

STATEMENT OF INTERNAL CONTROL 2004/05

1. Scope of Responsibility

The 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. 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, having regard to a combination of economy, efficiency and effectiveness.

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

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of local authority Chief Executives and Senior Managers (SOLACE) identifies three underlying principles of good governance, namely:

- openness and inclusivity
- integrity
- accountability

The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that they are complying with these principles. To achieve this, the framework document recommends that all local authorities should develop a local code of corporate governance, comprising the following elements:

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

The Council has formally adopted a local code of corporate governance, consequently the principles and standards contained in the framework document are recognised as good working practice, and hence are supported and followed. This Statement forms part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control.

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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 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 efficiently, effectively and economically. This has been in place within the Council for the year ended 31 March 2005 and up to the date of approval of the Statements of Accounts.

3. **The Internal Control Environment**

The requirement to have a sound system of internal control covers all of the Council's activities. The internal control environment within the Council consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of internal control within the Council consist of:

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The Council's Constitution
- Codes of Conduct for Members
- Financial Regulations, Procurement Regulations and Contract Standing Orders
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and the Prosecution of Fraud and Corruption
- Asset Management Plan
- Strategic Risk Register
- Council Procurement Strategy

Political and Managerial Structures and Processes

The Council is responsible for agreeing overall policies and setting the budget. The Policy and Resources Committee and Community Services Committee are responsible for decision making within the policy and budget framework set by the Council. The Council's Senior Management Team has responsibility for implementing Council's policies and decisions, providing advice to Members and for co-ordinating the use of resources. The Senior Management Team meet each week and the Committees usually every two months. Both the Committees and the Senior Management Team monitor and review Council activity to ensure corporate compliance with governance, legal and financial requirements. In addition, the Council has scrutiny arrangements, through the Overview and Scrutiny Committee which include the review of policies, budget and service delivery to ensure that

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they remain appropriate. This Committee is also formally designated as the Council's Audit Committee. A forward plan detailing the work of Committees over the next few cycles is being devised for implementation during 2005/06.

The Council has developed a process that is intended to reflect political and community objectives as expressed in the Community Strategy (Imagine Ryedale) and acts as a basis for corporate prioritisation. The process has identified the Council's corporate aims together with a number of associated objectives. These will be reviewed at appropriate intervals so as to ensure that they continue to meet the needs of the community. The Council has linked performance management processes across all service areas to provide an integrated performance management regime. Each service has developed a performance improvement plan showing how that service will achieve the Council's objectives.

Financial Management

The Chief Financial Officer has the overall statutory responsibility for the proper administration of the Council's financial affairs, including making arrangements for appropriate systems of financial control. The Council operates within a system of financial regulations, comprehensive budgetary control, regular management information, administrative procedures (including the segregation of duties) and management supervision.

Compliance Arrangements

Ongoing monitoring and review of the Council's activities is undertaken by the following Officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The S151 Officer
- The Monitoring Officer
- The District Auditor and other external inspection agencies
- The Internal Audit Manager
- Finance Officers and other relevant service managers

Risk Management

The Council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Risk Management Service to ensure that:

- the Council's assets are adequately protected
 - losses resulting from hazards and claims against the Council are mitigated through the effective use of risk control measures
 - service managers are adequately supported in the discharge of their responsibilities in respect of Risk Management
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The system of Risk Management includes risk evaluation exercises which are included in all Committee reports and the maintenance of a corporate risk register. Relevant staff within the Council have received training and guidance in Risk Management principals.

Internal Audit & Fraud

The Council operates internal audit through the North Yorkshire Audit Partnership (NYAP) and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003. The NYAP undertakes an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. Through its work the NYAP also provides assurance to the S151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides:

- advice and assistance to managers in the design, implementation and operation of controls
- support to managers in the prevention and detection of fraud, corruption and other irregularities

Performance Management

The Council has recognised the need to improve current performance management arrangements and has recently revised its system. Senior Management Team now has an internal monitoring role with Service Unit Managers being expected to deliver improvements where necessary or maintain performance standards where appropriate.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the Council's systems of internal control has been undertaken. This review has included consideration of:

- reports received from the Audit Commission and other inspection agencies
- the results of internal audit and fraud investigation work
- the views of senior managers, including the S151 Officer and the Monitoring Officer
- the work of the Risk Management team in compiling the Council's Strategic Risk Register
- outcomes of service improvement reviews and performance management processes

In addition, the Council through its Committees especially the Overview and Scrutiny Committee considers corporate governance issues as they arise throughout the year and agree recommendations for improvement as necessary.

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A comprehensive review has been undertaken to support the preparation of this SIC document as required by the Accounts and Audit Regulations 2003. The Council has produced a detailed statement along with a targeted action plan to ensure that full compliance is achieved. This has followed the framework suggested by the CIPFA Finance Advisory Network and adopted by the Council. Compliance has been evidenced and a list of those Officers having responsibility is available.

The action plan is mainly concerned with reviewing policies and strategies that have already been adopted and ensuring governance awareness is improved.

The Statement for 2005/06 will provide details of the work completed against this action plan.

5. **Significant Internal Control Issues**

A review of the corporate governance arrangements in place within the Council has identified areas where improvements could be made. Specific actions are proposed to address the issues identified. These are detailed in the Action Plan.

The Council will continue to seek to improve performance and take action on agreed recommendations by both internal and external agencies.

Signed..... Dated:.....
Harold Mosley
Chief Executive

Signed..... Dated:.....
Cllr. CR Wainwright
Chairman of Policy & Resources Committee

STATEMENT OF INTERNAL CONTROL ACTION PLAN

CONTROL ISSUE	ACTION PROPOSED	RESPONSIBILITY	DUE DATE
Corporate Governance Arrangements			
The code of Corporate Governance has been adopted but the communication of this needs to be improved and it needs to be reviewed and updated.	Governance training to be given to all key Officers and Members. The staff, public and other stakeholders will be made aware of corporate governance. The code of Corporate Governance will be reviewed.	Council's Solicitor	30/09/05
Updating Corporate Policies			
Various policies have been adopted by the Council but there are a number requiring reviewing and possibly amending.	To review all policies which have been in existence for more than a year and amend as appropriate – e.g. Code of Corporate Governance. These will then be subject to Council approval.	Various Officers	A detailed timetable is available but all to be completed by 31/03/06
Risk Assessment & Management			
The Council has embraced the identification and management of risk. However, there are still some issues relating to staff training, Member champions and the performance Management System.	Risk management to be introduced into Induction Training and update training to be given.	Human Resources Manager	31/03/06
	Job Descriptions to be updated.	Director of Operations	
	Appointment of Risk and Local Resilience Member Champions.	Director of Operations	30/09/05
	New module for Performance Management System to be introduced and developed.	Performance Manager	30/09/05

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CONTROL ISSUE	ACTION PROPOSAL	RESPONSIBILITY	DUE DATE
Business /Service Continuity Planning			
Business Continuity Plan not yet installed and likewise the Service Continuity Plan.	Business Continuity Plan in preparation for all services and in particular IT.	ICT Manager	11/11/05
	Budget allocated and included in Access to Services Programme Plan as priority action. Currently developing Corporate Business Continuity Plan and training thereon.	Director of Operations	11/11/05
Key Risk Indicators			
Key risk indicators have not been fully drawn up to track the movement of key risks.	Covalent system to be populated and developed and then to be monitored and reviewed.	Performance Manager	31/08/05
Gaps in Assurance Processes			
Although many assurance sources have been determined and collated there are a number of gaps which need to be filled.	Assurances from Departments need to be introduced into business planning process.	Performance Manager	30/09//05
	The SIC process will be embedded and be subject to Member approval.	Chief Financial Officer	30/09/05
