

## **DRAFT STATEMENT ON INTERNAL CONTROL 2006/07**

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

BOLTON METROPOLITAN 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, 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 Council is also responsible for ensuring 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. It evaluates the likelihood of those risks being realised and the impact should they be realised and seeks to manage them efficiently, effectively and economically.

The system of control has been in place for the year ended 31 March 2007 and up to the date of this report and except for the issues detailed at section 5 below accords with proper practice.

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

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

- A strategic planning system which identifies priorities and key aims. These are set out in the Bolton Plan (the Council's Corporate Plan) informed by Borough's Community Strategy "Clear Vision Bright

Future” produced by Bolton’s Local Strategic Partnership. In addition to specific aims the plan embraces the underlying concepts of continuous improvement and delivery of priority developments to address big issues.

- The delivery of Key Aims is addressed through the Corporate Business Planning Process(CBPP) which is integrated with Service Improvement Action Plans. Both elements incorporate performance monitoring and review as core elements.
- A framework of policy plans (some statutory, some local) which are reviewed annually and assist policy formulation.
- Legal, policy and procedural requirements are incorporated in the Council’s Constitution and supporting documentation. Compliance is enforced by a range of measures including: Executive reporting, Member scrutiny, external inspection and audit, performance management and benchmarking, management oversight, internal audit and physical and procedural controls.
- The Council has a well established process of Risk Management including an annual review of strategic risks, an assessment of the likelihood and potential impact of risks and a register which records the responsibility for managing risk and the action taken.
- Best Value is promoted across the organisation through the Council’s Corporate Planning Business Process. Specific areas are selected each year for more detailed reviews of economy, efficiency and effectiveness either through formal value for money reviews or studies arising through other means e.g. scrutiny, customer feed back, benchmarking, inter-authority initiatives.
- The financial management of the authority is structured through Financial Regulations and financial Standing Orders. A framework of regular management information, administrative procedures (including division of duties), management supervision and a system of delegation and accountability support these. Such procedures seek to ensure that transactions are authorised and that material errors or irregularities are either prevented or would be detected within a timely period.
- The Council has established an Audit Committee which has responsibility for providing assurance on the authority’s arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

#### **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 review of the effectiveness of the system of internal control is informed by the work of internal auditors and 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 full Council approves strategic plans and policies. It determines the Council's budget and receives statutory financial, external audit and inspection reports.

The Executive, Executive Member Meetings, Scrutiny Committees and Area Fora receive detailed performance reports and feedback as appropriate. These meetings along with Policy Development Groups engage in detailed consideration of issues which can influence the formulation of future plans, policies, standards and resource allocations.

The Council operates an Internal Audit function whose role is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of the Council's operations and to review arrangements for the security of the Council's assets. Internal Audit is a section of the Corporate Resources Department reporting through the Deputy Director of Corporate Resources. Internal Audit's Terms of Reference state that work is carried out in accordance with the professional standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. The Terms of Reference also provides that Internal Audit has direct access to all senior management including the Chief Executive and Council Members. Internal Audit produce an annual report which provides an opinion on the overall control and risk environment and reports upon significant findings in the year.

Bolton's housing stock is managed through an arms length management organisation; Bolton at Home. Bolton at Home has developed its own process for managing and reviewing the effectiveness of internal controls. The outcomes from this process is included in within this statement.

The above processes provide an overview of the internal controls. Whilst weaknesses are addressed as they are identified and opportunities for continuous improvement are embraced, the following section details potentially significant internal control issues identified in the period of this report.

## **1. INTERNAL CONTROL ISSUES**

In the financial year 2006/07 and 2007/08 to date no significant internal control issues have been identified.

Whilst internal control is found to be effective and performance is satisfactory, under the spirit of continuous improvement, the following areas of new work for 2007/08 have been identified:

- Further development of the role of the Audit Committee
- Develop appropriate processes to enable the Standards Committee to deal with local investigations , and embedding the new Code of Conduct
- Development of good governance and risk management within partnerships.

During 2007/08 the council will also be working to develop an appropriate response to the new CIPFA/SOLACE Governance Framework with a view to reporting in that format for 2007/08.

Signed:

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**Leader of the Council**

**Chief Executive**

