Harrow Council

Statement on Internal Control 2003/04

1. SCOPE OF RESPONSIBILITY

Harrow 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, and used economically, efficiently and effectively. Harrow 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 the combination of effectiveness, efficiency and economy.

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 identify and prioritise the risk to the achievement of 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 effectively, efficiently and economically.

The main elements of the system of internal control described in section 3 of this statement were in place at Harrow Council for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts. Action taken to review the effectiveness of the system of internal control during 2003/04 is outlined in section 4, and a number of areas have been identified that can be enhanced are outlined in section 5. An action plan is in place to deliver these improvements during 2004/05.

3. THE INTERNAL CONTROL ENVIRONMENT

The Council's internal control environment includes a wide variety of policies and procedures. The key elements of the internal control environment are described below.

a) **Establishing and monitoring achievement of the authority's objectives**
Harrow Council's objectives are set out in the Corporate Plan and Community Strategy. The Harrow Strategic Partnership also has an approved workplan. Progress against the Council's improvement plan and other strategic documents is monitored regularly.

b) **Facilitation of policy and decision making**
Harrow Council has adopted a constitution which sets out the arrangements for making decisions and roles and responsibilities. This is supported by a detailed scheme of delegation.

c) **Ensuring compliance with established policies, procedures, laws and regulations**
The Council's senior managers are responsible for ensuring that the internal control environment is operating effectively and being complied with. Managers are supported in this role by the internal audit service which reviews the controls in place and tests compliance. The Council has an Anti-Fraud and Corruption Policy and a Whistle Blowing policy.

d) **Ensuring the effective, efficient and economical use of resources and securing continuous improvement**
The Council is working to a best value review programme and carries out a range of consultation on its services. The scrutiny function alongside the External Audit and Inspection arrangements help to ensure there is continuous improvement.
The Council has agreed its strategic risk management framework and strategic risk register. Community resilience and business continuity arrangements are also being developed.

e) **Financial management and the reporting of financial management**
The Council approved a three year financial strategy in 2003/04.
The Council's constitution includes financial regulations, financial standards and contract procedure rules. They are supported by detailed arrangements for budget preparation, budget monitoring and the closure of accounts.

f) **Performance management and the reporting of performance management**
The Council publishes a best value performance plan each year and monitors performance throughout the year against a number of indicators and targets.

There are policies in place for recruitment and selection, performance appraisal and training and development.   All staff have clear job profiles and terms and conditions and are subject to a code of conduct.
The Council has an approved procedure for handling complaints.

4. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive mangers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

During 2003/04 improvements have been made to a number of aspects of the internal control environment, however these have been made individually rather than as part of the comprehensive review.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is summarised below.

a) **The Council**
   The Council is responsible for maintaining the constitution, approving the policy framework, approving the financial strategy and annual budget, regulatory functions, and approving the accounts. During 2003/04 the Council carried out these responsibilities and complied with statutory timetables. This included approving the Corporate Plan and starting to develop a new Community Strategy as well as monitoring the best value programme.

b) **The Executive**
   The Executive is responsible for those functions that are not the responsibility of the full Council. The Executive meets monthly to consider a wide range of business and received regular performance reports during the year. The Executive agreed the proposals for the middle management review.

c) **The Overview and Scrutiny Committee**
   During 2003/04 the Overview and Scrutiny Committee received the Internal and External audit plans and progress reports on Internal Audit activity. The Committee received the annual audit letter and noted that unqualified opinions were given by External Audit on both the accounts and the Best Value Performance Plan for 2002/03. The Committee also carried out a range of scrutinies.

d) Internal Audit
During 2003/04 the Internal Audit service carried out the audits set out in the audit plan and worked effectively with the External Auditor. Internal Audit's year end report for 2003/04 showed that 98% of recommendations were agreed and 84% were implemented. Whilst overall performance was satisfactory on implementation, some key controls had not been implemented.

e) Other
During 2003/04 a new risk management framework was agreed by the Corporate Management Team and a strategic risk register was completed. A strategic review of the Council's emergency response procedures was also carried out.
A new complaints procedure was adopted in 2003/04.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Whilst the Council had a fairly comprehensive internal control environment in place during 2003/04, it is recognised that there are a number of internal control issues to address and that a more formal process of review and improvement is required.

The following action has commenced or is planned in 2004/05 to deal with significant internal control issues:

- Appointment of a new Director of Corporate Governance
- Regular review of the internal control environment and reports to Overview and Scrutiny Committee
- New escalation procedure for internal audit reports
- Introduction of procedure to provide assurance that controls are in place and operating effectively
- Integration of service and financial planning and introduction of a corporate standard for departmental service plans
- Development of an action plan for the Community Strategy
- Review and revision of the Scheme of Delegation
- Establishment of a new corporate fraud team
- Development of departmental risk registers
- Development of a business continuity plan
- Action to improve financial awareness and standards of financial management including launch of the new financial regulations and contract procedure rules, a financial management training programme, changes to the finance system and using the CIPFA financial management model to carry out a self-assessment
- Development of the corporate performance management system

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

Signature: _____   _____

Date: _____   _____

Joyce Markham   Councillor Shah
Chief Executive   Leader