Appendix A :

Subject: Statement of Internal Control 2006/07

1. Responsibility

1.1 Islington Council through its elected members and officers is responsible for ensuing that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for while being used economically, efficiently and effectively.

1.2 In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of Islington Council's affairs and the stewardship of the resources at its disposal. To futher this aim, Islington Council has approved and adopted a constitution , which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE framework of Corporate Governance in Local Government.

2. Purpose of the System of Internal Control

2.1 The Council sets the overall strategy/policy and has put in back in place a well defined organisational structure, with clearly understood lines of responsibility and schemes of delegation to help ensure that strategies and policies are effectively implemented and adhered to.

2.2 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk; therefore, it can only provide reasonable assurance and not absolute assurance that all significant risks will be integrated.

2.3.1 The key issue is that the potential for risks to occur and any impacts are identified in order for a decision can be made on how to prioritise and deal with them.

2.4 The system, therefore, is designed to effectively manage rather than eliminate risks so that services can be delivered in a responsible, and controlled manner.

2.5 The system of internal control at Islington Council has been in operation in respect of the financial year ended 31st March 2007 and up to the date of approval of the annual report and accounts.

3 Internal Control Environment

3.1 The council system of internal control is based on ongoing management and review processes introduced to take account of risk and ensure the achievement of the Council's aims and objectives.

3.2 The Council has agreed a constitution which sets out how the Council operates, how decisions are made and the processes followed to ensure there is transparency and accountability

3.3 The Constitution clearly details:

- The articles within the constitution

-   The responsibility for functions
-   Procedure Rules
-   Members code of conduct, financial regulations and procurement
-   Members allowance scheme
-   Management structure

3.4   In summary the Council internal control environment includes:

-   Strategic aims embedded in service planning, delivery, risk management and performance management frameworks
-   A monitoring officer responsible for maintaining the constitution, supporting the standards committee and ensuring legality of Council actions.
-   A Standards Committee to promote and maintain high standards of conduct by elected members and co-opted members of the Council
-   An Overview and Scrutiny Committee to scrutinise and review decisions made on actions taken in connection with the discharge of Council functions.
-   A Corporate Service Committee with responsibility for overseeing the work of both internal and external audit functions.
-   A responsible financial officer, supported by statute, to ensure the effective administration of the financial affairs of the Council.
-   A comprehensive budget setting and monitoring framework with clearly defined guidelines and responsibilities enabling frequent reporting to the Executive.
-   An internal audit function operating in line with the CIPFA code of practice which reviews major financial controls and the wider internal control environment.
-   A risk management policy framework that is updated annually and supported by departmental risk registers.
-   An anti-fraud and corruption policy and a whistle blowing policy to ensure the reporting and investigation of irregularities
-   The ongoing development of a performance management framework with defined performance targets to measure financial and other performance indicators linked to the Council's objectives
-   An employee performance appraisal process designed to ensure staff are appropriately skilled and performing in such a manner to deliver the Councils aims and objectives

4. Review of Effectiveness

4.1   Islington Council has responsibility for conducting a review of the effectiveness of the system of internal control. This review is informed by the work of internal auditors and senior managers within the Council, who have responsibility for the development of the internal control environment; as well as comments made by the external auditors and other review bodies.

4.2   The following actions have taken place during the year;

-   Members of the Executive and Chief Officers have received regular reports and briefings on items outlined in section 3
-   Members continue to challenge performance at the monthly performance group (MPG) and the enhancement of the software package 'Performance Plus' enables greater saving of key performance indicators.
-   Overview and Scrutiny have undertaken a range of reviews during the course of the year

- The external auditors letter noted that the Council continues to improve well and that it received an unqualified opinion on its 2005/06 financial statements and on its arrangements for securing VFM.
- The Corporate Services Committee continued to receive reports from both internal and external audit during the year and also endorsed their work plans.
- A peer review on the effectiveness of our systems of internal audit has been carried out by Camden Council.
- The Chief Internal Auditor's Annual Report revealed the 76% of areas audited received assurance ratings of "reasonable" or "substantial".
- The introduction of the online performance appraisal system during 2005/06 has led to a significant increase in the number of appraisals carried out by managers during 2006/07 and is reported on a regular basis to MPG.
- The Risk Management strategy for the Council was reviewed by Zurich Municipal who also ran risk management training sessions for both the Executive and the majority group
- The Standards Committee has continued to review a number of ethical health indicators as well as recieving reports from officers on both internal and external audit work
- Fraud awareness workshops were facilitated by internal audit during the course of the year.

4.3 In last year's statement four areas were identified for the attention to improve the control environment

ISSUE	RISK
Further improve on embedding the anti-fraud strategy and maximising the benefits of the National Fraud Imitative (NFI) exercise	Fraud awareness workshops were attended by over 120 staff that gave very positive feedback. More workshops will be arranged this year. The Council submitted all of its data sets on time for NFI and arranged training sessions for all staff involved in the exercise
Further Embed financial management across the Council	During 2006/07 the financial management arrangements across departments have been reviewed. This has led to the decision to centralise all of the departmental finance teams within the finance department to ensure consistency of practice and best practice is delivered across the council. The planned enhanced management of the capital programme has been delivered in the year and the capital programme achieved a record level of spend under these new arrangements.
Promote Business Continuity Planning (BCP) throughout service departments	A business continuity manager was appointed who has liaised with departments to produce impact

	assessments and business continuity plans. A BCP group has been formed which comprises if a representative from each department at the Assistant Directors level
Further embed Value for Money (VFM) into the culture of the Council	Significant changes have been made to the way value for money is monitored and the framework within which service and financial planning is conducted. Best value, efficiency and the wider issues of performance and cost are championed across the Council. They have been factored into the service and financial planning timetable ensuring value for money is a key driver of growth and savings as well as ensuring that all decisions are subject robust challenge and scrutiny. Further rigorous challenge has been introduced by adopting the 'Strategic Compass' tool. The tool ranks the value for money of services against neighbouring boroughs and indicates the direction of travel for each department. The 2006 CPA use of resources assessment recognised the improvements in the management of VFM awarding a level 3 score (out of 4) to this category, the previous assessment had been a level 2. Improvements to council services continue, with the four stars recently awarded to the Housing Benefits service being a highlight.

5. Significant Control Issues

This year the following areas were identified where as we are currently focussing our attention to further improve our internal control environment. These areas are already included in departmental action plans and work is underway to address these issues

      a. Ensure that all client care payments are fully supported by up to date information on case files
      b. Ensure that transactions arising from the use of procurement cards are subjected to robust validation and monitoring
      c. Ensure that the financial position of tenant management organisations is kept under review

d. Further improve performance management processes to support the Council aims
e. Ensure significant strategies are fully costed into the Medium Term Financial Strategy

We have been advised on the implications of the results of the review of the effectiveness of the system of internal control by the Council, and a plan to address the weakness and ensure continuous improvement of the system is in place.

Signatures

Signed by _____ _____

Leader   Date

Signed by _____ _____

Chief Executive   Date