

THE STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

Breckland 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. Breckland Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which the functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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 risks to the achievement of Breckland 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.

The system of internal control has been in place at Breckland Council for the year ending 31st March 2006 and up to the date of approval of the statements of accounts.

The internal control environment

Establishment of the authority's objectives – The Council's priorities and objectives were based on public consultation and local needs analysis. They blend local aspirations and needs with requirements placed on the Council through regional, county-wide and district plans. The Priorities and Objectives are detailed in both the Council's Business Plan 2004-2010 and the Annual Delivery Plan. The Business and Delivery Plans are part of the Best Value Performance Plan and they are also published on the council's website. The Annual Delivery Plan includes information on resources required to implement contributions to Council objectives. Targets feed through into service Team Plans and on to individual performance targets.

Monitoring achievement against the Objectives and Performance Management – The Council has established a Performance Management Cycle that monitors both performance and the delivery of objectives:

- Weekly – Service managers one to one with Operations Manager
- Monthly – Operations Managers one to one with Chief Executive
- Monthly – Portfolio meeting with Executive Member where performance issues are raised by exception

This culminates in a quarterly Performance Clinic attended by the Chief Executive and Leader, along with the relevant executive members, Operations managers and staff from the portfolio. The outcomes from these clinics are reported to the Council's Overview and Scrutiny Commission. During 2005-2006 the 'Hothouse Panel' was introduced to monitor progress on key targets that had been referred to it from the Performance Clinics. The panel able to focus on more detail than the quarterly clinic.

Typical issues covered are:

- Council Objectives and Delivery Plans
- BVPI's
- Local indicators

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- ❑ Contract performance
- ❑ Progress against projects
- ❑ Complaints and compliments
- ❑ Any other issues

The council has developed its performance management system using the TEN system. This mirrors the Annual Delivery Plans, ensuring that nothing slips through the net. The Council's Performance Management Strategy details the process further.

Achievements are reported to citizens through the Best Value Performance Plan and through the Council's magazine "Voice", issued quarterly to every household in the district.

Policy and decision making – The policy framework is defined in the constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people. Decisions within this framework are required to proceed through Cabinet and full Council for approval, with the Overview and Scrutiny Commission having call in powers to examine decisions. The Executive (Cabinet) has delegated authority to determine policies outside of the framework. Formal procedures ensure that the framework is embedded throughout the authority and that key decisions are included on a forward plan with proper consideration of Council priorities, financial implications, and policies and strategies. All executive decisions are recorded in a decisions digest, with formal minutes being available for public inspection. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations, in conjunction with the Head of Paid Service and Chief Financial Officer.

Corporate Governance – Breckland has adopted a local code of corporate governance in accordance with the CIPFA/SOLACE Keystone for Community Governance. CIPFA/SOLACE are looking to update their guidance during 2007-2008, having considered an earlier consultation exercise. Breckland will need to keep a close watch on developments and update its own code of corporate governance accordingly.

A full review of the constitution was carried out during the previous year, culminating with the adoption of a new constitution on 30th March 2006. More recently the constitution has been reviewed to reflect changes in structure and political make-up to ensure that it remains up to date.

Risk management – Breckland has adopted a strategy to manage its risk. It has developed the TEN system to list the key strategic risks it considers it faces along with the actions planned or taken to mitigate these risks. A 'Risk Champion' group has been set up to follow up actions, and continue to develop and maintain the register. Risk logs are also being used to manage the risks for key projects and partnerships, along with other project management techniques. Service continuity plans are reviewed and updated to address key operational risks.

Financial Management - Internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

- ❑ Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts
- ❑ Setting targets to measure financial and other performance
- ❑ The preparation of regular financial reports, which indicate actual expenditure and income against forecasts
- ❑ Clearly-defined capital expenditure guidelines

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The Council has designated the Chief Accountant as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a medium-term financial plan, which is updated annually, to support the medium-term aims of the Business Plan.

The internal audit function is delivered by an external supplier through a partnership arrangement with Broadland and South Norfolk Councils, with South Norfolk managing the contract. The Overview and Scrutiny Commission approves the plan and reviews progress against on a half-yearly basis. The reports of all audits are also presented to Overview and Scrutiny Commission in their half-yearly performance report. Internal audit work is carried out in accordance with the "Guidance for Internal Auditors" issued by the Auditing Practices Board of the Consultative Council of Accountancy bodies using appropriate audit techniques. Further work highlighting the progress made in developing the internal audit service is highlighted in the Audit Managers report presented to the Overview and Scrutiny Commission, which has also considered the effectiveness of the internal audit function.

Best Value - Best Value is built into the day to day processes of the Council. The Council's Procurement Strategy further details the processes required to secure continuous improvement, and the securing of the most economic, effective and efficient service delivery. This strategy was given a major overhaul during to year to align it more closely with the National Procurement Strategy. The Council is currently in the process of a Strategic Service Delivery Partnership exercise which involves working closely with the private sector to deliver Breckland's services.

The Council is already working in partnership with other local authorities to deliver improved services for benefits and revenues and internal audit, achieving efficiency savings. In October 2006 Breckland entered into a strategic partnership to support the Council's business transformation programme which focuses on excellence in customer service, value for money for residents and developing opportunities to trade commercially.

Review of effectiveness

Breckland Council 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 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. A systematic review of internal controls is periodically performed during the year with senior managers assisting the process by completing assurance statements.

In addition to the ongoing work described in the section above that is carried out by officers, members, and committees, a separate review of the systems of internal control was conducted by internal audit. It drew on internal audit coverage during the year, and assessed the main findings of completed audits, in particular following up on 'High Priority' recommendations. The review also covered an evaluation of key system controls not covered by the internal audit programme during the year, with the objective of identifying possible significant weaknesses in internal controls.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place. However, the review has concluded that the overall standards of internal control were satisfactory during 2006/2007 and that there were no instances in which internal control problems created significant risks for council activities or services.

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Significant control issues

Following an earlier review of the Council's risk management arrangements a new risk management strategy was adopted. While senior management recognise that further work is required to embed risk management across the authority it is encouraging to note that the importance of risk management is now being recognised and is gaining support. Steps have been taken to develop the TEN system to record and monitor strategic risk, with this being aligned with the performance framework to improve its effectiveness.

A review of the internal control processes was carried out by internal audit during May 2007, to establish whether assurance has been obtained for all key controls operating during the financial year. While the majority of key controls were identified as being satisfactory, the auditor was unable to verify that some of the payroll controls were in place at the time of the review. As the payroll system is run by an external provider the auditor was unable to confirm the hierarchical access controls or the audit arrangements of the contractor. We will ask the contractor to confirm their controls and audit arrangements.

The internal auditor was also unable to provide assurance with regard to the key controls for sample testing of daily amendments (generating exemptions/discounts/relief) in relation to Council Tax/Council Tax Benefits. New controls will be introduced as part of the action plan that will be implemented shortly.

A number of high priority recommendations have been made relating to systems audits where draft and/or final audit reports have been issued after 31 March 2007. These reports are in draft form at the moment and management are in the process of agreeing an action plan to implement the recommendations. The Housing and Council Tax Benefit report identified the need to put in place adequate arrangements for the recovery of the document imaging system. Council Tax and NNDR made recommendations covering the following areas – the weekly reports for monitoring relief cases, refunds, transfers, suppression activity and arrears recovery activity are signed off by the CT Billing and Recovery Manager; composite properties in the Council Tax list should be agreed to the NNDR list; VO lists should be processed and reconciled in a timely manner and signed off by a reviewing officer; existing discrepancies between the VO list and the Council's database should be investigated and corrected; reconciliations between the Council tax/NNDR system and the finance system should be completed and independently verified within a week of the period end date; introduction of a control to ensure recovery action suppressed by the NNDR Manager is independently reviewed; implement a formal write-off policy; Copies of reports, duly signed off by the respective CT Billing and Recovery Manager, should be retained to confirm regular independent review of transfers either between accounts or within accounts; independent checking of all transfers processed by the NNDR Manager. A review of the Anglia Revenues Partnership management arrangements recognised the need to formally agree the external audit arrangements with the Audit Commission covering the cessation of the original partnership agreement, and put in place arrangements for the production and audit of the accounts for the new partnership agreement.