

## Herefordshire Council

### Statement of Internal Control 2006- 2007

#### 1. Scope of responsibility

Herefordshire 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. The 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.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

#### 2. 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 *support the Council's operation and* manage risk in a balanced and effective manner, acknowledging that an element of risk is inevitable if policies, aims and objectives are to be achieved

#### 3. The internal control environment

The key elements of the internal control environment at Herefordshire Council include:

- Establishment and monitoring of the Council's statutory obligations and organisational objectives, evidenced through the Council's Corporate and Annual Operating Plans, guidance on directorate and service plans, effective arrangements for compliance with and monitoring of legislative changes;
- the Council's Medium Term Financial Management Strategy;
- an integrated corporate, service and financial planning process;
- the Performance Management Framework which sets out the Council's approach to performance management;
- the Council's Constitution sets out members and officers responsibilities, and delegations to officers and committees in addition to the terms of reference of all the Council's committees;
- the Council has systems and process as outlined in the Risk Management Strategy in place to identify principal risks to the achievement of the Council's objectives, supplemented by the consideration of risk in committee reports and the decision making process;

- the Director of Resources has overall responsibility for embedding the Council's risk management process;
- there are written Financial Regulations and Contract Standing Orders, which are subject to regular review;
- adoption of statutory and professional standards such as the Codes of Practice recommended by the Chartered Institute of Public Finance and Accountancy;
- financial administration procedures agreed by the Section 151 officer;
- the Council has in place a written Whistleblowing Policy, an Anti Fraud and Corruption Policy and a Code of Conduct for employees and one for members all of which have been regularly brought to the attention of all staff;
- an Audit and Corporate Governance Committee is now operating as part of the Council's internal control process;
- an independent audit function, which submits regular assurance reports to the Council's Audit and Corporate Governance Committee;
- adoption of a Statement of Internal Control assurance process; and
- devolved financial management arrangements where key managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures.

#### **4. Review of effectiveness**

Herefordshire Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Corporate Management Board carries out this review at officer level with the Audit and Corporate Governance Committee undertaking the review at member level.

The Audit Services Manager informs both the Corporate Management Board and the Audit and Corporate Governance Committee of any significant issues that warrant their attention.

The review of the effectiveness of the system of internal control is informed by the work of the Council's Internal Audit Service, officers of the Council who have responsibility for the development and maintenance of the control environment and also by comments made by the Audit Commission and other review agencies/inspectorate.

#### **Internal Audit Service**

Herefordshire's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Director of Resources, the officer with responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

The Audit Services Team operate in accordance with best practice, professional standards and guidelines. The team independently and objectively reviews, on a continuous basis the extent to which reliance can be placed on the internal control environment. This is evidenced by the opinion given on the Council's overall system of control by the Audit Services Manager.

The Audit and Corporate Governance Committee receives interim and annual reports on internal audit activity and approves the annual plan and Audit Strategy for the forthcoming year.

### **The Monitoring Officer**

The role of the Monitoring Officer is a statutory office whose duties are set out in the Local Government and Housing Act 1989 and the Local Government Act 2000. The main responsibilities of the Monitoring Officer are to ensure that the Council and its elected Members act with probity in accordance with the law and in accordance with its Constitution and to avoid determinations of maladministration being issued by the Local Government Ombudsman

The Monitoring Officer is also responsible for carrying out investigations and reporting to the Standards Committee of the Council any breaches of the Code of Conduct of members referred to it by the Standards Board for England.

### **Officers of the Council**

Individual Directors and Heads of Service are responsible for establishing and maintaining an adequate system of internal control within their own Directorate and services respectively and for contributing to the control environment on a corporate basis.

Written assurances have been received from all directors and all heads of service that they:

- have actioned recommendations from internal audit, external audit and other inspection reports or are in the process of being actioned within the timetable agreed; and
- are satisfied with the operation of internal control within their area of responsibility.

### **Audit Commission and other review agencies/inspectorate**

In their 2005-2006 Annual Audit and Inspection letter (dated March 2007) the Audit Commission stated that the Council's systems of internal control met the minimum requirements for the Use of Resources assessment. To improve the Council needed to:

- demonstrate that it actively manages risk and there are outputs from management. Officers need to be trained in risk awareness and the Council needs to demonstrate that they have adequately considered partnerships in their risk Assessments;  
*Risk Management is an integral part of the Council's Performance Management Framework with the Corporate Risk Log being regularly*

*reviewed by Corporate Management Board. These Corporate Risk Logs are also an integral part of the Council's Integrated Performance Reports submitted to Cabinet.*

- embed the assurance framework and the links between the Council's objectives and risks could be clearer. Reconciliations of key feeder systems need to occur monthly. Partnership arrangements need to be developed with standing orders showing how good governance and partnerships relate;  
*The Council's assurance framework continues to be embedded, the links between the Council's objectives and risks are being identified, and the development of partnership arrangement will form part of the pending review of the Council's Standing Orders.*
- raise awareness concerning ethical behaviour but also needs to raise awareness of whistleblowing procedures and the antifraud and corruption policy;  
*The Council has placed posters on notice boards at its administrative buildings and continues to remind staff by regular notices on payslips.*
- act on feedback from the ethical survey of Members and Senior Officers. There were some areas identified as areas for action such as the work of the Standards Committee and improved communication to the public on the whereabouts of public documents;  
*The Council's Legal and Democratic Services Division has carried out training for Members in relation to the role of the Council's Standard as part of a wider programme of Member training. The Council's Head of Communication is reviewing the Council's arrangements with regards to communication with the public.*

### **Benefits Fraud Inspectorate**

The Benefit Fraud Inspectorate gave the service a 2 star rating, which equated to a fair performance overall. Although user focus continued to be good the service failed to achieve its annual target for intervention and visit and this as well as its claims processing performance adversely affected the score. The service has, however, been improving steadily and this is expected to result in an improved inspection score for 2007.

### **Annual Performance Assessment**

The 2006 Annual Performance Assessment of Services for Children and Young People in Herefordshire showed that there were no inadequate assessments, with the Council getting a score of 2. The latest action plan shows that progress is being made. However Government Office for the West Midlands (GOWM) have a concern with regards to the ability of the Council to self analyse, drive change and improvement. GOWM have confirmed that the Minister has decided that the GOWM led Improvement Board for Children and Young People will continue to oversee progress in Herefordshire for at least another six months.

## **Fostering Service**

The Commission for Social Care Inspection (CSCI) found the service to be good with some outstanding features. There is an action plan being developed that will ensure that the service continues to improve.

## **Cultural Services**

The Audit Commission inspection of the Council's Cultural Services showed the service to be fair with promising prospects for improvement. Recommendations have been made by the Audit Commission and the Head of Service is developing an action plan to address issues raised.

## **Adult Learning**

The Commission for Social Care Inspection (CSCI) has completed its inspection of the Council's Service for People with Learning Disabilities. The outcome was that people were not being served well and the capacity for improvement was uncertain. The Council now has an action plan which has been developed and is being implemented as an integral part of the Council's comprehensive programme of improvement for Adult Social Care and related services.

## **5. Significant internal control issues**

The Council is required to report upon any significant internal controls issues. These include issues which:

- have seriously prejudiced or prevented achievement of an objective
- resulted in the need to seek significant additional funding;
- had a material impact in the accounts;
- resulted in formal action by the Monitoring Officer, Chief Finance Officer or have been reported as significant by the Audit Services Manager; and/or
- attracted significant public interest.

There were three issues identified for improvement:

- As previously reported services for people with Learning Disabilities was judged to be not serving people well.  
*The Council has made a positive response to the recommendations made by CSCI. Immediate priority in being given to the recommendations in respect of weaknesses in assessment and care management including safeguarding. Action has already being taken to tackle the backlog of reviews. Action is also being taken to address concerns highlighted in relation to person-centred planning, transition from children's to adult services and the updating of policies and procedures.*
- Three fundamental systems Education Transport, Housing Benefit Payments and Salaries - Children Services were given marginal opinions. Audit recommendations have been made in relation to each system. Recommendation follow up by Audit Services will form part of the review for 2007/ 2008.

- One fundamental system ICT FMS was given an unsatisfactory opinion. Audit recommendations have been made in relation to this system and follow work by Audit Services is in progress.

Cllr R. Phillips  
Leader of the Council

N. Pringle  
Chief Executive

Mrs. S. Rees  
Director of Resources

June 2007