



ISLINGTON

Finance Department
222 Upper Street, London N1 1XR

Report of: Director of Finance

Meeting of	Date	Agenda Item	Ward(s)
Standards Committee	11 January 2006		

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Subject: Statement of Internal Control – Report on Survey Results

1. Synopsis

- 1.1 This report sets out the main findings of a survey sent to senior managers within Islington Council which aimed to assess their knowledge and understanding of internal control issues and inform the Council where it needs to direct attention to achieve improvements in this area.
- 1.2 The results of the survey were incorporated into the report on the Statement of Internal Control approved by Corporate Services Committee on 28 July 2005.

2. Recommendation

- 2.1 To note the content of this report and the action being taken to address issues raised by the response to the survey.

3. Background

- 3.1 The Accounts and Audit Regulations 2003 require the publication of a Statement of Internal Control with the financial statements.
- 3.2 Although the Statement of Internal Control is published with the financial statement, it is not confined to just financial matters, but is a broad reflection of the whole governance of the Council. It is an important document, in that it demonstrates that Islington is reviewing its governance arrangements, taking steps to improve them and communicating to users and stakeholders how better governance assists in the delivery of better quality services.

- 3.3 Islington's system of internal control reflects its control environment and underpins its organisational structure to achieve and promote continuous improvement.
- 3.4 The Statement included a review of the effectiveness of the system of internal controls and actions to address issues identified to ensure continuous improvement. It was signed by the Leader and the Chief Executive and approved at a meeting of the Corporate Services Committee on 28 July 2005.

4 Main Findings

- 4.1 To assist Islington in compiling the above, an electronic self-assessment survey was sent out to 304 senior managers in every service area within Islington. Managers were requested to respond to 52 questions concerning internal controls and to indicate whether their answers corresponded most nearly with the phrases "Yes fully", "Yes partially", "No" or "Don't Know".
- 4.2 One hundred and twenty one responses were received; a response rate of approx. 40%.
- 4.3 The main areas where the management response "Yes fully" exceeded 70% and therefore demonstrated management understanding and commitment to governance and control issues were:

Performance Management

- 80% of managers agreed that they considered Islington's priorities, local requirements, budgets and resources when developing their Departmental Performance Plan.
- 73% considered that performance management was embedded within the operations of their units.

Business Strategy and Planning Process

- 74% of managers were confident that they met legislative and other requirements.

Local Code of Governance

- 74% agreed that good customer focus principles influenced their decision making.

Ethical Governance

- 92% of managers said that regular appraisals, supervision, 1-2-1s and objective setting for the development of officers was undertaken.
- 76% of managers were confident that their units met Islington's core standards in communication.

Codes of Conduct

- 71% of managers said that they were satisfied that the code of conduct for staff was understood and complied with.

Financial Policies and Procedures

- 84% of managers said that they ensured that petty cash payments were made in accordance with Islington's financial regulations.
- 79% confirmed that payments were managed in line with Islington's financial regulations.

4.4 There were areas where the response indicated potential issues to be addressed and these included:

Counter Fraud Policy

- 36% were unaware that the counter-fraud policy was on the intranet
- 48% had not told their staff about the counter-fraud policy and the procedures to follow in the event of a suspected fraud
- 78% of managers had not received training in fraud awareness

Whistle Blowing Policy

- 27% believed that staff were unaware of the whistle-blowing policy

Risk Management

- 23% had not produced a risk assessment/register for their unit.
- 24% had not devised an action plan to mitigate risks that had been identified.
- 28% of managers were not reviewing and amending their risk register to ensure that it remained current.

4.5 These issues will be addressed by taking the following action:

- reviewing and updating the current Anti Fraud Strategy for publication on Islington's Website after endorsement by the Standards Committee by March 2006.
- facilitating a series of Anti Fraud workshops for departmental management to promote the strategy and secure their engagement starting February 2006.
- the Risk Management Strategy was formally adopted by the Executive in September 2005.
- a Risk Assurance Group has been formed, which includes "risk champions" from each service area, to consider and report back to the Executive six monthly on progress against departmental risk action plans.

5. Implications

5.1 Financial Implications

5.1.1 A sound system of internal controls is essential to underpin the effective use of resources.

5.2 Legal Implications

5.2.1 The Council has a duty to publish a statement on internal control with its financial statement, as set out in Regulation 4 of the Accounts and Audit Regulations 2003.

5.3 Equality Implications

5.3.1 There are no direct equalities implications.

6. Conclusion and reasons for recommendations

6.1 This information was requested by the committee to help give Members an understanding of the control environment operating within Islington Council.

Lead Officers: John Jones, Interim Director of Finance

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Background Papers: Internal Audit survey

Date: 10 January 2006