

DRAFT**STATEMENT ON INTERNAL CONTROL****1. Scope of Responsibility**

- 1.1 The 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. The 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.
- 1.2 In discharging this overall responsibility, the Council has to ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, which includes arrangements for the management of risk. This statement is designed to meet the full Statement on Internal Control requirements of the Accounts and Audit Regulations 2003.

2. The Purpose of the System of Internal Control

- 2.1 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 designed to identify and prioritise the risks to the achievement of Bracknell Forest 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.
- 2.2 The system of internal control has been in place at Bracknell Forest Borough Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and, except for the details of principal risks identified in paragraphs 3.3 to 3.10 below, accords with proper practice.

3. The Internal Control Environment**Principal Statutory Obligations and Organisational Objectives**

- 3.1 The vision for Bracknell Forest provides the ultimate goal around which all actions of staff and resources are focussed in the long term. The vision is "to make Bracknell Forest a place where all people can thrive: living, learning and working in a clean, safe and healthy environment." The Council ensures a sustained focus on what matters in Bracknell Forest over the medium term by translating the long term vision of the Council into the Council's fifteen medium term objectives: -
- To lead the regeneration of Bracknell to provide a town fit for the 21st century
 - To promote sustainable communities through innovative housing strategies and effective maintenance
 - To provide a safe framework for developing the community
 - To improve art, culture, sport and recreation provision within the Borough
 - To work with partners to improve health provision within the Borough

DRAFT

- To work with the voluntary sector to improve outcomes for vulnerable groups
- To raise achievement in schools
- To review the provision of school places in Bracknell
- To increase participation in adult learning to improve basic skills for employment
- To achieve a better match of Special Education provision to need
- To create and maintain a quality environment
- To develop and implement transport policies that improve movement and maintenance
- To improve outcomes for children
- To improve older people's lives
- To maintain quality and extend access to all services

Risk Management – Principal Risks

- 3.2 The Council has a Constitution under which members and officers work to ensure compliance with established policies, procedures, laws and regulations. Risk management is becoming embedded in the activities of the Authority. Service Plans from 2005/2006 include a risk assessment that identifies risk factors and actions to mitigate those risks which might affect the achievement of the Council's 15 medium term objectives. The most significant risks identified are set out below together with brief examples of the action taken to mitigate these risks: -

Performance Data

- 3.3 The reliability of performance data has been a recurring theme in external audit and inspection reports. Internal Audit resources were redirected in 2005/06 to focus on the calculation and reporting of performance data, supporting the action that is being taken in this area. Although improvements have been made Internal Audit is planning to carry out more work in 2006/07, in conjunction with external audit, to provide assurance to the Council and external agencies that its performance data is reliable.

Password Controls

- 3.4 Control over passwords remains a concern. An irregularity within the area of trade waste highlighted the risks associated with sharing and not updating passwords. Systems reviews during the last year have identified further areas where password controls and basic security features could be improved. Appropriate recommendations have been made and will be followed up in 2006/07 to ensure that they have been implemented.

CRB Checks

- 3.5 Inadequate records within two schools and home to school transport meant that Internal Audit were unable to confirm that the necessary CRB checks had been carried out in a number of instances. These have been followed up by the department. Internal audit will continue testing for compliance in this important area as an integral part of all relevant audits in the future.

DRAFT

Anti Fraud Culture

- 3.6 As there is always some staff turnover, the Council needs to promote an anti-fraud culture on a regular basis. Although some training has taken place in the last year further work is necessary to improve and maintain awareness of the Council's Fraud and Corruption Policy, Whistleblowing Policy and procedures for complying with the Money Laundering Regulations. This will include publicity material and a continuation of the training programme.

Risk Management Arrangements

- 3.7 The need to review and update the Council's risk management arrangements and the Corporate Risk Register in particular is identified as an issue. The Corporate Risk Register was originally approved by the Executive in 2003 and needs to be refreshed so that all significant risks are incorporated in future Service Plans and budgets. This is one of the key tasks for the recently appointed interim Head of Audit and Risk Management.

Organisational Change

- 3.8 Following the creation of the new Education, Children's Services and libraries Department in May 2005, further organisational change has occurred recently, with responsibility for Bracknell Forest Services moving from Corporate Services and Resources to Social Services and Housing. In addition to this there has been staff turnover at the top levels of management across the Council. Major organisational change has the potential to weaken a previously strong internal control environment. Internal audit work in 2006/07 will include ensuring that the recent organisational changes have not compromised the Council's internal control arrangements.

Resources Available to the Council

- 3.9 Whilst the Council has delivered within budget since 1998 and the 2006/07 Budget was prepared in line with the Medium Term Financial Plan, the Council still faces major challenges in the years ahead if it is to achieve the planned 'soft landing' and deliver a balanced budget that does not rely on the use of reserves and balances. This will be especially difficult if the Council retains its housing stock, as it will be costly to meet the Decent Homes Standard by 2010. The complexities of the Waste PFI contract that is being negotiated at present on behalf of three Berkshire Authorities, including Bracknell Forest, could also have a significant impact on the Council's finances for the foreseeable future. In any event, robust budgetary control arrangements will need to be maintained throughout this period to ensure that spending does not exceed the budget and jeopardise the Council's future financial plans. Internal Audit will review budgetary control each year, as this is one of the Council's key financial systems.

Best Value

- 3.10 A Best Value Review was undertaken on Community Safety, jointly with the Royal Borough of Windsor and Maidenhead and Thames Valley Police. The review identified many areas of best practice but also made 30 recommendations for improvements.

DRAFT

Financial Management

- 3.11 Financial management procedures within the authority are robust and underpinned by the Council's Financial and Contract Regulations. These set out the rules for the control and management of the Council's finances and assets. Budget monitoring procedures are well established and regular reports are produced for the Corporate Management Team. Executive and Scrutiny members also receive regular financial reports each quarter. Financial management is fully integrated into the Council's performance management arrangements. All major risks have been reviewed and appropriate provisions for known liabilities have been made in the Council's balance sheet.

Performance Management

- 3.12 Performance management is the responsibility of individual directors, who report quarterly to Corporate Management Team and their Executive portfolio holder through Quarterly Operations Reports. These reports are available to all members and the public and provide the mechanism through which Executive members are accountable to the Council as a whole and the Overview & Scrutiny Commission in particular. Each quarter the Chief Executive prepares a Corporate Performance Overview Report which highlights key performance issues for both the Executive and the Overview & Scrutiny Commission.

4 Review of Effectiveness

Assurance

- 4.1 Bracknell Forest Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the following: -
- Internal Audit, who have responsibility for reviewing the development and maintenance of the internal control environment and who report throughout the year to the Overview & Scrutiny Commission
 - External Audit, who have responsibility for assessing the relevant significant operational and financial risks that apply to the Council as summarised in the Annual Audit & Inspection Letter from the Audit Commission's Relationship Manager
 - The Chief Executive's Corporate Performance Overview Report
 - Best Value Reviews
 - The work of other review agencies and inspectorates including Ofsted, the Benefit Fraud Inspectorate and the Commission for Social Care Inspection

5. Significant Internal Control Issues

- 5.1 In respect of the principal risks identified in section 3.3 to 3.9 of this statement, we are of the opinion that no significant gaps in assurance exist and that appropriate action is being taken to mitigate the risks identified.

DRAFT

6. Corporate Governance

- 6.1 Members and senior officers are responsible for putting in place proper arrangements for the governance of Bracknell Forest's affairs and stewardship of the resources at its disposal. To this end, Bracknell Forest has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE framework "Corporate Governance in Local Government: A Keystone for Community Governance."
- 6.2 The Borough Solicitor, in his role as the Council's Monitoring Officer, is essentially responsible for ensuring that the Council acts lawfully, to bring any Ombudsmen reports with findings of maladministration to the attention of the Council and to discharge certain responsibilities under the statutory framework relating to member conduct. All reports presented to any of the Council's Committees or the Executive are required to include comments from both the Borough Solicitor and Borough Treasurer bringing Member attention to any legal or financial implications. The Council has a Members' Code of Conduct and training has been provided to all Members including those on the Standards Committee.
- 6.3 During the year the Council has continued to put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice.
- 6.4 We are satisfied that Bracknell Forest's corporate governance arrangements are adequate and operating effectively.
- 6.5 We have been advised about the implications of the result of the review of the effectiveness of internal control by the Authority. Plans to address identified weaknesses and ensure continuous improvement of the system are in place.

Cllr P. D. Bettison
Leader of the Council
June 2006

T. R. Wheadon
Chief Executive
June 2006