

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2006/2007

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

Introduction

- 1.1 The Accounts and Audit Regulations 2003 together, with the Accounts and Audit (Amendment) (England) Regulations 2006, require a Statement on Internal Control, prepared in accordance with proper practices in relation to internal control to be included with Wyre Forest District Council's annual statement of accounts. The statement will be revised and updated on an annual basis.
- 1.2 Wyre Forest District 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 District Council also has a statutory duty under the Local Government Acts 1999 and 2003 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.
- 1.3 In discharging this overall responsibility, the District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the District Council'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 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 District 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.
- 2.2 The system of internal control has been in place at the District Council for the year ended 31st March 2007 and up to the date of approval of the annual report and accounts.

3. The Internal Control Environment

- 3.1 The scope of internal control spans the whole range of the District Council's activities and includes those controls designed to ensure:
- implementation of the district council's **policies**
 - the district council's **values** are applied
 - compliance with **laws and regulations**
 - adherence to required **processes**
 - **financial statements** and other published information are accurate and reliable
 - **human, financial and other resources** are managed efficiently and effectively, and
 - **quality services** are delivered efficiently and effectively.
- 3.2 The Council's internal control environment comprises the following elements:
- 3.3 There is a **hierarchy of plans** setting out work for the next three years and beyond. The top level plan is "Helping to Transform Your Life" – the District's **Community Strategy 2004-2014**.
- 3.4 The Council's **Corporate Plan 2003-2008** sets out the overall aims and objectives aimed at progressing the Community Strategy. Agreed Council policies/commitments and local priorities influenced the plan's development, which are underpinned by the Council's statutory duties, responsibilities and obligations to deliver particular services. The plan provides the framework from which community and corporate objectives can be delivered within an effective internal control environment. This framework incorporates the Council's vision, its values, four organisational themes and four service themes.
- 3.5 The Council agrees **annual priorities** for improvement as part of the budget process. These are priorities for improvement over the year in addition to the maintenance of other statutory and non-statutory services and are reflected in **Divisional Service Business Plans**. Priorities are communicated internally including through **Employee Development Reviews** to cascade objectives to an individual level.
- 3.6 To facilitate policy development and decision making the Council has a clear and open **constitution**, which sets out the basic rules governing its business including its committee structure, codes of conduct, and scheme of delegation. This is regularly reviewed by officers to ensure that it reflects best practice.
- 3.7 **Scrutiny work programmes** are determined by the Overview and Scrutiny Committees.
- 3.8 The Ethics and Standards Committee promotes high **standards of conduct** by members, reviewing policies and legislation relating to Members Conduct. A **corporate governance framework** based on the CIPFA/SOLACE model was adopted in 2003 and is reviewed annually. Recommendations for further action

were approved in April 2007 by the Cabinet to safeguard the Council's arrangements for demonstrating openness, integrity and accountability.

- 3.9 The **Corporate Management Team** is responsible for ensuring compliance with established policies, procedures, laws and regulations and for ensuring that risk management is embedded in the activity of the authority. A **Risk Management Strategy** has been agreed and steps are being taken to develop a risk management culture. A corporate risk register and divisional risk registers are in place. A corporate Risk Management Officer Working Group has been formed to manage this process.
- 3.10 The Chief Executive, as the **Head of Paid Service**, the Head of Legal & Democratic Services, as the **Monitoring Officer** and the Head of Financial Services each have an obligation to ensure that high standards of Corporate Governance are achieved and maintained. The Head of Financial Services has a statutory duty under **Section 151 of The Local Government Act 1972** to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 3.11 The Council's **budget setting process** establishes the resources available to deliver services; this includes a review of the overall use of resources and links to annual priorities. Scrutiny reviews are conducted and the Council's **Best Value Performance Plan** is produced annually in accordance with Best Value requirements. A **Procurement Strategy** has been approved to ensure that the Council uses its resources efficiently and effectively. The Procurement Strategy will continue to be informed by the National Procurement Strategy and the West Midlands Regional Centre of Procurement Excellence.
- 3.12 A three-year **Finance Strategy** has been agreed and forms part of the budget-setting process to provide a framework for balancing service priorities against available resources. This is reflected in the Council's budget, covering both revenue and capital investment over a three-year period.
- 3.13 Budgets and corporate risks are **monitored regularly** and members receive financial information, which is relevant, understandable and consistent with underlying financial records. The level of financial reserves is kept under review.
- 3.14 The Council's responsibilities under Regulation 6 of The Accounts and Audit Regulations 2003 to maintain an adequate and effective system of **internal audit** are delegated to the Head of Financial Services. The Internal Audit section, led by the Financial Services Manager, who is the Council's Chief Internal Auditor, reports to the Head of Financial Services. Internal audit is an independent appraisal function designed to add value and to support and promote the achievement of the Council's objectives. It examines, evaluates and reports on the effectiveness of controls and processes as a contribution to securing the economic, efficient and effective use of resources. The work of the Internal Audit section has been reported quarterly to members via the **Audit Committee** during 2006/2007.
- 3.15 Internal Audit and **External Audit** work together to review and provide annual opinions on, the control framework, governance and validity of the annual accounts.

Various other external **inspection agencies** such as the Audit Commission also look at specific areas of Council business.

- 3.16 The Council adopted a **Performance Management Framework** in 2002 to show how standards (i.e. minimum service levels), targets (for improvement) and indicators (of actual performance) featured in overall performance management. Currently, annual priorities are monitored by the Cabinet and Corporate Management Team monthly. Divisional targets and performance indicators are monitored monthly by management and reported to Overview and Scrutiny Committees quarterly. The Framework is being developed to make performance information more accessible and clearer for Members, officers and service-users, and an officer Performance Management Group has been established to oversee implementation of the Framework's action plan.
- 3.17 The combined corporate financial and performance monitoring reports considered by Members and the Corporate Management Team are the means by which management of all the critical aspects of the Council's work - which are to be highlighted in this statement of internal control - will be kept under review.

4. Review of Effectiveness

- 4.1 The District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.
- 4.2 The review of the effectiveness of the system of internal control is informed by the work of the Council's internal audit service. The approved Terms of Reference for Internal Audit require an annual report to members from the Financial Services Manager. This report includes the review of the effectiveness of the system of internal audit and provides an opinion that the Internal audit system is effective. This report was made to the Corporate Management Team on the 24th May 2007 and to members of the Audit Committee on the 25th June 2007.
- 4.3 The review is further informed by the Corporate Management Team 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 & inspectorates in the **Annual Audit and Inspection Letter** and other reports.
- 4.4 A review undertaken for the 2006/2007 statement was carried out by the Corporate Management Team on 21st June 2007. This review took into account:
- the Annual report from the Financial Services Manager – 2006/2007 reported to the Corporate Management Team on the 24th May 2007 and considered by the Audit Committee on 25th June 2007;
 - comments of external auditors;
 - comments of other review agencies, inspectorates and external bodies;

- the findings and recommendations of the External Audit's Annual Audit & Inspection Letter reported to the Audit Committee on 24th April 2007;
- work on the Council's Improvement Plan arising from the Comprehensive Performance Assessment (CPA) to be reported to Cabinet Members on 28th June 2007;
- the findings of the annual review of Corporate Governance considered by the Cabinet on the 26th April 2007.

4.5 We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Corporate Management Team, and a plan to ensure continuous improvement of the system is in place.

5. **Significant Internal Control Issues**

5.1 In our judgement no significant internal control issues (see paragraph 3.19 of CIPFA guidance) were highlighted but a number of actions need to be carried out during the 2007/2008 financial year to strengthen the control framework.

These are:

- The plans for improvement identified from the annual review of the **Corporate Governance Framework** in April 2007 are actioned;
- The **Risk Management Strategy** is to be updated and the process is to be embedded in the culture of the Council, together with the compilation of full risk registers both corporately and for each Division, to enable a review of the risk register to be completed;
- The **Procurement Strategy** to be updated and the continued development of procurement arrangements, including e-procurement;
- Developing a Shared Services Strategy;
- Implementing the actions contained in the Audit & Inspection Letter (March 2007):
 - Clarify and streamline the Council's priorities when the Corporate Plan is reviewed;
 - Ensure performance management information is meaningful and use it to monitor performance against milestones and unit costs to secure improvements;
 - Continue to identify ways to improve capacity by ensuring partnership working is effective;

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- Ensure that risk management becomes fully embedded;
- Evaluate outcomes from the capital programme to determine how it has contributed to the Council's corporate objectives, and to clearly identify improvements from capital resources invested;
- Set challenging targets for income collection, and
- Monitor progress against planned savings and efficiency gains regularly together with associated action plans.

Chief Executive

Leader of the Council

28th June 2007