Transport Strategy	No issues of concern	

2.4 **Children and Young People**

<b>Service</b>	<b>Risk</b>	<b>Proposed Action</b>
Education	<p>Value for money and Gershon efficiencies</p> <p>Reductions in pupils who are NEET</p>	<p>Greater scope for invest to save. Delivery of Gershon targets. Decrease in overspend</p> <p>0.4 post for connexions / YOT for NEETS only. 14-19 curriculum. Vocational package at KS4. More support at an earlier stage would reduce risk.</p>
Children's services	Resources to manage efficient and effective services	Monthly monitoring improved financial awareness
Commissioning & Quality	No issues of concern	



## 2.5 Community Care and Housing

Service	Risk	Proposed Action
Community Care & Housing	Extreme budget pressures / demand for services	Completion of PFPTF actions
Older People Services	Recruitment & Retention	New recruitment initiatives Block Contract with agencies Streamline recruitment system Speed up CRB process
	Financial Management	Commitment Accountancy for staff spreadsheets HOS at all budget meetings Appropriate levels of accountancy support and skills
	Continuity of Service	Identification of essential staff and volunteers Action Plans in place and staff aware Identification of essential services Staff aware of priorities
	Continuity of High Quality care	Robust monitoring and implementation of Action Plan Collation of complaints Link between commissioning and accreditation Use of CSCI inspection reports Assisting individuals to make a complaint Service user feed back
Housing & Performance	Wider support services	Ensuring good communication
	IT Failure of network	Close monitoring by ICT Strategy Board & Corporate Board
	IT Information Security	Close monitoring by ICT Strategy Board & Corporate Board. Information sharing protocols
	Direct Payments DP users not meeting service targets / CSCI expectations	Development of Support Service Further training & Care management support Commissioning strategy (?Transfer to WBC Strategic Risk register)
	Non Realisation of full income potential	Strengthens guidance for establishment of service user's assets. Further develop charging framework for training

	Extreme budget pressure due to reducing Support People Grant in combination with increased demand for services for people with learning difficulties	Contingency plan agreed by Council / to be reviewed April 08 to reflect new service grouping
Cultural Services	<p><u>Libraries:</u> Children accessing unsuitable websites</p> <p>Children in libraries targeted by inappropriate adults or on line</p> <p><u>Archaeology</u> Failure of IT systems</p> <p>Local Dev Framework Historic Environment</p>	<p>Continuing operation of current system of control.</p> <p>Need to ensure that staff are reminded of controls and able to take action if necessary. Monitoring of websites, which might need to be filtered.</p> <p>Service heavily reliant on IT</p> <p>Greater communication and cross-departmental working.</p>

- 2.6 Corporate Board need to consider whether any of the red operational risks should be included in the Strategic Risk Register. In addition, are there any issues in this report, which the Statement of Internal Control needs to address?
- 2.7 Corporate Directors are reminded that their HOS should discuss Operational Risk Action Plans at 1-2-1's on a quarterly basis. This process is an important part of the risk management process.
- 2.8 The Heads of Service Assurance Statements and detailed risk registers and action plans are available to Members if required.

<b>Title of Report:</b>	<b>Statement of Internal Control – 2006/2007</b>	<b>Item 9</b>
<b>Report to be considered by:</b>	Governance and Audit Committee	

**Purpose of Report:**

To review the attached Statement of Internal Control.

**Recommended Action:**

To recommend for approval the attached Statement of Internal Control.

**List of other options considered:**

None.

**Key background documentation:**  
*(bulleted list format)*

- Risk Strategy,
- Strategic Risk Register,
- Service Risk Registers,
- Assurance Statements from Heads of Service,
- Annual report of the Head of Assurance,
- Annual report of the Monitoring Officer and S151 Officer

<b>Contact Officer Details</b>	
<b>Name:</b>	Ian Priestley
<b>Job Title:</b>	Service Head - Assurance
<b>Tel. No.:</b>	01635 519253
<b>E-mail Address:</b>	<a href="mailto:ipriestley@westberks.gov.uk">ipriestley@westberks.gov.uk</a>

## **Supporting Information**

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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 has been obtained. This will enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.

### **2 Purpose of the Statement of Internal Control.**

- 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 2006-2007 is attached to this report for review, 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 Officer's annual report
- The s151 Officer's 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 regarding the SIC for 2006-2007**

- 3.1 A key function of the Governance and Audit Committee is to review and approve the SIC for 2006-2007 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 Committee has reports, covering all the supporting evidence noted above, on the agenda for this meeting.

## STATEMENT OF INTERNAL CONTROL 2006 / 2007

### 1. INTRODUCTION

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, properly accounted for and used economically, efficiently and effectively. In order to ensure this, Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal, and ensuring that an effective system of risk management and internal controls is maintained.

### 2. SUMMARY OF ARRANGEMENTS AND THEIR EFFECTIVENESS

#### Corporate Governance

The Council has adopted the principles of the CIPFA / SOLACE Code of Corporate Governance. The Code identifies the critical processes, policies and procedures which secure effective corporate governance and the Council's "Governance and Audit Committee" will have oversight of its implementation on behalf of the Council. The Service Head - Assurance has reported that the arrangements in place during 2006-2007 to secure effective Governance were satisfactory.

#### Risk Management

In 2006 the Risk Management Strategy was revised to reflect the widening role in developing sound systems of control and maintaining risk management processes particularly within partnership arrangements. This strategy was published with the Council's Corporate Plan for 2006/2007.

The Risk Management Arrangements within the Council have undergone further substantial development during 2006/2007. Risk Management arrangements are now firmly embedded in the culture of the Council.

#### Internal Audit

The Internal Audit team provide a key component of the system of internal control. Their work is carried out in accordance with guidance issued by CIPFA. Regular reports are made to the Governance and Audit Committee on the outcomes of internal audit work. During 2006/2007 a review was carried out of the system of internal audit, as required by the Accounts and Audit regulations 2006, by the Governance and Audit Committee. A number of recommendations were made to improve the effectiveness of the service and these are being adopted.

### 3. STATEMENT OF THE FINANCIAL YEAR 2006-2007

We are satisfied that, except for the matters identified below which were addressed during the year, a sound system of internal control was in place throughout the financial year and is ongoing. This conclusion has been reached on the basis of:

- Assurance statements provided by Heads of Service countersigned by Corporate Directors and Portfolio Holders, based on their assessment of risks and operational controls within their services.
- A report from the Monitoring Officer and the Chief Finance Officer on their review of the year.
- The work of Internal Audit and the head of audit's annual report to Governance and Audit on matters of concern identified during the year.
- A report from the Risk Manager analysing the service risks rated red and reviewed by Corporate Board
- The quarterly reviews of the Council's Strategic Risk Register
- The work of the external auditors and comments in their annual Audit letter and other reports.

The following matters were addressed during the year 2006-2007:

- New processes and procedures for the use of consultants has been introduced.
- Improved monitoring of Health and Safety incidents with analysis of lessons learned.
- Business continuity planning has been successfully tested.
- Improved establishment monitoring information is available.
- Improvements have been made to the management of major projects
- Continued consolidation of performance and risk management.
- Continued progress on the management of the capital programme, with some reduction of slippage.

#### 4. DEVELOPMENTS IN 2007-2008

In their individual Assurance Statements, as part of their risk action plans, Heads of Service have identified improvements in operational control to be undertaken in 2007-2008 and we are satisfied that these are based on sound systems of identification. In addition, the following cross-cutting developments will be carried out in 2006-2007:

- A new Council Plan providing improved focus and measurable targets
- Improved reporting of personnel information.
- Further improvements in project management with the roll out of the methodology used by ICT to all major projects .
- Improved resilience of the IT environment.
- Increased management of the risk of Legionella.
- Setting up of a Governance Group of statutory officers and advisors to manage and advise on issues of governance.
- Creation of a local code of corporate governance overseen by the Governance Group and Governance and Audit Committee
- Implementation of the CIPFA anti fraud guide

We will take steps over the coming year to address the above matters and will report on their implementation and operation as part of the Statement of Internal Control for 2007-2008.

We are satisfied that these steps will address any need for improvements that have been identified.

..... **Leader**

..... **Chief Executive**

On behalf of West Berkshire Council