

Statement on Internal Control

1. SCOPE OF RESPONSIBILITY

Rossendale Borough Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards, and
- 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 economy, efficiency and effectiveness.

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

2. 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 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 Rossendale Borough Council for the year ended 31st March, 2007 and up to the date of approval of the annual report and accounts. Its effectiveness is considered in section 4 below.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Council's internal control environment include:

- The Constitution, which establishes arrangements for policy setting and decision making and the delegation of powers to members and officers;
- An established business planning process, which sets clear objectives and targets in light of the Council's policy priorities and financial resources;
- A performance management system of regular monitoring and reporting to members of the Council's performance against its plans;
- A risk management framework, which ensures that risks to the Council's objectives are identified and appropriately managed;
- The Medium Term Financial Strategy, budget setting and budgetary management systems which aim to economically, effectively and efficiently use resources in line with corporate priorities and the regular reporting of financial performance to officers and members;
- Financial Regulations and Contract Procedure Rules and a clear supporting framework of financial procedures;
- A structure of centrally monitored devolved financial management that promotes management of the Council's finances at the appropriate organisational level;
- Comprehensive codes of conduct for members and officers that set out clear expectations for standards of behaviour together with job descriptions that make clear senior officer duties in matters of financial, performance and risk management;
- Well publicised and effective arrangements for dealing with complaints and whistle-blowing, and for combating fraud and corruption;

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- A partnership with Lancashire County Council for the management of the internal audit service that works with officers to assess and develop the control environment and which supports management's assessment of compliance with established policies, procedures, laws and regulations.
- Annual quality assurance statements by all Heads of Service which both acknowledge officer responsibilities in matters of internal control and make an annual evaluation of the adequacy of the internal controls within the service area.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by, amongst other things, 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 in their annual audit letter and other reports.

The Council's recent review of the effectiveness of the system of internal control, by Internal Audit in their 2006-07 Annual Report, demonstrates a continued improvement in the Council's internal control systems. Internal Audits overall opinion concluded that "the majority of systems of internal control were found to be adequate and effective, although in some cases, there may be scope for improvement." Where weakness had been identified during the period action follow up reviews by Internal Audit "recognised that the majority of recommendations have either been implemented, or at least addressed". As a result major improvements were in the level of internal control were made since the initial Internal Audit reviews.

As in previous years the issue of the separation of duties continues to be a challenge for any organisation the size of Rossendale Borough Council. Given the size of the organisation the Internal Audit Annual Report recognises that "it is not always practical to achieve an appropriate separation of duties, but it is important to ensure that there is appropriate monitoring of action taken by staff placed in this position." The issue of the separation of duties is therefore something on which the Council and its officers continue to make appropriate and robust assessments of risk.

The Audit Commission has recently published its Annual Audit and Inspection Letter, amongst other things, the key messages to the Council are "improvements have been made to secure adequate performance in its use of resources...", "good progress has been made, in a relatively short timeframe, on data quality management and ethical governance arrangements" and "the IT control environment and arrangements need to be improved to limit the exposure to IT fraud or abuse, although identified issues are being quickly addressed as part of the Council's ICT Strategy. In particular Use of Resources Report (March 2007) recognised the achievement made specifically in the area of internal control resulting in an improved score in this specific area of 2.

The Council and its officers welcome both the Internal and External Auditor's annual reports, detailed Internal Audit reports on service areas which make specific recommendations and those reports and assessments made by the Audit Commission. The Council continues to develop arrangements to address areas of weakness and ensure continuous improvement of the system is in place.

Adequacy of internal control should also be seen in the context of an improving financial position that has been gained over the last 12 months reflected in the Consolidated Balance Sheet, as at 31st March 2007. The Council, despite an anticipated small in year deficit ended the year in a much stronger and healthier financial position. The Council has now the capacity to achieve its upper end target for General Reserves of £750,000 and create a number of specific reserves to cushion it against unknown financial risk and to fund the Council's continuing improvement programme.

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5. SIGNIFICANT INTERNAL CONTROL ISSUES

On the basis of the review of the sources of assurance set out in this statement, Rossendale Borough Council continues to develop and embed satisfactory systems of internal control in order to facilitate the effective exercise of its functions and which include effective arrangements for the management of risk.

The system of internal control will be subject to continuous review to ensure that it continues to meet the needs of the Council and operates effectively. We will continue to improve and develop in a number of areas, including the further embedding of the following management disciplines: finance, performance and risk management. Some issues have been identified and have been raised in the Council's recent Comprehensive Performance Assessment (2007) and specific actions will be taken alongside those that are already contained in the Corporate Plan (including the Best Value Performance Plan) to address them. The table below summaries the various actions to be taken and their source. The latest version of the Corporate Plan and the Comprehensive Performance Assessment are available on the Council's web site at www.rossendale.gov.uk . *{Nb – CPA is due to be published July 07 in time for final adjustments to this Statement on Internal Control, due for final Member approval 27th September 07}*

| No. | Issues | Planned Action |
|-----|---|---|
| | Corporate Improvement Plan | |
| CP1 | 1.3 Stronger relationship between Council and Communities By 2010 we will increase the percentage of electors who can identify their ward councillors LDS 7.4 (Target 44% by 2010. Baseline: 34.7% in 2006/07) | To encourage participation in the democratic process we will implement the improvement action plan developed for Area Forums and the Full Council- .LDS1.11 |
| CP4 | 4.3 Improved awareness and understanding of the Council and its achievements <i>Increase the number of people who feel they know how the Council is performing to 65% (Baseline: 24.6%)</i> <i>Achieve Gold level of the LGA Reputation Campaign</i> <i>Publish and distribute to public places the Council's performance on an annual basis</i> | To deliver the Community Leadership Action Plan and Policy to deliver enhanced community leadership through activities such as: Regular Wards Walks, Citizens Handbook & increasing awareness of the public about democracy and council services. LD7.1 (LAA - C3,S5,S6,S26,S33,S36) To undertake regular Ward Walks with Elected members SSL7.2 (LAA - S20, 21, 22a, 22b, 22c, 1,13, 16, 17 H17, 18) |

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| | | <p>Improve the public's understanding of the Council's performance by providing information about the Council's achievements and performance to the local press and at partner events and by publishing the Council's performance on a dedicated page of the Council's web-site.</p> |
| CP6 | <p>6.1 Strong financial management and the delivery of value for money services (Improvement)</p> <p><i>We will achieve level 3 in the review of the Council's 'Use of Resources' by the Audit Commission by 2010</i></p> | <p>We will undertake a review of the cost base of all services across the Council with an aim to reduce the corporate cost base by £400 – 500k per annum FS6.9</p> <p>We will develop and implement an action plan to consolidate the Council's Use of Resources scores FS6.10</p> <p>We will continue to improve financial management throughout the organisation by applying the CIPFA Financial Model FS6.11</p> <p>We will review the Council's financial procedure rules to better reflect council operations & improve the understanding of these rules by Members, managers and staff. FS6.12</p> <p>We will complete comprehensive review of the Council's land and property holdings. LDS6.8</p> |
| CP6 | <p>6.2 Equipping members to fulfil their role as leaders in the community (Community Network):</p> <p><i>Maintain the Member Development Charter</i></p> | <p>We will continue to support Members by delivering the Member Development Strategy LDS7.10</p> |

No.

Issues

Planned Action

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| | Internal Audit Reporting | |
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| | Officer and Member (i.e. those charged with Governance) response to individual internal audit reports and the Internal Auditors annual report. | 1 – Internal audit report action plans agreed by Heads of Service and Managers 2 – Audit committee meetings minutes and approvals 3 – Heads of Service Statement on Internal Control: annual assurance statements |

Duncan Ruddick
Leader of the Council

Carolyn Wilkins
Chief Executive

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