

Statement on Internal Control 2005/06

1. Scope of responsibility

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

2. The purpose of the system of internal control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than 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 risks to the achievement of Haringey'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.
- 2.2 The system of internal control has been in place at Haringey for the year ended 31st March 2006 and up to the date of the approval of the annual report and accounts.

3. The internal control environment

- 3.1 The key elements of the internal control environment are:

- a) establishing and monitoring the achievement of the authority's objectives

Haringey has well established and documented aims and objectives in order to improve the quality of life for people living and working within the borough and ensure that high quality services are delivered efficiently and effectively. These are set out in the Community Strategy and all the Council's business and financial planning documents reflect these aims and objectives. Delivery of these is through an integrated annual business and financial process, which are subject to full consultation and review by the Overview and Scrutiny Committee, formal adoption by the Cabinet and approval by the Council.

- b) the facilitation of policy and decision making

The Council's Constitution sets out the policy and decision making framework for the authority. The role of the whole Council, the Executive, other committees, Executive members and officers is clearly documented, and there are also protocols governing the relationships between members and officers. This is subject to regular review and updated to reflect functional and organisational changes to the Council.

- c) ensuring compliance with established policies, procedures laws and regulations

The Council Constitution contains the Financial Procedure Rules and Contract Standing Orders, which must be complied with in carrying out all operational functions. Officer Employment Rules and a Monitoring Officer Protocol are also contained within the Constitution.

The Constitution also details the roles of key compliance officers, including the Council's Monitoring Officer and S151 Officer, as well as specific functional responsibilities for the Executive, committees, other bodies and officers.

- d) how risk management is embedded in the activity of the authority

Haringey has a Risk Management Strategy which was updated and approved by the Audit Committee in 2005. The Council continues to work towards embedding risk management into the culture of the organisation. The Council has developed a corporate risk register and all departments and business units have risk registers in place. These risk registers are tested by Internal Audit to ensure that managers are controlling the risks identified. Regular reports are provided to the Audit Committee detailing progress in embedding risk management throughout the Council. Risk management also forms an integral part of the business planning and project management processes.

- e) ensuring the economical, effective and efficient use of resources

The Council is committed to delivering value for money. This is achieved through a variety of mechanisms including a well established business planning process, and a robust performance management system.

There is an approved scheme of delegation in place to ensure that decisions are taken at the most appropriate level.

- f) the financial management of the authority

Financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. This is supported by the finance and contract procedure rules and the scheme of delegation.

Key elements of the financial management system include integrated budgeting and medium term financial planning systems, regular budget monitoring reports to the Executive, systematic review of all key financial control processes, monitoring of key financial and other targets, and formal project management processes.

- g) the performance management of the authority

Haringey has comprehensive and robust performance management systems, which include Business Plans, Service Improvement Plans, Best Value Performance Plans and National and Local Performance Indicators. Performance measurement is undertaken at various levels and is subject to review both internally and externally by the Audit Commission. The Executive receives regular reports highlighting key financial and performance management information, which allows them to effectively monitor compliance with all key policies and Council objectives.

4. Review of effectiveness

- 4.1 Haringey has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the managers 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.
- 4.2 Under the Comprehensive Performance Assessment Haringey achieved a rating of three stars (out of four), and nearly 75% of best value performance indicators have maintained or improved performance over the year. The Audit Commission, in its 'Direction of Travel' report, stated that the Council is improving well. Specifically in relation to the systems of internal financial control, the Audit Commission concluded that the council has a generally sound framework for managing internal financial control.
- 4.3 The risk management strategy was revised in 2005 and improvements to ensure that the recommendations from external audit and the 2004/05 SIC action plan were incorporated. This is an area which is still developing throughout the council and work will need to continue to ensure that key operational and strategic risks are identified, managed and reported appropriately.

4.4 Directors have submitted a statement of assurance covering 2005/06 which is informed by work carried out by internal audit, external assessment and risk management processes. The statements provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately.

4.5 The Head of Audit and Risk Management provided an Annual audit Report for 2005/06, which concluded that overall there are sound internal financial control systems and corporate governance arrangements in place.

5. Actions to deal with outstanding internal control issues

5.1 In 2004/05, a number of actions were reported in the SIC to deal with outstanding control issues. These issues were subject to further review and development during 2005/06 and are included below for continuing action.

5.2 The following actions have been agreed to address the outstanding control issues identified as a result of the review of the effectiveness of the system of internal control:

- The Council upgraded its entire IT infrastructure and although the project is expected to deliver a range of benefits to the council, substantial delays and a significant overspend against the planned budget occurred. The Audit Commission undertook an independent review of the project and reported their findings in January 2006. The Council has agreed the conclusions and recommendations and developed an action plan to ensure that these are appropriately addressed.
- The corporate IT upgrade project identified that the Council needed to revise its project management framework and enhance its monitoring and reporting procedures to ensure that key projects were identified and managed more effectively. Part of the action plan to address the Audit Commission's report includes implementing a revised approach to project management during 2006/07.
- Further work will be undertaken to put adequate arrangements in place to ensure that the business unit, departmental and corporate risk registers are monitored, reviewed and updated on a more systematic and effective basis.
- Partnership working has been identified as a key development area for the Council. The risk management programme will therefore encompass all key partnerships to ensure that these have been properly identified, appropriate risk assessments are produced and reviewed and that there are effective arrangements in place for risk sharing.

Councillor Charles Adje
Leader of the Council

Dr. Ita O'Donovan
Chief Executive