

STATEMENT ON INTERNAL CONTROL

1. RESPONSIBILITY

Islington 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 whilst being used economically, efficiently and effectively. Islington 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, Islington Council is also responsible for ensuring that there is a sound system of internal controls, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. 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 to the 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 at Islington Council has been further developed during the year ending 31 March 2006 and up to date approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Council's internal control environment are as follows:

- The Council's vision and key corporate priorities are set out in its 3 year rolling corporate plan which is reviewed and updated as part of the annual service and financial planning process. Both this and the 3 year Medium Term Financial Strategy (MTFS) are approved by full Council.
- The council has streamlined its corporate planning processes by combining its corporate plan with the Best Value Performance Plan and the former CPA Improvement Plan which is no longer required.
- The Council's "One Islington" vision and "A1 Borough" programmes inform all the Council's strategies and non-statutory plans as well as most relevant reports. The corporate plan also makes explicit links between the council's vision and priorities and the shared goals of its key partners in delivering the community and neighbourhood renewal strategy.
- The 2006-07 corporate plan also makes explicit links with the agreed outcomes and targets in Islington's Local Area Agreement.
- The actions, key milestones and targets contained in the corporate plan have been subjected to a challenge process to ensure rigour and achievability, and

are monitored regularly by the Policy and Performance Team in the council's Performance Improvement Division, and reported to the Corporate Management Board and member-officer boards as well the council's Performance Review Committee.

- Key objectives and targets to achieve the council's corporate priorities are included in annual departmental performance plans and these are also monitored regularly, through quarterly performance reviews with Directors.
- The Corporate Plan also identifies actions to improve its ability to deliver further improvement and make better use of all its resources (people, buildings, finance, etc.).
- Key performance indicators relating to the Council's key priorities and targets are monitored monthly by the Members' Performance Group, which includes members of the Council's Executive with Directors, and by the Performance Review Committee.
- Six strategic boards have been established to facilitate policy development and to lead on the implementation, review and monitoring of the Council's corporate priorities. These are led by directors, with involvement from Executive members, and report back to our Corporate Management Board. Agreed terms of reference include the monitoring of all corporate plan objectives and actions. (The role and membership of these boards is currently under review).
- The Corporate Management Board has identified a list of approx. 40 major corporate projects i.e. those most essential to achieving the council's corporate priorities, and these are tracked by the Policy and Performance Team and reported to CMB and Member/officer boards in order to address any key issues and risks.
- The strategic boards are fully supported in their monitoring role by the Policy and Performance Team.
- Risk Registers are maintained and the risks identified inform the development of the Departmental Performance Plans (DPPs) and any updates to the MTFS.
- The Council's Corporate Plan is underpinned by the individual DPPs. Departmental performance plans for 2006-07 include references to risks in departmental registers.
- A cross-departmental Risk Assurance Group has been formed to assist in embedding risk management practices across the Council and report back on action plans to Chief Officers/Members.
- Regular budget monitoring takes place, with Members receiving reports on a monthly basis regarding the Council's financial position.
- A quarterly update regarding progress of the annual audit plan and the implementation of audit recommendations is reported to the Corporate Services Committee.

4. REVIEW OF EFFECTIVENESS

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 the 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.

The following actions have taken place during the year:

- Members of the Executive and Chief Officers have received regular reports and briefings on the items outlined in Section 3.

- Members continue to challenge performance at the Monthly Performance Group (MPG) and this aspect has been strengthened by the introduction of software that allows performance indicators to be analysed in detail.
- Overview and Scrutiny Committee have undertaken a range of reviews during the course of the year.
- We have continued our programme of Best Value reviews.
- The external auditor's letter, which contains a number of issues concerning internal control, was reported to the Executive – along with an action plan for implementing recommendations.
- The Council has delegated to the Corporate Services Committee the responsibility for discharging the function of an audit committee, including reviewing the adequacy of internal controls, monitoring the performance of Internal Audit and agreeing both the external and internal Audit Plans.
- Internal Audit's programme of work is based on a 3-year strategic plan that was constructed in liaison with the external auditor and endorsed by the Corporate Services Committee. The Chief Internal Auditor's Annual Report revealed that 75% of areas audited received an assurance rating of "Reasonable" or "Substantial".
- The Internal Audit Service is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by Internal Audit to inform their view of the Councils control environment.
- The staff Performance Appraisal system process became an on-line system during the course of the year and has assisted in ensuring that the number of staff receiving appraisals has increased.
- Issues raised by the external auditor's Annual Audit Letter have either been addressed or are on track to be dealt with during 2006/07.
- All senior managers were surveyed to gauge their knowledge and understanding of internal control issues and inform the Council as to where it needs to direct attention to achieve improvement.
- The Standards Committee has now continued to review a number of ethical health indicators. These include issues such as objections to the accounts, challenges to procurements and whistle blowing referrals. These have not revealed any persistent or systematic concerns and the Standards Committee is satisfied in relation to all these issues.
- The Monitoring Officer commissioned the Audit Commission to carry out a survey of members and senior council officers to ascertain their understanding of the Council's governance arrangements. The results were very positive with the Council scoring higher than the national average in many areas. An action plan has been drawn up to address areas for improvement and this will be monitored by the Standards Committee.
- The establishment of an internal control review group, comprised of the Monitoring Officer, Section 151 Officer, Chief Internal Auditor, Assistant Director Performance and Improvement, Assistant Director of Finance (Financial Management).

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

ISSUE	ACTION TAKEN
1. Lack of awareness of the Council's anti-fraud policy.	A revised strategy has been adopted by Members, who

have also agreed a work plan that includes both departmental and Member workshops, to promote the strategy.

2. Need to further embed Risk Management

The Executive agreed the Risk Management Strategy and Corporate Risk Register. Risk Registers have been created for all departments and departmental risk champions have access to the software that enables them to be kept up to date.

3. Need to enhance contractual arrangements concerning waste management.

Organisational changes have been successfully completed within Waste Management to specifically improve contract management. This has resulted in negotiating a number of front-line service enhancements as set out in a report to the Executive dated 20 April 2006.

4. Address underlying causes of overspend within Social Services.

The finance function has been strengthened by the recruitment of two Finance Manager posts and a revised structure review has been undertaken to provide more effective support. Zero based budgeting has been implemented for staffing and care packages. Software has been purchased to improve financial monitoring. A strategic review of Adult Services will be completed during 2006/07.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

This year, the following areas were identified where we are currently focussing our attention to further improve our internal control environment as set out below:

ISSUE

Further improve on embedding the anti fraud strategy within the council and maximising the benefits of the National Fraud Initiative (NFI) exercise.

ACTION TAKEN

A revised strategy and action plan has been approved by Members and will be rolled out throughout the year.

Further embed financial management across the Council.

Workshops will be held to produce fraud risk registers for each department.

Training sessions will be arranged for sections involved in the NFI exercise, which will include input from the Audit Commission, to clearly identify good practice.

Review financial management arrangements in departments to ensure consistency of practices and processes with the aim of embedding best practice. Implement enhanced management of the Capital Programme to achieve targets and minimise slippage.

Promote Business Continuity Planning (BCP) throughout service departments.

Zurich Municipal have been commissioned to run a series of workshops with departments to assist managers in formulating BCP so that Islington's obligations under the Civil Contingencies Act will be met.

Steps are underway to recruit a Business Continuity Manager who will be responsible for building on and monitoring actions taken by departments to embed Business Continuity.

Further embed Value for Money (VFM) into the culture of the Council.

Continue to implement and develop new arrangements for managing VFM and ensuring that there is a consistent and robust approach across the council.

Further integrate VFM principles into the budget process and also the ways in which services are delivered.

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

Signatures:

..... Leader

Date

..... Chief Executive

Date