A Statement on Internal Control

Warwickshire County Council Statement on internal control

Scope of Responsibility

Warwickshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Warwickshire County 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, Warwickshire County Council is also responsible for ensuring that there is a sound system of internal control which facilities the effective exercise of Warwickshire County Council's functions and which includes arrangements for the management of risk.

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 Warwickshire County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control outlined below has been in place at Warwickshire County Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

The Internal Control Environment

The Authority's internal control environment comprises the following elements:

- ***Establishing and monitoring the achievements of the Authority's objectives***

The Council's objectives are developed and reviewed as part of the business planning process, which includes consultation with stakeholders and the public. The objectives are set out clearly in the Corporate Business Plan. Medium term priority outcomes are identified for each objective and headline indicators. They are explicitly reflected in departmental business plans and other specific strategies and plans.

Progress against these objectives is regularly monitored by the Authority via the performance monitoring process. There are formal performance reports to Cabinet and Overview and Scrutiny Committees every 6 months, which include comparisons with national performance indicators.

Scrutiny arrangements are well established. Each Overview and Scrutiny Committee agrees an annual programme of reviews, which has performance improvement at the core of its purpose. The programme of reviews is developed in conjunction with the preparation of the Corporate Business Plan to ensure policy and performance management are integrated. Dedicated resource to carry out reviews has been created.

- ***The facilitation of policy and decision making***

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the role of full Council, the Executive, Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers are specified. The Forward Plan of Key Decisions is published on the Council's web site.

The Authority has agreed a Corporate Governance Code of Practice and a programme of governance training for officers. A Corporate Governance Audit takes place biennially and an action plan is agreed by members to address any areas for improvement. The last governance review took place in 2005/2006.

- ***Ensuring compliance with established policies, procedures, laws and regulations including how risk management is embedded in the activity of the Authority***

Key roles in relation to ensuring compliance with policies, procedures, laws and regulations roles are performed by the Authority's Monitoring Officer and the Section 151 Officer.

The Monitoring Officer has put in place arrangements to ensure that all reports to member bodies are checked by qualified lawyers within the Authority to ensure compliance with legislation and corporate policies and procedures. All member bodies are supported by a legal advisor to ensure there is appropriate advice at meetings of the Authority. In addition the Monitoring Officer receives weekly briefings from the senior lawyers of the Authority highlighting if there are any

o cases or potential cases where questions arise as to the Council's power to take action;
o cases or potential case of breaches of law or internal regulations (especially standing orders, contract standing orders or financial regulations);
o departmental proposals to act contrary to corporate policy or legal advice;
o new legislation, statutory instruments or government proposals affecting areas of work carried out by the Authority.

The Monitoring Officer with the Section 151 Officer also commissions the biennial Corporate Governance Audit and annual Contract Standing Orders compliance audits.

The Strategic Director, Resources, as the nominated Section 151 Officer, has delegated responsibility for ensuring there are arrangements in place for the proper administration of financial affairs and that there is an adequate Internal Audit function. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. A summary of audit work is reported to the

Audit and Standards Committee, which has responsibility for oversight of probity and audit issues and meets regularly. In addition, External Audit and external inspection agencies such as Ofsted contribute to the review of the Authority's compliance with its policies, procedures, laws and regulations.

A risk management framework has been developed. Strategic risks are reviewed annually and incorporated in the Corporate Business Plan. All departments have risk registers. The Council's insurances are reviewed annually.

- ***Ensuring the economical, effective and efficient use of resources, and securing continuous improvement***

The Authority has a budget and policy framework, which sets out how budget and policy decisions are made. The budget process establishes the resources required to deliver the Authority's services and objectives. It involves a review of the overall use of resources and sets out a medium term financial strategy. Within the medium term financial strategy services are required to deliver improvements in cost effectiveness and on an annual basis members set cash backed efficiency targets for individual services. Relevant prudential indicators are approved by Council as part of the budget resolution.

A structured approach to procurement and contract letting is set out in Financial Standing Orders and Contract Standing Orders. A Procurement Code of Practice provides further guidance to managers to ensure best value is considered in all purchasing activity.

Best value and scrutiny reviews are conducted and the Authority's Performance Plan is produced in compliance with annual Best Value requirements.

The EFQM model is used as a tool to drive continuous improvement across all services.

- ***The financial management of the Authority and the reporting of financial management***

The Strategic Director, Resources, as the nominated Section 151 Officer, is responsible for ensuring that an effective system of internal financial control is developed, maintained and operated over the Authority's resources.

The system of internal financial control is based upon a structure of delegation and accountability set out in the Constitution, Financial Standing Orders and Contract Standing Orders. Budgets and budgetary responsibility are assigned to individual managers. In particular the system includes:

o a budget process integrally linked with the overall planning process within an agreed medium term financial plan;
o targets to measure financial and other performance;
o regular financial reports which show forecast spending against budgets;
o clearly defined cost centre management arrangements; and
o clearly defined capital spending guidelines.

Elected members receive financial information, which is relevant, understandable and consistent with underlying financial records. During 2005/2006 formal quarterly forecasts of revenue spending were presented to members and the capital programme was reviewed and reported three times. Financial reserves are kept

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under review and subject to a formal risk assessment as part of the budget process. An anti-fraud and anti-corruption policy and whistle blowing code are in place. A Treasury Management policy has been adopted and approved by Council. The Authority prepares its accounts in accordance with best professional guidance and complies with the statutory timetable for publication.

- ***The performance management of the Authority and the reporting of performance management.***

Warwickshire's approach to performance management is set out in its Performance Management Framework. The Authority has an explicit vision and set of values underpinning its agreed six strategic objectives. The Authority's Corporate Business Plan reflects national and local priorities and contains targets to be met in achieving its objectives, along with associated corporate performance indicators.

The achievement of targets is regularly monitored through a range of methods including reporting of performance against targets on a six-monthly basis to Overview and Scrutiny Committees and the Cabinet.

Review of Effectiveness

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

Throughout 2005/2006 the Authority has maintained and reviewed its system of internal control in a number of ways.

- The structure of the organisation has been reviewed and a new structure implemented from April 2006.

- Overview and Scrutiny Committees have carried out a programme of reviews.

- Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. These reviews included opinions on the internal controls in place a summary of audit work was reported to the Standards Committee. These individual reviews fed into the overall Annual Review by the Audit and Risk Manager of the effectiveness of internal control.

- A further review of internal control was undertaken to support the preparation of this Statement on Internal Control.

Specific reviews and improvements have included a Corporate Governance Audit, a review of the implementation of the approach to project management, the implementation of new absence management procedures and a strategic review of ICT.

Independent external review of the effectiveness of the systems of internal control has included:

- The "Direction of Travel" assessment by the Audit Commission
- The assessment of the Authority's "Use of Resources" in which the Authority scored 3 out of 4.
- External audit of the accounts for 2004/2005 by PriceWaterhouse Coopers
- The Commission for Social Care Inspection of Adult Social Services.
- The Commission for Social Care/Ofsted annual performance assessment of Education and Children's Social Care Services.

Confirmation by signatories to the Statement

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 Audit and Standards Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Internal Control Issues

As a result of our review of our systems of internal control we have identified improving the system of control around social care for adults, including the work of the Supporting People Programme, as the key area where the authority is seeking significant improvement. A programme of improvements is in place and is being closely monitored.

In addition we have identified five other areas where we wish to strengthen controls and performance although we do not judge any of these to be significant internal control issues.

- The authority is increasingly engaged in partnership working with both the public and private sector. A review of general governance arrangements for partnerships is underway and the performance of specific partnerships will be reviewed during 2006/2007.
- Controls around project management were reviewed during 2005/2006 following an earlier initiative. Although much progress has been made this continues to be an area the Authority wishes to strengthen.
- Information and its management is critical to controls in key areas including HR. Improvements were made in HR information during 2005/2006. The challenge for 2006/2007 is to ensure that this information is now used to improve consistency and effectiveness.
- Business continuity is as a risk for every organisation. The current arrangements in the Authority will be reviewed in 2006/2007.
- Non-academic guidance for schools is a key area for the authority in its role of supporting schools. The Authority will continue its work of reviewing and updating the framework of guidance and controls for schools during 2006/2007.

Chief Executive   Leading member

Date   Date

Warwickshire
County Council