COPELAND BOROUGH COUNCIL
STATEMENT ON INTERNAL CONTROL 2004/05

1.   **SCOPE OF RESPONSIBILITY**

Copeland Borough 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. Copeland Borough 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, Copeland Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Copeland Borough Council's 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 Copeland Borough 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.

Internal controls have continued to be developed through the year and up to the date of approval of the annual report and accounts.

3.   **THE INTERNAL CONTROL ENVIRONMENT**

The key elements of the internal control environment are described below:

- **Establishing and monitoring the achievement of the Council's objectives**
- Community Strategy, launched October 2003.
- Key objectives published in the annual Best Value Performance Plan (BVPP) and in the Corporate Plan.
- Individual Service Plans, linked to Community Strategy/Corporate Plan, set out key objectives. Addendum plans only in 2004/05, pending restructure.
- Service Plans not monitored corporately in 2004/05, as implementation of the restructure was delayed. Key objectives for 2005/06 to be circulated to members of the Executive by July 2005, performance to be monitored by the Chief Executive /relevant Director.
- Regular monitoring reports to the Executive on achievement of Corporate Plan objectives.
- Achievement of the main objectives also reported annually in the BVPP.

- **The facilitation of policy and decision-making**
- Council's Constitution provides a general framework for governance.
- The Executive meet fortnightly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 5 working days, to allow for effective scrutiny.
- Individual Portfolio Holders have delegated powers.
- Four Overview and Scrutiny Committees, based on cross-cutting themes, have work plans which provide a mechanism for feeding into policy making.

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- Forward Plan details key decisions to be made by the Council, its committees and Chief Officers under delegated powers.

- *Ensuring compliance with established policies, procedures, laws and regulations and the role of risk management*
- Chief Legal Officer (now Head of Legal and Democratic Services) is the Monitoring Officer
- General Standing Orders, Scheme of Delegation and Contract Standing Orders are regularly reviewed.
- Approved Anti-Fraud and Corruption Strategy.
- Internal audit carries out annual audits of the main financial systems and cyclical audits of minor financial and operational systems, based on an annual risk analysis.
- Quarterly reports on audit activity are made to the Audit Sub Group of the Overview and Scrutiny Committee Performance and Resources.
- Risk Management Strategy and Framework approved by the Executive on 17/6/03. This included the establishment of the Corporate Risk Register.
- The Project Manager for any major project has to submit a Project Initiation Document (PID) to the Executive for approval. The PID includes an evaluation of the risks and documents how they will be managed.
- Management Group have undertaken a corporate training programme on Project Management, which includes the evaluation and management of risk.
- During most of 2004/05, documented operational risks were limited to Health and Safety issues. A revised Health & Safety Policy was produced, together with an improvement action plan.
- All managers have received training on Health and Safety risk assessment.
- From March 2005, began process of documenting non-Health & Safety operational risks. Operational risks now identified by Service Managers. Further work required on management of risk.

- *Ensuring the economical, effective and efficient use of resources and the drive for continuous improvement*
- Some standards and targets established for many years but there is a recognised need to extend these.
- Draft Standards for Customer Services, drawn up as part of the Access to Services Review approved by the Executive 6/1/04, not yet approved by Members or adopted corporately.
- Performance against national Best Value Performance Indicators (BVPI's) and implementation plans for all Best Value Reviews are monitored through individual service performance reports and, corporately, by the Policy Unit. The Executive receive reports periodically. Where performance is falling short of the target, corrective action has to be approved.
- Improvement plan drawn up following the 2003/04 Corporate Performance Assessment (CPA). Progress monitored in 2004/05 by the Improvement Board.
- Resources Steering Group ensures that resources are allocated to Council priorities by using a scoring mechanism.
- Draft Procurement Strategy prepared, with improvement action plan. To be implemented in 2005/06 following restructure, which introduces a post of Procurement Officer.

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- *Financial management of the Council and the reporting of financial management*
- The S.151 Officer, now the Head of Finance & Business Development is responsible for ensuring that appropriate officer advice is given, throughout the Council, on all financial records and accounts and for ensuring an effective system of internal financial control.
- Monthly budget monitoring reports are issued to budget holders and variances are reported to the Executive on a quarterly basis.
- Quarterly reports to the Executive on Treasury Management and on financial progress of the Capital Programme.
- Financial Regulations are regularly reviewed. Next review June 2005.

- *Performance management of the Council and the reporting of performance management*
- Bi-monthly performance monitoring reports for the Corporate Plan and PI's are considered by the Executive. These report against key objectives and against the national BVPI's. The standard format for the report was revised in 2004/05.
- Annual Staff Development interviews link individual performance to the service objectives. This process was postponed in 2004/05, pending the restructure, but will be combined with assimilation interviews for all staff by 30 June 2005. Essential training was still identified and carried out in 2004/05.

4. **REVIEW OF EFFECTIVENESS**

Copeland Borough 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.

- The governing body (Full Council) - reviewed the Constitution and Contract Standing Orders in April 2005; considered the annual Audit & Inspection Letter on 25 January 2005; and monitored compliance with the Code of Corporate Governance following consideration of a report by the Executive.
- The Executive - received regular reports on both corporate and individual service performance throughout 2004/05; considered an annual report on compliance with the Code of Corporate Governance on 24 May 2005; and approved the Best Value Performance Plan on 1 June 2005.
- The Audit Sub-Group and Overview and Scrutiny Committee Performance and Resources (OSC PR) - monitored internal and external audit work, including reviewing the adequacy of internal controls.
- The Risk Management Group - monitored Health and Safety issues, insurance claims and progress on the disaster recovery plan. However, no meetings were held in the last 6 months of the financial year. This group has now been relaunched with a Director as chairman and with all Heads of Service as members
- Overview & Scrutiny Committees - there were no significant control issues arising from the "call in" of decisions / inquiries.
- The Improvement Board - monitored progress with the Improvement Plan drawn up following the CPA inspection in 2003/04.
- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area. In view of the restructure, any

outstanding items from key service objectives in 2004/05 will be reviewed and taken forward in the 2005/06 Service Plans.

- The S.151 Officer - issued only one S.151 report, re retrospective approval for funding. The amount was not material [£5,301].
- The Monitoring Officer – no Monitoring Officer reports were produced in 2004/05; no compensation was awarded.
- Internal Audit - undertook a review of the arrangements for Corporate Governance in 2004/05, reported to the Executive 24 May 2005 and referred for consideration by Full Council. Internal Audit also submitted an Annual Report on Internal Control to the Audit Sub-Group 13 May 2005, referred for consideration to Full Council.
- External Audit – published the Annual Audit and Inspection Letter, presented to Members 25 January 2005; reported to OSC PR 8 March 2005 on internal audit's compliance with the CIPFA Code of Practice for Internal Audit in Local Government. Other Audit Commission reports included Corporate Governance; Improving Services through Accessibility and User Focus; Cumbria Safer Communities; Waste Management; Direction of Travel [CPA].
- Ombudsman – no adverse Ombudsman reports in 2004/05.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by all of those mentioned above. Plans to address weaknesses and ensure continuous improvement of the system is in place.

5   SIGNIFICANT INTERNAL CONTROL ISSUES

Action was taken to address the following:-
- Contract Standing Orders were revised in April 2005 and strengthened controls in relation to the management of contracts, following a contractual dispute.
- Improvements needed to be carried out to the Health and Safety arrangements for the Cash office [Work ordered, not yet completed as at 25/5/05]
- Revised arrangements for Casual Workers holiday pay were implemented in April 2005 to avoid a potential breach of the Working Time Regulations.

Improvement plans were drawn up to address issues arising from the Audit Commission's reports and from an inspection by the Benefits Fraud Inspectorate

A further action plan was agreed following the internal audit report on Corporate Governance. These issues are listed below, alongside any issues arising from compilation of the evidence for this Statement. Any actions not previously included in the Corporate Governance Action Plan are now detailed in the Supplementary Action Plan at Appendix B.

    High Priority
- The Risk Management Group needs to meet at least quarterly and operate to its approved terms of reference
- The draft Disaster Recovery Plan should be developed into a Business Continuity Plan, be approved and tested
- Operational Risk Registers should be updated when key service objectives are set following implementation of the restructure.
- A corporate resource plan should co-ordinate the resources needed for key projects to ensure there is the capacity to deliver to timescale.
- Budget holders job profiles should set out accountability for their budgets and express clearly their financial responsibilities
- Following implementation of the restructure, Heads of Service will review any outstanding 2004/05 key objectives and take these forward in the 2005/06 service plans.

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Medium Priority
- The draft Communications Strategy should be revised in line with the improvement plan arising from the Best Value Review of Communications
- The Customer Service Standards should be approved and adopted corporately
- Performance reports should link performance/outputs with financial budgets/expenditure
- Following appointment of the Process Improvement Team, a programme of service reviews should be developed and progress monitored by Corporate Team
- The Employee Code of Conduct should be updated once feedback from the national consultation has been published
- Financial Regulations should be updated in line with Contract Standing Orders and the organisational restructure
- When the revised Security Policy is approved, all employees should be required to say they have read, and will comply with, the Policy [not just new recruits]
- Protocols and codes of conduct should be adopted to ensure that the implications for supporting community political leadership for the whole Council are acknowledged and resolved
- The Corporate Risk Register and Operational Risk Registers should be reviewed and updated quarterly
- The Council should formalise the manner in which the Council considers external risks arising at other bodies that could be applicable to this Council
- There should be independent spot checks to validate performance data submitted in performance reports
- The existing Code of Corporate Governance should be revised in line with the Good Governance Standard for Public Services.
- Improvements need to be made in the speed of both raising and recovering Sundry Debts, together with the standard of evidence of debt.
- A central record of employee and member training undertaken should be maintained to monitor progress against the Corporate Training Plan
- Progress against Service Plans will be monitored by the relevant Director.

Low Priority
- Performance management software should be further considered

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Signature of the Leader of Copeland Borough Council   Date

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Signature of the Mayor, Chair of the Council   Date

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Signature of the Chief Executive   Date

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Signature of the Head of Finance and Business Development   Date