

EXETER CITY COUNCIL

STATEMENT ON INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

Exeter City 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. Exeter City 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 also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the 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 an acceptable 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 Exeter City 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 Exeter City Council throughout the year ended 31st March 2006 and up to the date of approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

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

Performance Management

The Council has a comprehensive performance management framework that supports the effective monitoring and management of performance, the main elements of this framework are: -

- Exeter's national and local priorities are reflected in the Exeter Vision which, combined with political priorities, translates into the Council's Mission Statement, Strategic, and Service Objectives. The appraisal process disseminates these objectives, and translates Service Objectives into personal objectives and targets.
- A comprehensive range of strategies provides clear direction for the Council and these are accessible to officers, Councillors, partners and the public. The strategies are supported by Action Plans with targets. Progress is monitored by regular reporting to Scrutiny Committees and actions and targets are reflected in appropriate Service Improvement Portfolios.
- Service Improvement Portfolios are designed to focus on outcomes and service priorities to ensure that work is targeted and meaningful. Service Improvement Portfolios identify key performance indicators, illustrate how services contribute to Strategic Objectives, and

identify ways of increasing service contribution to corporate priorities such as sustainability, e-government, community safety and social inclusion.

- The Council has effective mechanisms for ensuring that performance issues can be communicated and addressed across the authority. Objectives, targets and action plans are publicised in accessible formats through articles in the Exeter Citizen, the Council Tax booklet, the Corporate Plan and the Council's website and intranet.
- All significant policy-related proposals and service reviews are reported to Scrutiny Committees, ensuring that Councillors are made aware of key actions of the Council. The scrutiny process ensures that Councillors have the opportunity to discuss or challenge the performance of the Council. Portfolio Holders gain a detailed understanding of the services they are responsible for, are consulted on delegated decisions, and discuss performance at regular briefings with Directors.
- The Council uses a comprehensive performance management system that contains details of Performance Indicator results and targets, which is available to all managers and Councillors. Performance Indicator results, and progress against planned actions, are reviewed regularly by Directors, and by Scrutiny Committees every six months.

Financial Management

A range of financial management measures are in place to ensure the effective use and management of resources including: -

- A medium-term financial plan covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements.
- Operation of the Capital Strategy aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case' linked to Strategic Objectives, and progress in delivering projects is formally monitored by Councillors and Directorate Management Teams.
- Financial stewardship is reported to Councillors quarterly, and is considered regularly by Directorate Management Teams. This is supported by an established budget monitoring process by managers and Accountancy staff.
- Standing Orders and Financial Regulations contained within the Council's Constitution set out the overall framework that governs the management of the Council's finances.

Risk Management

The Council has various mechanisms in place that help it to identify, assess and control risk throughout the entire organisation. The main mechanisms that are in place include: -

- Having a Risk Management Policy that identifies the benefits of active risk management, the process for ongoing risk management and the responsibilities of the Strategic Management Team (SMT) and senior managers
- Full support of Councillors and SMT signified by the Leader of the Council and the Council's Chief Executive signatures on the Policy
- A Risk Management Group (RMG) established in 2003/04 with responsibility for monitoring and reviewing the risk management process and the Corporate Risk Register (CRR)

- Risk Management integration with Service Improvement Portfolios to identify and analyse all Service risks
- A reporting process which enhances risk analysis and ensures that the CRR is a 'living document' through quarterly reviews
- The development of strong links between the RMG and the Health and Safety Group – Key Partners (KPG)
- Reports are made by the Director of Corporate Services to SMT and to Scrutiny Committee - Resources on the CRR and action plan progress
- Responsibility of the RMG and KPG for training and communication of risk management and Health and Safety

4. REVIEW OF EFFECTIVENESS

Exeter City 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 Managers within the Council 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 processes for maintaining and reviewing the effectiveness of the system of internal control are: -

- Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks
- Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks
- Annual service planning to align service development against Strategic Objectives
- Ongoing review of the business of and the decisions taken by the Council by the Monitoring Officer (Head of Legal Services) which include an assurance that the Council has acted lawfully and that agreed standards have been met
- Half-yearly reports to the Council's Scrutiny Committee - Resources on the work of and recommendations made by the Internal and the External Auditors
- Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year end statements
- Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council
- Reviews and, where appropriate, update of the Council's Financial Regulations and Standing Orders

5. CORPORATE GOVERNANCE

Corporate Governance is concerned with the procedures associated with the decision-making, performance and control of the Council and with providing structures to give overall direction to the organisation and to satisfy reasonable expectations of accountability to those outside. To this end we have to make sure that appropriate arrangements are in place to safeguard both the Council's resources and the way in which decisions are made and communicated.

This has resulted in the adoption of a Local Code of Corporate Governance that is in line with suggested best practice principles. The Council currently reports on a review of its corporate governance requirements through the Corporate Plan. The Director of Corporate Services has been given the task of ensuring that these reviews take place, that the Code is operating effectively and is reporting the results to the Council.

The following steps have been undertaken during the year to further improve our Corporate Governance arrangements: -

- Produced and implemented an action plan arising from the findings of the inspection carried out by the Benefit Fraud Inspectorate
- Reviewed the process for declaring receipts of gifts and hospitality
- Implemented the recommendations contained in the Audit Commission's Regularity Audit Report for 2004/05

As a result of a review of our overall arrangements, the following have been identified as actions over the coming year.

- Address the recommendations made by the Audit Commission in their Use of Resources and Data Quality audit reports
- Continue to develop the risk assessment for the re-organisation of local government and plan for all outcomes
- Embedding and rolling out of the new performance management software
- Procuring and implementing a new financial management system

6. SIGNIFICANT INTERNAL CONTROL ISSUES

There are no significant internal control issues to report.

Signed :

Signed :

Date:

Date:

Chief Executive

Leader of the Council