

## **BURY METROPOLITAN BOROUGH COUNCIL**

### **STATEMENT ON INTERNAL CONTROL 2003/04**

#### **1. SCOPE OF RESPONSIBILITY**

Bury MBC 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 Authority 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 authority is also 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 Bury MBC for the year ended 31 March 2004, and up to the date of approval of the annual report and accounts.

#### **3. THE INTERNAL CONTROL ENVIRONMENT**

Bury MBC has a sound control environment. The key elements are:

- Well established procedures are in place for setting and monitoring the authority's objectives.
- The Council has a well developed and clearly understood policy and decision making process.
- Compliance with established policies, procedures, laws and regulations is carefully monitored. Every Council report produced has to consider a range of implications, including financial, legal, risk etc., and additionally, must contain a statement by the Monitoring Officer and by the Director of Finance and E Government.

- The Council has adopted a Local Code of Corporate Governance which has been incorporated into its Anti Fraud and Corruption Strategy. The policy takes a strong line on fraud issues, and there are also sections covering Confidential Reporting (Whistleblowing), Benefit Fraud Prosecutions, Guidance for Members attending outside bodies, and Standards of Conduct for officers and Members.
- A detailed Risk Management Policy and Strategy is in place, incorporating a “live” action plan. The Council is continually improving its approach to risk management under the direction of the Director of Finance and E Government. Each Council department has appointed a lead officer for Risk Management. A comprehensive series of events and training sessions have been held throughout the year, to ensure that risk management is embedded in the activities of the authority. The appointment of a dedicated Risk Manager is imminent.
- Measures are in place to secure the economical, effective and efficient use of resources. All reports and developments are assessed by the Director of Finance and E Government (as outlined above), and The Council’s Constitution contains clear and unambiguous Standing Orders, Financial Regulations and Scheme of Delegated Powers which are regularly updated, and are subject to continual review.
- The Council has a comprehensive Planning and Performance Framework which, coupled with its Best Value Performance Plan helps to secure continuous improvement in the way in which our functions are exercised. Senior management at the authority have received management training during the year, following assessment, based on the Audit Commission’s Performance Breakthrough Model.
- Sound procedures are in place covering the financial management of the authority and the reporting of financial management. This is now incorporated into the Planning and Performance Cycle. A longer term revenue and capital budget cycle (3 year budget forecast) has been introduced and the Medium Term Financial Strategy is regularly updated. Treasury Management is conducted in accordance with a Treasury Management Annual Strategy and Plan, and borrowing is in accordance with the Prudential Code.

#### **4. REVIEW OF EFFECTIVENESS**

Bury MBC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit 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 Council’s external auditors and other review agencies and inspectorates. The following measures are in place to ensure an effective continual review:

- The Council, having adopted a Planning and Performance Framework, carries out a programme of monitoring which runs throughout its annual

cycle. This includes monthly scrutiny of all budgets, bi-annual monitoring of Service Development and Delivery Plans (SDDP's), bi-annual monitoring of Best Value Performance Indicators/Public Service Agreements (BVPI's/PSA's), and bi-annual monitoring of the Corporate Plan. Each summer the lead Members and officers hold a Strategic Forward Planning Event, in order to review performance and re-define corporate objectives.

- The Executive carries out functions which are not the responsibility of any other part of the authority. Several members of the Executive are assigned portfolio areas, and are assisted by non Executive Members who are appointed Lead Member status for particular areas of responsibility. This allows the Executive to monitor the activities of the authority.
- There is a well established Overview and Scrutiny function which has been revised and updated in the light of experience. Scrutiny Panels (internal focus) and Commissions (policy development) review the work of the Council throughout the year and also report annually to Council.
- The Monitoring Officer carries out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, commenting when necessary, or taking appropriate action, should it be required. The Monitoring Officer is also responsible for monitoring the Local Code of Corporate Governance.
- The Director of Finance and E Government prepares a Risk Management Annual Report reviewing activities and progress for the year.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.
- The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and by the Audit Commission. They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Audit and Risk Management submits to them an Annual Report and Opinion, and the external auditor (Audit Commission) submits an Audit and Inspection Annual Letter.
- The Internal Audit Section is a directly employed in-house service, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2003. It operates under the APB (Auditing Practices Board) Guidelines and CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government, as approved by the Audit Committee.
- The Council's external auditors (the Audit Commission) review the activities of the Council and approve the annual accounts.

The Audit Committee has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

The Annual Report and Opinion by the Head of Audit and Risk Management stated “The effectiveness and security of local authority systems and controls are underpinned by the overall control framework. At Bury this is considered to be sound...”

The Audit and Inspection Annual Letter by the District Auditor and Relationship Manager stated “Bury has developed and maintained sound systems of internal financial control. The quality of the work of Internal Audit is good.”

No significant internal control issues have been identified, and based on the various assurances given, satisfactory corporate governance arrangements are deemed to be in place and working effectively.

However, in order to ensure continual improvement, the following are our immediate priorities:

- Develop a series of assurance statements which will allow our executive directors to measure and report on the degree of assurance they obtain from the framework. The intention will be to jointly address any shortfalls.
- Take the development of our Risk Management function on to the next stage following the appointment of a dedicated risk manager.
- Introduce an annual Monitoring Officer’s report which will incorporate a review of the Local Code of Corporate Governance.

The Director of Finance and E Government will report annually on the Local Code of Corporate Governance.

Signed:

Chief Executive

Date

Council Leader

Date