

Statement on Internal Control

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 efficiency, effectiveness and economy.

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

Local authorities are required to prepare and adopt a local code of Corporate Governance. A Code of Corporate Governance was adopted by the Council in September 2003 and is subject to regular review. Risk management is a principal element within Corporate Governance, to this end a Risk Management Strategy was adopted in March 2002 and is also subject to annual review.

The Code of Corporate Governance covers the principles underpinning governance at the Council, demonstrates how the Council intends to maintain these principles and assists the Council in reviewing its governance arrangements and its effectiveness against the published framework.

The roles of the Chief Executive, the Section 151 Officer, the Monitoring Officer and the Executive Role of Members are defined within part 2 of the Council's Constitution.

2. 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 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.

The system of internal control has been in place at the Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

3. Internal Control Environment

Establishment and monitoring of the authority's objectives

The Corporate Performance Plan 'Spotlight' is approved by Members on an annual basis. The plan for 2005/06 was approved in April 2005. Progress in best value and local performance indicators are monitored by both the Corporate Management Team and the Executive on a quarterly basis.

Policy and decision making

The Council's Constitution is available on the Council's website and is reviewed by the Monitoring Officer and Management Team on a regular basis and regular reports are received by Council relating to proposed changes. The Executive are responsible for taking most operational decisions. Key decisions are published in advance via the forward plan, which is published at quarterly intervals. All Member meetings held by the Council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing and legal matters and those of a contractual nature.

All decisions made either by Cabinet, Committee or Advisory Board can be subjected to further scrutiny via a call in procedure allowing challenge of the decision being taken within five working days.

Compliance

The Council has a duty to ensure that all activities undertaken are in accordance with the law. This is discharged in part the Council's Financial Procedure Rules and Contract Procedure Rules. Other policies or strategies covering both internal and external issues are available to staff and the public via the Council's intranet and internet sites respectively and can be found on the Council's website at www.tmbc.gov.uk . These polices include:

- Anti-fraud Policy
- Benefits Anti-fraud Policy
- Confidential Reporting Code
- Freedom of Information
- Anti Money Laundering Policy
- Diversity Policy Action Plan
- Anti-harassment Policy

All strategies or policies are allocated to a lead officer who is responsible for the periodic review and updating of each of the policies /strategies.

The Council has a duty to maintain an Internal Audit service. This responsibility is discharged by the Director of Finance. The scope of internal audits shall encompass the examination and evaluation of the adequacy and effectiveness of the Council's system of internal control and the quality of performance in carrying out assigned duties and responsibilities. The outcome of audit results in a level of assurance opinion being reported to management.

The Council's Monitoring Officer and the Section 151 Officer have specific responsibilities to ensure that the Council acts within the law and to prevent maladministration.

The Council has adopted a risk management strategy that sets out the roles of Members and Officers in the identification and minimisation of risk. The risk registers that flow from the strategy cover both strategic and operational risks and are reviewed on an annual basis as part of service and strategic planning. To ensure that risk is considered all reports presented to Members must include a risk assessment of the actions within the report. This assessment also covers legal and financial and value for money considerations.

Chief Officers are required to complete a Service Assurance Statement to confirm that risks have been identified and assessed, and sound business arrangements operate within their Service.

Members are informed of the Council's claims experience via reports submitted the Finance and Property Advisory Board on a six monthly basis. The reports include brief details of each claim and, where appropriate, details of action taken by the Council to prevent or reduce the possibility on any further such claims.

Use of Resources

The effective targeting and usage of our resources has always been a corporate priority, and this is achieved in several ways.

- Through the use of service planning, which determines the service delivery models for the Council as a whole.
- Through the use of a budget prioritisation model developed in 2004 and reviewed on an annual basis, the model examines the services and budgetary links to the Key and Corporate Priorities. The results of the model used for the 2005/06 budget showed that 58% of the Council's resources were targeted to the top 25% of scored services.
- Other methods of controlling the use of resources are listed within the Financial Management and Performance Management sections of this statement.

The Council also employs the use of Best Value reviews to examine current working practices and makes recommendations in order to improve public services and ensure resources are targeted to give the best service delivery. These reviews follow the guidelines issued by the Audit Commission to ensure that Efficiency, Effectiveness and Economy are promoted and maintained.

Financial Management

In order to maintain its financial management the Council operates budgetary control procedures which are used in conjunction with a Medium Term Financial Strategy (MTFS).

Budgetary control of both revenue and capital expenditure is carried out by Services on a monthly basis with reports covering the major areas of expenditure and income being presented to the Finance and Property Advisory Board at their scheduled meetings. These reports detail current and future variations and provide details of any management action to be taken where appropriate.

Our MTFS ensures longer term targets and assumptions about inflation and government grant are taken into account when annual budgets are established. The MTFS spans a six year period and provides a sustainable basis for the delivery of resources. This provides for the development and improvement of the Council's key services whilst ensuring Council Tax increases are kept to reasonable levels and our financial reserves can be maintained at an appropriate level. The MTFS is regularly reviewed as part of the budget review process and when significant changes occur to ensure its assumptions and financial projections remain soundly based.

Internal Audit regularly reviews the financial accounting systems to ensure that adequate safeguards are in place in order to protect the Council from financial irregularity. The Council's website has a

section dedicated to Combating Fraud and this includes provision to report irregularities through the Confidential Reporting Code. In addition, the Council has a Benefits Investigation Team to investigate allegations of Benefits irregularities.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Committee charged with the responsibility for ensuring such a review is undertaken is the Audit Committee. The review is informed by the work of the internal audit section and the senior 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.

The Internal Audit Section undertakes work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom. A risk model is used to formulate a three-year plan from which the annual workload is identified. The long term and short-term plans are reported to, and agreed by Management Team and the General Purposes Committee. From April 2006 the Audit Committee will undertake the Member role in considering audit plans and receiving reports on the work undertaken.

Regular reports are presented to Cabinet, Committees and Advisory Boards to keep Members and Officers aware of progress against those targets set at the beginning of the financial year.

External Audit reports provided by the Audit Commission are currently reported to the General Purposes Committee, but will, in future be presented to the newly established Audit Committee.

In 2004 the Council underwent its first Comprehensive Performance Assessment (CPA) by the Audit Commission and as a result the Council was awarded 'Excellent' status. Despite this, the Council recognised that it could still improve and set targets for further improvement in 2004/05 and 2005/06. These improvements are monitored by the Council's Corporate Management Team with reports being presented to the Cabinet.

During 2005/06 the Audit Commission issued new guidance on CPA process, and the Council was subject to a review of its 'Use of Resources'. The results were issued in mid March and reported that the Council achieved a level 3, which is defined that the Council is "*performing well, consistently above minimum requirements*". The Audit Commission report contained some recommendations for improvement and they will be reviewed and appropriate action taken during 2006/07.

The Council also undertook several Best Value Reviews during 2005/06, the most significant being a review of Council Tax, Business Rates and Housing Benefits. The results have been published and the recommendations endorsed by Members will be implemented in 2006/07. Other reviews either completed or ongoing include:

- Land Charges.
- Crime and Disorder.
- Building Control.
- Leisure.

The Cabinet and the Management Team have been advised of the implications arising from the review of the effectiveness of the system of internal control by the Authority, and plans to address weaknesses and ensure continuous improvement of the system are in place where appropriate.

During 2005 the General Purposes Committee received the annual letter from the Local Government Ombudsman; it reported that fewer complaints had been received than in previous years and no findings of maladministration had been made.

5. Improvements During the Year

Several improvements have been made during the year in relation to the corporate priorities and best value indicators. These are shown within 'Spotlight' due to be published in April 2006.

The Council has recently created a Customer Contact Advisory Board. The Board will look at how and why customers contact the Council for information and assess how improvements can be made. Contact methods to be reviewed include telephone; face to face; letters; website; email; and SMS (texting). Linked to this the Council recently re-launched its complaints policy which gives details of what we will do in the event of a complaint, helping the authority to serve the public better.

Service Assurance Statements have been issued to Chief Officers in order to provide assurance to the public that the Council has a sound system of internal control.

6. Significant Internal Control Issues.

There are no Audit reports, internal or external, that have identified significant internal control issues during the 2005/06 financial year.

Service Assurance Statements have been returned from all Chief Officers with no significant internal control issues having been identified.

Signed _____

D. R. Hughes CPFA
Chief Executive

Dated _____

Signed _____

Councillor M. S. Worrall
Leader of the Council

Dated _____