

WINCHESTER CITY COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

1. Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have published a framework document for Corporate Governance in Local Government.

Winchester City Council is committed to the principles of good corporate governance and wishes to confirm its ongoing commitment and intentions through the development, adoption and continued maintenance of a Local Code of Corporate Governance, as recommended within the aforementioned CIPFA/SOLACE Guidance.

This document, Winchester City Council's Local Code of Corporate Governance, therefore sets out and describes the Council's commitment to corporate governance, and identifies the arrangements that have been made, and indeed will continue to be made, to ensure its ongoing effective implementation and application in all aspects of the Council's work.

2. What Is Corporate Governance

For the purpose of this Local Code, the Council has accepted the definition of Corporate Governance as stated within the CIPFA/SOLACE documents, as follows: *"Corporate governance is the system by which local authorities direct and control their functions and relate to their communities"*.

The Council recognises that effective local government relies upon establishing and maintaining the public's confidence in both the elected Members and officials, and that it underpins credibility and confidence in the services that we provide.

In addition, as an enabling authority, the Council recognises that the setting of high standards of self governance provides a clear and demonstrable lead to both our existing and potential partners, and therefore provides the basis of effective community governance.

3. Winchester City Council's Vision

The Council's vision for the District, shared by partners, *is of diverse and dynamic communities, where people work together to ensure that everyone has the opportunity to lead a fulfilling life now and in the future.*

The Council's corporate strategy assists it in providing relevant, responsive local governance which addresses local needs in an effective and efficient manner. In doing so, the Council's approach will be open and transparent, having due regard to equal opportunities and the opportunities and benefits to be realised through innovative and flexible partnership working.

The Council seeks annually to identify key local priorities, with Members taking account of local consultation and needs analysis. The identified priorities are then developed to assist in the corporate service planning process.

In this way the planning of service delivery is directly influenced by the needs of the local communities.

4. Corporate Governance at Winchester City Council – The Theory

Winchester City Council positively recognises and accepts the following underlying principles of good governance, as identified within the CIPFA/SOLACE Framework and Guidance documents:

- Openness and inclusiveness
- Integrity
- Accountability

It also accepts that for these principles to be translated into the key business areas, it must establish systems and processes that can:

- Monitor its effectiveness in practice
- Ensure that these are reviewed on a regular basis and kept up to date.

The need for effective leadership is acknowledged as providing the keystone to corporate governance, and as such the principles can only be achieved if effective leadership is demonstrated through:

- The Council providing a vision for its community and leading by example in its decision making and other processes and actions
- Members and Managers conducting themselves in accordance with high standards of conduct

In accordance with the CIPFA/SOLACE Framework, the Council recognises the following Dimensions to its corporate activities, accepting that these are not mutually exclusive:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk Management and Internal Control
- Standards of Conduct

Hence the Council accepts that in conducting its activities, one or more of the above Dimensions will be applicable, and within these the principles of good corporate governance should be applied.

5. Corporate Governance at Winchester City Council – The Practice

This is Winchester City Council's first adoption of this Code. It will carry out a review of this document annually every summer.

The Annual Review will be facilitated by a thorough analysis of the recommendations made within the CIPFA/SOLACE Guidance and Framework documents at Appendix A. The result of this analysis will be provided in the form an Action Plan which will be appended to this code as Appendix B every year.

6. Corporate Governance at Winchester City Council- The Future

In addition to identifying a number of areas where work needs to be carried out, the production of this document has also confirmed the good work already being undertaken corporately.

Consequently the Council is entirely committed to developing its arrangements for corporate governance in order to ensure that proper procedures are put in place for the effective delivery of the Council's affairs and the stewardship of the resources at its disposal.

To this end, the Council will:

- a) Ensure that the Local Code of Corporate Governance is made available to all Members and Officers, and is made publicly available through the use of the Council's web-site.
- b) Designate the Chief Executive as the Officer responsible for overseeing, monitoring and reviewing the operation of the Code in practice.
- c) Provide a statement in key corporate documents on the Council is complying with the Code, including how it has maintained the effectiveness of its corporate governance arrangements during the year, and any planned changes for the forthcoming year. A statement has been included in the Council's Statement of Accounts as required by the Accounts and Audit Regulations 2003 and is shown at Appendix C.
- d) The Director of Finance will draft an annual Action Plan for consideration by Corporate Management Team to identify any areas of the Code where further work is required, including the allocation of appropriate time scales and the designation of Lead Officers. Since the Council already has high standards of corporate governance, it is expected that the plan will be limited to a small number of achievable actions each year to improve continually the level of the Council's Corporate Governance.

Corporate Governance Review

The tables below show the extent to which Winchester City Council (WCC) is complying with each of the Dimensions as set out in the CIPFA/SOLACE Guidance. It also makes reference to recommended actions with one significant action being included in the Action Plan, Appendix B.

Dimension 1 - Community Focus

Dimension 2 - Service Delivery Arrangements

Dimension 3 - Structures and Processes

Dimension 4 - Risk Management and Internal Control

Dimension 5 - Standards of Conduct

Dimension 1 - Community Focus

Through carrying out their general and specific duties, responsibilities, and their ability to exert wider influence, local authorities should:-

- work for and with their communities;
- exercise leadership in their local communities, where appropriate;
- undertake an 'ambassadorial' role to promote the well-being of their area, where appropriate, through maintaining effective arrangements:
 - for explicit **accountability** to stakeholders for the authority's performance and its **effectiveness** in the delivery of services and the sustainable use of resources
 - demonstrate **integrity** in the authority's dealings by building effective relationships and partnerships with other public agencies and the private/voluntary sectors
 - demonstrate **openness** in all their dealings
 - demonstrate **inclusiveness** by communicating and engaging with all sections of the community to encourage active participation
 - develop and articulate a clear and **up to date** vision and corporate strategy in response to community needs.

		WCC COMPLIANCE	RECOMMENDED ACTION/COMMENTS
a.	Publish on a timely basis an annual report presenting an objective and understandable account of the authority's <ul style="list-style-type: none"> • activities and achievements • financial position and performance 	Annual financial statements, annual reports, business plans produced. Internal Audit report on internal control quarterly to CMT and to the Principal Scrutiny Committee.	The Statement of Accounts for 2003/04 contains a Statement on the System of Internal Control signed by the Leader of the Council and the Chief Executive: satisfactory
b.	Publish on a timely basis a performance plan setting out <ul style="list-style-type: none"> • current performance in service delivery • plans to maintain and improve service quality. 	Covered by the Council's annual production of its Best Value Performance Plan and Business Plans.	Work has just been undertaken to produce a Modernisation and Improvement Plan incorporating three years worth of activity. This is to be revised at the beginning of every financial year. Intended for all other plans of Council to be driven by this document: satisfactory.
c.	Put in place proper arrangements for the independent review of the financial and operational reporting processes	Annual audit letter from external auditor reports on this area. Scrutiny Committee function and Inspectorate reports all provide evidence that WCC is following various management processes.	No change required to existing practice: satisfactory.
d.	Put in place proper arrangements designed to encourage individuals and groups to engage with and participate in the work of the authority.	Various forums where stakeholders are invited to contribute. e.g. Residents' panels (TACT), Winchester Area Community Action. A Community Strategy is	WCC particularly active in this area: satisfactory. Feedback from consultation is considered as part of the Modernisation and Improvement Plan development: satisfactory.

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		now part of the Modernisation and Improvement Plan.	
e.	Make an explicit commitment to openness in all their dealings, subject only to the need to preserve confidentiality.	Constitution Part 2 Article.	No change required to existing practice: satisfactory .
f.	Establish clear channels of communication with all sections of their community.	As stated above at “d” WCC have a partnership ethos.	Plans are in place to produce a Communication Strategy to formalise the Council’s communication standards: Action required . liP accreditation is held: satisfactory .
g.	Ensure that a vision for their local communities and their strategic plans, priorities and targets are developed in consultation with the local community and other key stakeholders and that they are clearly articulated and disseminated.	New Community Strategy is now part of the recently published Corporate Strategy and the Modernisation and Improvement plan.	This is in the process of coming together under the Modernisation and Improvement Plan: satisfactory .

Dimension 2 - Service Delivery Arrangements

A local authority should ensure that continuous improvement is sought, agreed policies are implemented and decisions carried out by maintaining arrangements which:

- discharge their **accountability** for service delivery at a local level
- ensure **effectiveness** through setting targets and measuring performance
- demonstrate **integrity** in dealings with service users and developing partnerships to ensure the right provision of services locally
- demonstrate **openness and inclusiveness** through consulting with key stakeholders, including service users
- are flexible so that they can be kept **up to date** and be adapted to accommodate change and meet user wishes.

	WCC COMPLIANCE	RECOMMENDED ACTION/COMMENTS
a. Set standards and targets for performance in the delivery of services on a sustainable basis and with reference to equality policies	The Best Value Performance Plan (BVPP) and the Modernisation and Improvement Plan (MIP) reflect the delivery of services on a sustainable basis and with reference to equality policies. Individual departmental Business Plans have in the past been drawn up emphasising the links to these values where applicable. There is a Personnel department policy document on equality and this is also mentioned in business plans.	The BVPP and MIP provide good supporting evidence to meet this dimension. This gives the Council the evidence it needs for this requirement but will also help staff to keep up to date: satisfactory .
b. Put in place sound systems for providing management information for performance measurement purposes.	WCC have various systems to put together National PIs. National and Local PIs are collated and progress reported on a quarterly and then annual basis.	All PIs - national, local and those attributable to individual actions - are reported annually against planned actions. The recent Internal Audit of the 2003/04 BVPIs has shown that WCC is generally performing well against the national targets. Consideration could be given to whether or not there is a need to put them into a performance management and information system which would assist in keeping all actions in one place for review (Research Officer has a database for all BVPIs that could lend itself to this use). Otherwise: satisfactory.
c. Monitor and report performance against agreed standards and	This year WCC has produced its Modernisation and Improvement Plan	Activity against plans is reported through Performance Improvement Committees.

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<p>targets and develop comprehensive and understandable performance plans.</p>	<p>setting out its key activities and objectives for 2004/05 to 2006/07. This is being supported by detailed departmental plans for each operational area.</p>	<p>Actions in departmental plans that have not been undertaken have been identified, but without conforming to the required SMART (Specific, Measurable, Achievable, Resourced, and Time-bound) principles. This has now been addressed: satisfactory.</p>
<p>d. Put in place arrangements to allocate resources according to priorities.</p>	<p>The budget process is currently out of line with the BV process, but the new Government white paper appears to be addressing this anomaly for future.</p>	<p>Business plans now contain 'SMART' targets. There is the annual budget round which culminates in production of the annual Budget Book: satisfactory.</p>
<p>e. Foster effective relationships and partnerships with other public sector agencies and the private and voluntary sectors, and to consider outsourcing services where it is efficient and effective to do so</p>	<p>WCC is presently developing a community strategy, and has set up partnership frameworks with various local community groups. There is adherence to good employment practice, but consider that, in partnerships and contractual relationships, staff are not likely to be WCC employees. All options are considered in BV reviews.</p>	<p>Protocols are set up for different types of partnering/contractual relationships, e.g. service level agreements, letters of engagement: satisfactory.</p>
<p>f. Respond positively to the findings and recommendations of external auditors and statutory inspectors and put in place effective arrangements for the monitoring and implementation of actions.</p>	<p>External Audit reports are scrutinised by both WCC staff and Members' Principal Scrutiny Committee. Best Value actions reported in the BVPP. Comprehensive Performance Review report assessed WCC as a "Fair" authority.</p>	<p>Could build actions into performance management information system (as mentioned in 2b above). Otherwise: satisfactory.</p>

Dimension 3 - Structures and Processes

A local authority needs to establish effective political and managerial structures and processes to govern decision making and the exercise of authority within an organisation.

		WCC COMPLIANCE	RECOMMENDED ACTION/COMMENTS
a.	<p>Balance of Power and Authority</p> <p>Local authorities should put in place clearly documented protocols governing relations between members and officers</p>	Covered by the Council's Constitution, Part 5.	Satisfactory
b.	Local authorities should ensure that the relative roles and responsibilities of executive and other members, members generally and senior officers are clearly defined.	<p>Constitution under Articles which cover committee responsibilities, Member responsibilities and decision making.</p> <p>The committee section keeps a record of agendas and minutes for committees and working parties and for some other groups.</p>	Extracts from the database are on the Council's website to comply with the Freedom of Information Act: satisfactory
c.	<p>Roles and Responsibilities – Members</p> <p>Members of local authorities should meet on a formal basis regularly, retain full and effective control over the authority and monitor service delivery.</p>	<p>There is a schedule of Council meetings (dates published on the website) that discuss strategy and direction at regular intervals.</p> <p>There are also quarterly performance improvement committees for each of the operational areas which gauge progress against business plans. Standards are also set and approved by Members, e.g. financial procedures rules.</p>	Quarterly performance improvement committee reporting appears effective to Members. Not just reported piecemeal and in summary format: Members can and do probe on how good the Council is at actions at a lower level: satisfactory.
d.	Local authorities should develop and maintain a scheme of delegated or reserved powers which should include a formal schedule of those matters specifically reserved for the collective decision of the authority.	Scheme of Delegation - Part of Constitution, Part 3, section 6.	Satisfactory
e.	Local authorities should put in place clearly	Constitution refers to various other specific directing	Financial procedure rules and other aspects of the Constitution

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	documented and understood management processes for policy development, implementation and review and for decision-making, monitoring and control, and reporting; and formal procedural and financial regulations to govern the conduct of the authority's business.	documents within it including procedure rules part 4.	recently reviewed. The City Secretary and Solicitor ensures that the constitution is kept up to date: satisfactory
f.	Local authorities should put in place arrangements to ensure that members are properly trained for their roles and have access to all such relevant information, advice and resources necessary to enable them to carry out their roles effectively.	Members' Charter in the Constitution Part 8. This includes details of training availability, based on self assessment of training needs, is in place.	Satisfactory
g.	The role of the executive member(s) of the authority should formally be defined in writing, to include responsibility for providing effective strategic leadership to the authority and for ensuring that the authority successfully discharges its overall responsibilities for the activities of the organisation as a whole.	WCC Constitution covers this at Part 7.	Satisfactory
h.	The roles and responsibilities of all members of the local authority, together with the terms of their remuneration and its review, should be defined clearly in writing.	Roles and responsibilities in Constitution and Code of Conduct for Members. Remuneration is stated in the annual financial statements. There is a Members' allowances scheme.	Satisfactory
i.	Roles and Responsibilities – Officers. A chief executive or equivalent should be made responsible to the authority for all aspects	Chief Executive is the Head of Paid Service and performs this role. Constitution Part 7.	Satisfactory

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	of executive management.		
j.	A senior officer should be made responsible to the authority for ensuring that appropriate advice is given to it on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	Director of Finance is the Section 151 Officer who performs this role. Constitution Part 7.	Satisfactory
k.	A senior officer should be made responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations and other relevant statements of good practice are complied with.	City Secretary and Solicitor is the Council's Monitoring Officer. Constitution Part 7.	Satisfactory
l.	The roles and responsibilities of all senior officers, together with the terms of their remuneration and its review, should be defined clearly in writing.	Job descriptions outline responsibilities, contracts of employment state terms of remuneration and review.	Satisfactory (see also Dimension 5(a)).
m	Clear protocols and codes of conduct should be adopted to ensure that the implications for supporting community political leadership for the whole council are acknowledged and resolved.	This is included in the Constitution Part 5	Satisfactory (see (a) above).

Dimension 4 - Risk Management and Internal Control

An authority needs to establish and maintain a systematic strategy, framework and processes for managing risk.

	WCC COMPLIANCE	RECOMMENDED ACTION/COMMENTS
a. Local authorities should develop and maintain robust systems for identifying and evaluating all significant operational risks on an integrated basis.	No comprehensive system fully in place to do this. Different aspects of risk management in place but need to formalise and bring together and give a strategic direction.	The Risk and Insurance Officer is making good progress in developing this. The planned activities to ensure that this component of Risk Management is embedded throughout the organisation are being undertaken. Target date 31 Dec 2004. Action required.
b. Local authorities should put in place effective risk management systems, including systems of internal control and an internal audit function. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice and need to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively, and in accordance with the statutory and other authorities that govern their use.	Internal audit function is in place. Effective risk management systems are in place but some internal controls could fall away if no formal drawing together of risk management as stated in a. above. Financial procedure rules in place and recently reviewed. Council has attained liP accreditation.	A Risk Management standard was approved on 23 Oct 2003. A draft Risk Strategy is being discussed and agreed. Workshops have been held for Members and senior management. An internal audit protocol with External Audit is needed. Action required. Action has commenced for liP accreditation which will fall due for renewal in March 2005 with the recent issue of a whole staff survey. The Director of Personnel is ensuring that any emerging issues will be addressed in good time so that accreditation is not threatened. Action required.
c. Local authorities should ensure that services are delivered by trained and experienced people.	Performance appraisal system identifies training needs. Training budgets set up. Job descriptions and person specifications in place although they are generally in need of refreshing where there has not been a change of incumbent for some time.	Satisfactory
d. Local authorities should put in place effective arrangements for an objective review of risk management and internal control, including internal	External audit carry out an independent review of risk management, internal control and internal audit.	Satisfactory.

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audit		
e. Local authorities should maintain an objective and professional relationship with their external auditors and statutory inspectors.	This is the case but needs to be stated in a code of practice.	The relationship is good, however, a formal Code is desirable: action required.
f. Local authorities should publish on a timely basis, within the annual report, an objective, balanced and understandable statement and assessment of the authority's risk management and internal control mechanisms and their effectiveness in practice.	Not currently done - part of overall requirement stated in 'a' above.	As in (a) above.

Dimension 5 - Standards of Conduct

The openness, integrity and accountability of individuals within a local authority form the cornerstone of effective corporate governance. The reputation of the authority depends on the standards of behaviour of everyone in it, whether members, employees, or agents contracted to it.

	WCC COMPLIANCE	RECOMMENDED ACTION/COMMENTS
a. Local authorities should develop and adopt formal codes of conduct defining the standards of personal behaviour, to which individual members, officers, and agents of the authority should be required to subscribe and put in place appropriate systems and processes to ensure that they are complied with.	Members' conduct is contained within the WCC constitution at Part 5, as is officers' conduct. This and the Antifraud and Corruption Policy (AF&CP) are published on the internet. Complaints procedure in place. Corporate monitoring of complaints is currently under review. Performance appraisal in place - see comments in 4b above.	The anti fraud and corruption policy is part of the WCC Constitution: satisfactory . Complaints procedures to be reviewed once the Customer Service Centre is established: action required .
b. Local authorities should put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	Members' Codes included in Part 5 of the Constitution. Employee Code of Conduct forms part of Part 5 of the Constitution. This makes clear mention of conflicts of interest registers and gifts and hospitality registers. External audit carries out a corporate governance review every year.	Code of Conduct and registers of interest being reviewed specifically by Internal Audit as part of this year's (2004/05) work: satisfactory .
c. Local authorities should put in place arrangements to ensure that their procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice.	External audit examines arrangements. Monitoring Officer and Internal audit review arrangements and examine compliance from time to time.	Satisfactory.
d. Local authorities should put in place arrangements for whistle blowing to which staff and all those contracting with the council have access.	Whistle blowing policy adopted for all possible activities but no specific hotline. Benefits fraud has a hot line set up.	The whistle blowing policy names a number of senior officers (including Internal Audit) who can be contacted if an individual should wish to make use of the whistle blowing facilities. This was established to try to create a friendly, approachable climate in

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		which a potential whistle blower can select an officer they feel most comfortable with. It is recognised that there are benefits in having one dedicated general whistle blowing hotline but it was felt that the current system offered the individual more flexibility and anti fraud seminars had taken place in 2002/03 for all staff: satisfactory.
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Corporate Governance Action Plan 2004/2005

Action	Corporate Governance Dimension	Timetable	Lead Officer(s)
To develop risk management arrangements:	Risk Management and Internal Control		
Embedded in business plans (including business continuity planning)		December 2004	Risk Management Strategy Group/Corporate Management Team
Embed risk elements within corporate project management framework		December 2004	Director of Personnel/Corporate Management Team
To develop an internal audit protocol with External Audit	Risk Management and Internal Control	November 2004	Director of Finance
To ensure that any emerging issues are addressed so that liP accreditation is not threatened.	Risk Management and Internal Control	March 2005	Director of Personnel
To produce a Communication Strategy	Community focus	October 2004	Director of Personnel
To review Complaints Procedure	Standards of Conduct	July 2005	Chief Executive

WINCHESTER CITY COUNCIL

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

THE POSITION AS AT 31 MARCH 2004 INCLUDING PLANS FOR THE FINANCIAL YEAR 2004/05

1. Scope of responsibility

As Leader and Chief Executive of Winchester City Council, we have responsibility for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Winchester City 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, we are 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 a process designed to identify and prioritise the risks to the achievement of Council 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.

3. The Internal Control Framework

The system of internal financial control is based on a framework of regular management information, financial procedure rules, administrative procedures, management supervision and a system of delegation and accountability. In particular, the system includes:

- Comprehensive budgeting systems
- Regular reviews of periodic and annual financial reports that indicate performance against forecasts
- Setting targets to measure financial and other performance
- Comprehensive financial procedure rules
- Formal project management disciplines, where appropriate

The Council has a nominated Section 151 Officer, namely the Director of Finance. The principal responsibilities include:

- The administration of the financial affairs of the Council
- The provision of advice on financial probity and budget and policy framework issues
- Compliance with the Accounts and Audit Regulations 2003

Systems are in place to ensure effective performance management and an annual Best Value Performance Plan is produced detailing our performance against established targets.

We have started to address the need to embed a comprehensive risk management process throughout the Council, reaching every level of the business. We are committed to the improvement of risk management across every aspect of the business and Corporate Management Team encourages both the adoption of best practice and proactive management of risks. The Director of Finance acting as Chief Risk Officer leads a small team, including our Risk and Insurance Officer, and is responsible for corporate risk management processes and the promotion of best practice throughout the Council.

We are developing a culture to support the effective management of risk while encouraging the risk-taking necessary to deliver the outcomes needed by our customers and partners. We are committed to identifying and managing all risks which have an impact on our stakeholders and to ensuring that our actions to manage risk are transparent.

4. Review of Effectiveness of Control

The Council has adopted a cabinet structure to oversee the executive management decisions. Corporate Management Team (the executive management) is responsible for advising Cabinet and Council on the Council's strategic plans and ensuring that the control framework is in place for managing and directing the strategic plan.

Council has appointed a Principal Scrutiny Committee that is responsible for co-ordinating overview and scrutiny work. This Committee undertakes the role of Audit Committee and has met regularly throughout the year and received formal reports from the Audit Manager. It has also had reports from the Monitoring Officer on improvements to corporate governance arrangements in the Constitution. Five Performance Improvement Committees review performance management and policy review across the Council's activities within a work programme co-ordinated by Principal Scrutiny Committee.

The Council has adopted a structured approach to risk identification to cover strategic, business capability, financial and corporate governance risks. As part of our annual business planning process, the strategic risks which face the business are routinely reviewed. The risks are updated by considering their potential impact and their likelihood.

As Leader and Chief Executive, we also have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of Internal Audit and the executive managers within the Council, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditor in the Annual Audit Letter and other external audit reports.

The process we have applied and will be applying in maintaining and reviewing the effectiveness of the system of control includes contributions by:

Corporate Management Team, which will be:

- Conducting a monthly business health check
- Monitoring progress with the more significant internal audit recommendations
- Discussing risk management actions reported in the corporate risk register

The Principal Scrutiny Committee, which:

- Receives a comprehensive internal audit progress report incorporating situation reports and the executive summaries of all internal audit reports
- Considers the Annual Audit Letter from External Audit

Internal Audit, which:

- Compiles an internal audit programme based around management's perception of the key risks, gleaned from the business plan, risk registers and discussions with councillors, directors and key senior managers
- Reports to Corporate Management Team and Principal Scrutiny Committee on progress with the audit programme, the outcome of individual audits, including audit findings, the risks to which they give rise, recommendations to mitigate the risks, management's responses, implementation targets and progress with implementing recommendations
- Provides a quarterly digest of findings and recommendations
- Tracks recommendations to implementation or until superseded

The Audit Manager, who:

- Provides us with an annual report on the strength of risk management, control and governance throughout the Council

External Audit, which:

- Provides us with an Annual Audit Letter setting out the findings arising from its review of the annual accounts and reports on other assignments that may have been conducted from time to time

Actions taken so far include:

- A management review of the Council's Constitution to ensure that it is compliant with current law and central Government guidelines as well as to update and improve the Council's procedures
- A comprehensive review by internal and external audit of the Council's corporate governance arrangements and performance indicator results. The scored judgment for Corporate Governance undertaken in October 2003 for input into the Comprehensive Performance Assessment was 19 out of a possible 20 (risk management being responsible for us not achieving the full score).
- Probity audits of the Council's financial management and accounting systems and reporting arrangements.

5. Significant Internal Control Issues

There are no significant internal control issues arising from the work undertaken by internal audit. Set out below are the matters identified by Internal Audit that, although they do not represent a significant control risk or control weakness, when implemented will improve the overall efficiency and standard of governance.

1. The system of internal control is consistent with the requirements of the Framework *Corporate Governance in Local Government, a Keystone for*

Community Governance, produced by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives. We plan to have the Framework fully in place by the end of October 2004.

2. We are producing a Communications Strategy to formalise the Council's communication standards.
3. The Council has several major projects in hand one of which is the ODPM e-government initiative. A system of good project management is in place to manage this initiative and is being extended to other areas.
4. Whilst there is active management of risks in a number of areas, the key ways in which risk management is to be embedded in the activities of the Council are to be developed further in 2004/05:
 - Strategic risk and control assessments
 - Maintenance of an organisation-wide risk register with registers being maintained at departmental level
 - Performance Management Group reviews local risks on a quarterly basis providing the very latest input into the corporate risk reporting process.
 - All major capital projects to consider and identify risks explicitly.

During the 2004/05 period of account these matters will be given close management attention and will be examined by internal audit.

Certification:

To the best of our knowledge the internal control environment as described above has been operated during 2003/04.

Sheila Campbell

Leader of the Council

Date:

Simon Eden

Chief Executive

Date:

August 2004