

Please ask for: Pamela Maxfield  
Direct line: 01258 484043  
E-mail: pmaxfield@north-dorset.gov.uk



1 June 2006

**TO: ALL MEMBERS OF THE ACCOUNTS AND AUDIT COMMITTEE**  
**To all other Members of the Council for information**

Dear Member

The **Accounts and Audit Committee** will meet in the **Council Chamber**, Nordon, Salisbury Road, Blandford Forum on **Friday, 9 June 2006** at **9.30 am** to consider the following items.

***All members of Council are invited to attend this meeting.***

Yours sincerely

A handwritten signature in black ink, appearing to read 'Elizabeth Goodall', is written over a white background.

**Elizabeth Goodall**  
**Chief Executive**

## **A G E N D A**

- 1. APOLOGIES**
- 2. DECLARATIONS OF INTEREST**

*Councillors are reminded of their obligations to declare pecuniary, non-pecuniary and Code of Conduct interests.*

- 3. MINUTES OF MEETING HELD ON 26 APRIL 2005**

To consider signing the minutes of the meeting held on 26 April 2006 (*previously circulated*) as a correct record.

#### **4. STATEMENT OF INTERNAL CONTROL**

Report by the Section 151 Officer attached.

***The appendices to this report are not available in a format which will allow us to upload them. If you require copies of them please contact Democratic Services on 01258 484043 or 484052.***

#### **Members of the Committee:**

Cllr I Stewart (Chairman)

Cllr C Kay

Cllr D Milsted

Cllr J P L Tory

Cllr P Webb

# NORTH DORSET DISTRICT COUNCIL

## ACCOUNTS AND AUDIT COMMITTEE

**Date of Meeting:** 9 June 2006

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**REPORT TITLE:** **STATEMENT OF INTERNAL CONTROL AND ASSURANCE FRAMEWORK**

**Portfolio Holder:** **Section 151 Officer**

**Report Author:** Financial Services Manager

<b>Purpose of Report:</b>	To provide members with the background to the Council's assurance framework
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**Statutory Authority:** Accounts & Audit Regulations 2003

**Financial Implications:** None

**Recommendations** Members are asked to review the assurance framework and the Statement of Internal Control.

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### BACKGROUND

1. The Council is required to include with its annual accounts statement, a statement on the system of internal control. The requirement is statutory under Regulation 4 of the Accounts and Audit Regulations 2003.
2. The statement is a public assurance that the Council has a sound system of internal control, designed to help manage and control its risks.
3. The statement is compiled after a review of the effectiveness of the system of internal control and is signed by the Chief Executive and Leader of the Council
4. The control environment in North Dorset operates to:
  - Establish and monitor the Council's objectives
  - Facilitate policy and decision making
  - Ensure compliance with policies, procedures, laws and regulations
  - Ensure efficient and effective use of resources for securing continuous improvement
  - Enable the financial management of the Council
  - Provide effective performance management

5. The Control environment is evidenced by a number of policies, plans and processes amongst these are:
  - The Constitution
  - The Corporate Plan
  - Risk Management Strategy
  - The Business Planning process
  - The Annual budget and budgetary control process
  - Financial Management Regulations
  - Contract Management Regulations
  - The members code of conduct
  - Personnel policies
  - Performance management processes
  - Anti-fraud and corruption policies
  - The Corporate Improvement Plan
6. The Council's system of internal control is seated within an assurance framework – see Appendices 2a and 2b.
7. This framework identifies the main elements of the control environment, the Council bodies which are responsible for the operation of the controls and the bodies responsible for reporting on the effectiveness of the control environment.

## **THE STATEMENT OF INTERNAL CONTROL**

The draft Statement of Internal Control (Appendix 1), describes the internal control environment, gives an assessment of its effectiveness and identifies weaknesses in the system of internal control and lists areas requiring improvement

## **THE ASSURANCE FRAMEWORK**

Appendix 2a gives a summary description of the assurance framework identifying the key elements of the framework, the functions within the Council which monitors the operation of each part of the framework and the bodies responsible for considering the effectiveness of the framework. Appendix 2b shows the context of the framework in terms of the Council's risk management.

## **THE PERFORMANCE MANAGEMENT ASSURANCE FRAMEWORK**

8. The performance management framework is to support the delivery of quality services and their effective performance by the:
  - Establishment of key performance indicators (targets) within the authorities business and corporate planning framework.
  - The measurement and scrutinising of performance against these targets by the Council's executive, senior management team and overview and scrutiny function.
  - Review of high risk and services performing below target.
  - Providing a feedback system that will deliver staff development to improve services and address issues of below par performance.

- The structure of the framework is shown in appendix 3a and the description of its operation in appendix 3b.

## **FINANCIAL MANAGEMENT ASSURANCE FRAMEWORK**

9. The financial management assurance framework is to both aid and deliver effective stewardship, governance and direction of the Council's financial resources. This is achieved by regular financial reporting, financial regulations, the Council's financial management system and a budgetary system that enables the Council's Corporate Plan to drive the medium term financial strategy, which in turn informs the Council's business planning process and annual budgeting system. The operation of framework and its integrity is assured by the work of the internal audit team and the audit work undertaken by the Audit Commission.

The structure of the framework is shown in appendix 4a and the description of its operation in appendix 4b.

## **FACILITATION OF DECISION MAKING**

10. The Council meets regularly to consider strategic directions, policies, plans and progress of the Council. This is set in the context of the Council's constitution, its policy and budgetary framework and its community partnerships.
11. The Council has a Cabinet and an Overview and Scrutiny function which regularly review specific policy areas.
12. There are also regular facilitated workshops for members to identify and discuss issues which may affect the authority.
13. The structure of the Council's engagement with the communities it serves is shown in appendix 5a. The decision making processes are further described in appendix 5b.

## **ENSURING COMPLIANCE WITH ESTABLISHED POLICIES, PROCEDURES, LAWS AND REGULATIONS**

14. The Council has an established structure for ensuring compliance; this includes its scheme of delegation, constitution, financial and contract management regulations, and a review process to ensure that all Council and executive decisions are compliant with legislation. This framework is supported by a range of policies and codes. The main sources of assurance are the internal audit team, the S151 officer and the monitoring officer.

The main elements of structure of the compliance processes are shown in appendix 6

## **RISK MANAGEMENT**

15. The authority has established a risk management system which requires individual team leaders to develop their own risk registers within their business plans; these risks are

then incorporated into a central risk data base which enables a corporate overview to be taken of the Council's operational risks.

16. At a strategic level, a risk management workshop was facilitated by Zurich Management Services; this identified a number of strategic risks for which management strategies were developed. Two further workshops are to be undertaken with Zurich, one with the Council's senior management team and a second with the Cabinet and the Accounts and Audit Committee, this will give the opportunity to review the strategic risks and identify new areas of risk and develop management processes.
17. At operational level, work will continue in raising risk awareness and the processes for managing risk.
18. Appendix 7a shows the structure of the risk management framework and 7b describes the risk management processes.

#### **ENSURING THE ECONOMICAL, EFFECTIVE AND EFFICIENT USE OF RESOURCES AND FOR SECURING CONTINUOUS IMPROVEMENT.**

19. This includes the achievement of targets set in the annual efficiency statement.
20. The challenge processes in vacancy management, comparators with other authorities, the annual budget review process ('star chamber'). This is further supported by a proactive approach to partnerships in support services and service delivery- see appendix 8.

#### **ESTABLISHING AND MONITORING THE ACHIEVEMENT OF THE COUNCIL'S OBJECTIVES**

21. The Council's corporate plan identifies the Council's priorities; the plan now embraces the Council's improvement plan, is informed by the Community Strategy for Dorset and reflects the concept of working with other organisations to ensure that services best meet the needs of local people.
22. The business plan links to the corporate plan informs the medium term financial plan see appendix 9.

#### **RECOMMENDATIONS**

Members are asked to review the assurance framework and the Statement of Internal Control.

**Author:** Barry Marshall  
**Date:** 4 May 2006

**Background papers:**