

YORKSHIRE DALES NATIONAL PARK AUTHORITY
AUDIT AND REVIEW COMMITTEE

17TH March 2006

STATEMENT OF INTERNAL CONTROL 2005/06

Purpose of the Report

To seek Member approval of the Statement of Internal Control for 2005/06.

Strategic Planning Framework

The information contained in this report is consistent with the Authority's approved and adopted strategic planning framework:

- *Best Value Performance Plan*

“ Plan and manage all aspects of the Authority's business so as to make the most effective use of our resources.”

1. Background

- 1.1 The Audit & Accounts Regulations 2003 included a requirement for all local authorities to produce a Statement of Internal Control and to carry out a review of this statement at least annually (Regulation 4). This statement must be incorporated into the 2005/06 Statement of Financial Accounts.

2. Preparation of the Statement of Internal Control

- 2.1 Attached as an **Appendix** to this report is a draft Statement of Internal Control for 2005/06 for consideration.
- 2.2 This Statement has been prepared in line with guidance issued by the Chartered Institute for Public Finance Accountants (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).
- 2.3 The Statement has been prepared in consultation with the Head of Finance and Resources and the Monitoring Officer.

3. Scope of the Statement of Internal Control

- 3.1 The Statement identifies the internal control environment, reviews the effectiveness of the key controls and identifies additional actions to manage risks that have been taken in 2005/06 or that are planned for 2006/07.

- 3.2 The internal control system is designed to keep risk at a manageable level and gives 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.

4. RECOMMENDATIONS

Members are asked to

- 4.1 review the Draft Statement of Internal Control,
- 4.2 approve the Statement of Control for inclusion within the 2005/06 Financial Accounts,
- 4.3 note the Audit Commission recommendation that the Chairman of the Authority signs the Statement of Internal Control prior to incorporation into the Financial Accounts.

IRENE BRANNON
SENIOR FINANCE OFFICER

7th March 2006

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 for the year ended 31 March 2006; and 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. This plan is currently under review for 2006-2011.
- (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 established by the Policy Development Forum.
- (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 and other policies 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
 - Financial Regulations
 - 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 and the Monitoring Officer provide an independent review of compliance with all the above on a regular basis.

4. Review of Effectiveness – 2005/06 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, the Monitoring Officer and by the output of the Corporate Governance Working Group (a member group advised by officers) which reports 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 2004/05 a number of significant changes have been implemented and these are identified in the table below, as well as areas requiring improvement in 2006/07.

Control	Review of Effectiveness	Action Taken/Planned
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.	The external auditor is satisfied with the authority's arrangements (Annual Management Letter 2004/05).	Financial Regulations were revised in 2005/06
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.	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. The External Auditors place reliance on the work undertaken by the Internal Audit Service (Annual Management Letter 2004/05)	
The Authority has effective processes for the identification of priorities and the Performance Management.	In 2005/06 the Authority has completed the National Park Authority Performance Assessment (NPAPA) process. This identified the organisations strengths in relation to priority setting. Performance against the targets set in the Best Value Performance Plan is regularly reported and subject to review by the External Auditors.	The National Park Management Plan is currently under review and this will link into a review of priorities by the Policy Development Forum in 2006/07. The NPAPA Process resulted in a draft improvement plan. The Best Value Performance Plan is updated annually.
The Authority has an effective and efficient system of financial management systems.	The Authority has adopted a 3 year Financial Plan for budgeting purposes. The priority setting process is used to allocate	In order to address significant budget pressures in 2006/07 and beyond a review of core costs and opportunities for alternative funding sources will

	<p>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>be undertaken.</p> <p>In 2006/07 further development and training will be undertaken.</p> <p>The Authority has started work on the implementation of a Procurement Strategy and an Asset Management Strategy. This work will be completed in 2006/07.</p>
<p>Risk Management and Prioritisation processes are in place (including Health and Safety Procedures).</p>	<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 an exercise to reclassify the risks will be undertaken.</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>In 2005/06 the Authority has</p> <ul style="list-style-type: none"> • established a Corporate Governance Working Group and adopted the Good Governance Standard for Public Services. • Updated the Members Code of Conduct and Register of Interests and conducted Members Training • Updated the Confidential Reporting Policy to ensure compliance with the Public Interest Disclosures Act. • Officers conduct is controlled by Staff Guidance which will be reviewed when the national Code of Officers Conduct has been published.

5.0 Significant Internal Control Issues

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

Signed

..... Chief Executive

..... Chairman of Yorkshire Dales National Park Authority