

Committee: AUDIT AND REVIEW

Date: 9 February 2007

Report: STATEMENT OF INTERNAL CONTROL 2006/07

Purpose of the Report

1. To seek Member approval of the Statement of Internal Control for 2006/07.

Strategic Planning Framework

2. The information and recommendations contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework, and in particular its objective 'to manage all aspects of the Authority's business so as to make the most effective use of our resources' (Best Value Performance Plan).

Introduction

3. The Audit and Accounts Regulations 2003 included a requirement for all local authorities to produce a Statement of Internal Control and to carry out a review of the statement at least annually (Regulation 4). This statement must be incorporated into the 2006/07 Statement of Final Accounts (SOFA).

Preparation of the Statement of Internal Control

4. A draft Statement of internal Control for 2006/07 is attached as an Appendix to this report.

5. This Statement has been prepared in line with guidance issued by the Chartered Institute for Public Finance and Accountancy (CIPFA). This guidance recommends that the Statement of Internal Control should be signed by the Chief Executive and a leading Member (the Audit Commission have indicated that this should be the Chairman of the Authority).

6. The Statement has been prepared in consultation with the Head of Finance and Resources and the Monitoring Officer.

Scope of the Statement of Internal Control

7. The Statement identifies the internal control environment, reviews the effectiveness of the key controls and identifies additional Risk Management actions taken in 2006/07 or planned for 2007/08.

8. The systems of internal control are designed to keep risk at a manageable level and to give reasonable assurance but not an absolute guarantee against potential problems and emergent risks. The Authority continues to develop its Corporate Governance Framework with a view to mitigating risks as far as is possible.

RECOMMENDATIONS

9. Members are requested to:

- review the Draft Statement of Internal Control
- approve the Statement of Internal Control for inclusion within the 2006/07 Statement of Final Accounts,
- note the Audit Commission recommendation that the Chairman of the Authority signs the Statement of Internal Control prior to incorporation into the 2006/07 Statement of Final Accounts.

Irene Brannon
Senior Finance Officer

4 January 2007

Background documents:

The Audit and Accounts Regulations 2003 (Regulation 4)

The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice - CIPFA

STATEMENT OF INTERNAL CONTROL

1. Scope of Responsibility

The Yorkshire Dales National Park Authority is responsible for ensuring that its business is conducted in accordance with law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Local Government Act 1999 places the Authority under a duty to make arrangements to exercise its functions so as to ensure 'continuous improvement' having regard to economy, efficiency and effectiveness.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk at an acceptable level and as a result can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected in a timely manner.

The system of internal control has been developed as part of an ongoing process of risk management and has been in place throughout the year ended 31 March 2007; it is designed to:

- Establish and monitor the achievement of the Authority's objectives.
- Identify and evaluate the nature and extent of the principal risks to the achievement of the Authority's objectives.
- Manage these risks so as to ensure the efficient, effective and economic use of the Authority's assets and resources.
- Facilitate policy and Decision Making.
- Ensure compliance with established laws, regulations, policies and procedures.

3. The Internal Control Environment

The key elements of control:

- (a) The Authority publishes its objectives and commitment to the achievement of statutory purposes in a number of plans; the key plan is the National Park Management Plan (NPMP) which establishes the five year vision of the Authority.
- (b) The Best Value Performance Plan (BVPP) translates the NPMP into service-specific annual objectives, with targets and financial plans. This is revised and published annually and forms an integral part of the Performance Management regime.
- (c) In addition to these there are a number of supplementary plans and supporting strategies.

- (d) The Medium Term Financial Strategy for the next three years is established by the Authority's Budget Process, which is developed in accordance with the Priorities discussed by the Policy Development Forum and approved by the Authority.
- (e) The Authority incorporates the principles of Corporate Governance into every dimension of its business to ensure that stakeholders can have confidence in the decision-making and management processes of the Authority, and in the conduct and professionalism of its members, officers and agents in delivering services.
- (f) The Authority's Standing Orders, Financial Regulations and other procedures describe the decision-making process and operation of the Authority. These establish the transparency, accountability, efficiency and effectiveness of the operation of the Authority. These are supplemented by the:
 - Scheme of Delegation
 - Officers and Members Code of Conduct
 - Policies and Procedures
- (g) The Financial Management of the Authority is embedded in the budget setting and budget monitoring systems which are applied consistently across all departments. These ensure that financial reports are provided in a timely manner in a format that is relevant to the needs of the user. Financial Regulations set out the policies and procedures to be adhered to in relation to the above.
- (h) Performance Management is applied consistently throughout the organisation and includes the implementation of the National Park Authority Performance Assessment (NPAPA) process.
- (i) Risk Management procedures include an annual Risk Prioritisation Exercise which is reported to the Audit and Review Committee. The Authority also operates a Health and Safety Working Group.
- (j) The Internal Audit Service provide an independent review of compliance with all the above on a regular basis.

4. Review of Effectiveness – 2006/07 Overview

Under the Accounts and Audit Regulations 2003 the Authority has a duty to conduct a review of the effectiveness of the system of internal control at least annually.

This review is informed by the work of the Internal Audit Service and the Monitoring Officer both of whom report to the Audit and Review Committee. The development of the internal control environment is also informed by the comments of the external auditors and other review agencies.

The table below identifies the key controls and the findings of the review of effectiveness. Since the end of 2005/06 a number of changes have been implemented and these are identified in the table below, as well as areas requiring improvement in 2007/08.

Control	Review of Effectiveness	Action Taken/Planned
<p>Statutory Roles of Authority's Monitoring Officer and section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.</p>	<p>The external auditor is satisfied with the authority's arrangements (The External Auditors Annual Report to those charged with Governance 2005/06).</p> <p>Financial Regulations were revised in 2005/06, and no further revisions were considered necessary.</p>	<p>New Financial Regulation introduced in May 2006.</p> <p>New Scheme of delegation to Committees and Officers introduced in July 2006.</p>
<p>Internal Audit provides an objective and independent assurance across the whole range of the Authority's activities. This assurance is supported by the review and reporting of External Audit.</p>	<p>The Internal Audit Service is outsourced and the work is identified in the Annual Audit Plan. The findings and recommendations are reported to the Audit and Review Committee.</p> <p>The External Auditors place reliance on the work undertaken by the Internal Audit Service</p>	
<p>The Authority has effective processes for the identification of priorities and the Performance Management.</p>	<p>The National Park Authority Performance Assessment (NPAPA) identified the organisations strengths in relation to priority setting.</p> <p>The National Park Management Plan establishes the Authority's long term objectives for 2006-2011.</p> <p>Performance against the targets set in the Best Value Performance Plan is regularly reported and subject to review by the External Auditors.</p>	<p>The National Park Management Plan has been revised for 2006-2011 following extensive consultation.</p> <p>In 2006/07 a review of priorities was undertaken by Officers and the Policy Development Forum. The recommendations of this review were approved by the full authority. As a result the 2007/08 budget has been prepared with these revised priorities in mind.</p> <p>Improvements identified in by the NPAPA process have been incorporated into the 2006/07 Best Value Performance Plan.</p>

		The Best Value Performance Plan is updated annually and the 2007/08 Plan will incorporate objectives relating to the revised National Park Management Plan and further NPAPA objectives.
The Authority has an effective and efficient system of financial management systems.	<p>The Authority has adopted a 3 year Financial Plan for budgeting purposes. The priority setting process is used to allocate resources.</p> <p>Budget Managers have a range of reporting tools available to facilitate the management of budgets.</p> <p>Regular progress reports are presented to the Finance and Resources Committee.</p> <p>All Financial decisions are taken in line with Financial Regulations and other policies.</p> <p>The Authority has developed an Asset Management Plan in place.</p> <p>The Authority has developed a Procurement Strategy.</p>	<p>In 2006/07 an External Funding Group was established the work of which will continue in 2007/08. This group is working with the Yorkshire Dales Millennium Trust.</p> <p>Work on implementing the Asset Management Plan will continue in 2007/08.</p> <p>Training will be given to Officers relating to the implementation of the Procurement Strategy in 2007/08. Additional work will also be undertaken in relation to 'Green Procurement'.</p>
Risk Management and Prioritisation processes are in place (including Health and Safety Procedures).	<p>The Authority has a Risk Register and an annual report is taken to the Audit and Review Committee.</p> <p>The Authority has a Health and Safety Officer Group.</p>	<p>In 2006/07 the Risk Management Policy was reviewed. This classified risk as either 'Strategic' or 'Operational' and a Strategic Risks Register was introduced to deal with Strategic Risk.</p> <p>Contingency Planning</p>

		<p>processes have been put in place.</p> <p>The Anti-Fraud and Corruption Policy was reviewed in 2006/07 and amendments introduced.</p>
<p>The authority has sound corporate governance arrangements in place</p>	<p>The Authority has embedded corporate governance principles into every dimension of its business.</p>	<p>A complete review of corporate governance was undertaken by a Member Working Group in 2006, based on the “Good Governance Standard” produced by the Independent Commission for good governance in Public Services. A corporate governance policy will be considered by the Authority in March 2007. A Local Code of Corporate Governance is planned for later in 2007.</p>

5.0 Significant Internal Control Issues

It is considered that there are no significant internal control issues.

Signed

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Chairman of Yorkshire Dales National Park Authority

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Chief Executive