

ANNEX 1

2006/07 STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

As the Authority is financed by the public, it has a statutory duty to ensure that this money is used economically, efficiently and effectively and is safeguarded and properly accounted for. The Authority has to operate legally and with regard to various standards. The Authority also has to strive for continuous improvement and reduce its impact on the environment in the way it runs its operation.

To achieve the above, the Authority has responsibility for maintaining a sound system of internal control that supports the achievement of its purposes and reviews its effectiveness. Producing and reviewing the Statement on Internal Control each year is part of evaluating our corporate governance arrangements and has involved discussions with the Vice Chair of Audit and Performance Committee as part of finalising the Statement.

2. The Purpose of the System of Internal Control

The internal control system is based on an ongoing risk management process designed to:

- Identify the principal risks to the achievement of the Authority's outcomes, to operating safely and with the least impact on the environment
- Evaluate the nature and extent of these risks
- Manage them efficiently, effectively and economically

The system is designed to manage risk and therefore gives a reasonable assurance of effectiveness. An absolute guarantee cannot be given, so Members need to be aware that problems can still arise. People associated with the Authority should report any problems immediately and management should act on the findings to correct areas of weakness.

This system of internal control has been in place for the year ended 31 March 2007.

3. The Internal Control Environment

The key elements of control are described below:

- (a) The Authority's work is governed by a number of key policies and plans and the National Park Financial Grant Memorandum. The National Park Management Plan (NPMP) sets outcomes for the National Park working with partners. The Authority's contribution to achieving these is described in our 5 year Corporate outcomes and key corporate actions. The Best Value Performance Plan provides an annual workplan for the Authority showing priorities for action and allocation of resources to achieve our corporate outcomes. Other action plans result from best value, strategic reviews and external audit and inspection reports; and revenue and capital budgets set out the Authority's spending plans.
- (b) The Authority's Standing Orders and other policies describe how it operates and how decisions are made through the Authority and committees. Roles of the Standards Committee and other Committees and staff are defined. The prime objectives are to operate effectively, efficiently, transparently and accountably and within the law. Standing Orders are supplemented by:
 - Scheme of delegation
 - Policies, strategies and procedures of the Authority

- Codes of conduct for Members and officers
- (c) Financial management includes forward planning of expenditure and resources, budget consultation, budget setting and monitoring and final accounts. The aim is to ensure that these are accurate, include information relevant to the user and are completed to agreed timescales. Financial Regulations further support the above by setting out policies and procedures that are to be adhered to.
- (d) A range of internal controls has been established to support the Authority. The aim is to:
- Ensure compliance with policies, procedures and statutory requirements
 - Ensure achievement of corporate outcomes, key corporate actions and priorities
 - Ensure the economical, effective and efficient use of resources
 - Secure continuous improvement in exercising its functions
 - Reduce the impact of the Authority's operations on the environment
 - Provide an effective performance management and reporting process

These internal controls and action taken to strengthen them are set out below.

4. 2006/07 Overview

Since the report covering 2005/06 a number of relevant significant changes have occurred. We have:

- (a) Launched with partners the National Park Management Plan (NPMP) and agreed to establish a NPMP Monitoring Group to monitor achievement against the new vision and outcomes.
- (b) Developed and agreed new National Park Authority (NPA) corporate outcomes and key corporate actions for the next 5 year period identifying our clear contribution to the NPMP outcomes
- (c) Developed and agreed a set of core values which underpin how we operate to serve the National Park and its communities; how we value and treat each other; how we operate within our resources and capacity
- (d) Developed and agreed a new prioritisation process working with Members so that our priorities for 2007/08 could be agreed and resources allocated accordingly.
- (e) Identified key issues and options for the development of our Local Development Framework (LDF) core strategy which will replace key policies of the present Structure Plan and allow much clearer linkage to the key outcomes of the new NPMP. We have started consultation on these in accordance with our Statement of Community Involvement which we have adopted to ensure meaningful individual, community and stakeholder engagement in the LDF process
- (f) Started to review our Performance Indicator framework so that we can be better at measuring our success and performance at all levels from the NPMP down to service plans.
- (g) Reviewed our performance against our Performance Improvement Plan which includes actions to address areas identified for improvement as a result of the National Park Authorities Performance Assessment (NPAPA) peer review in 2005. This has included looking at lessons learnt and achievements made through the capacity grant funded performance improvement partnership project which came to an end in March 2007.
- (h) As part of our performance improvement plan action initiated an organisational development programme led by the Chief Executive which has six streams of action and review:

- Review of Management Team structure with the new Director roles coming into effect from 1 May 2007
 - Creation of Area Field Teams
 - Strengthening strategic work
 - Creation of one Property service
 - Strengthening corporate performance and project management
 - Review of options for support services and HQ customer contacts
- (i) Continued to develop our corporate governance framework in response to auditor feedback. Relevant actions taken in 2006/07 are included below.

Review of Effectiveness of Internal Controls and action taken to strengthen

Control	Review of Effectiveness and action taken to strengthen
<p>Statutory roles of Authority's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.</p>	<p>The Authority, Committees and Chief Officers have a full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. The External Auditor is satisfied with the Authority's arrangements (Annual Audit and Inspection Letter 2005/06). External advice (e.g. counsel advice) is taken where appropriate to strengthen decision making. We have successfully appointed a new Chief Finance Officer, building on internal experience, on the resignation of the previous postholder.</p>
<p>Internal Audit provides independent and objective assurances across the whole range of the Authority's activities.</p>	<p>The External Auditor is able to place reliance on the work of the Internal Audit section (Annual Audit and Inspection Letter 2005/06 and Annual Governance report 2005/06). Internal Audit's work programme is planned so that resources are allocated based on a systematic assessment of the risks facing the Authority in carrying out its functions. Following an updated assessment of risk (which includes risks associated with the implementation of the organisational development programme) an internal audit programme for the next 3 year period starting 2007/08 has been agreed with Audit and Performance Committee (January 2007).</p> <p>Audit and Performance Committee has approved the action plans as a result of the annual report from Internal Audit (June 2006) and the six monthly progress report (January 2007).</p>
<p>External Audit provide a further source of assurance by reviewing and reporting upon the Authority's internal control processes and any other matters relevant to their statutory functions and codes of practice.</p>	<p>The Annual Audit Letter for 2005/06 reported on:</p> <ul style="list-style-type: none"> a) An unqualified opinion on the 2005/06 final accounts confirming that the Authority continues to have robust arrangements in place to prepare the financial statements b) An unqualified opinion on our first value for money audit concluding that we have adequate arrangements in place for securing economy, efficiency and effectiveness in our use of resources c) The results of the Planning Performance audit progress report which had been requested by Members to be part of the audit plan. Action plans to address the issues raised including the Authority's status as a Planning Standards Authority were agreed by Audit and Performance Committee in September 2006 and Members were pleased to note progress to date against the action plans at the Audit and Performance Committee in April

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	<p>2007. Performance in planning service continues to be monitored by managers and the Audit and Performance Committee.</p>
<p>Risk Management policies and procedures are in place with the objective of ensuring that the risks facing the Authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.</p>	<p>Following significant action in 2005/06 we reported to Audit and Performance committee in June 2006 on progress against the risk management action plan and in April 2007 on our quarter 4 outturn against the 2006/07 risk register. Further improvements this year on risk management processes have been limited to:</p> <ul style="list-style-type: none"> a) Ensuring better integration with the service planning process and identifying with Heads of Service those risks that need to be monitored more closely at a corporate level b) Reviewing insurance policies and re-tendering for the contract c) Monitoring the movement of risk, up and down, over the year as well as monitoring mitigating action on a quarterly basis <p>Risk management is now more closely integrated with our performance management framework and exception reporting on performance. Having transferred this responsibility to HR and Performance we need to review progress against our original action plan.</p> <p>The significant legal and financial risks associated with minerals cases have been monitored through the Resource Management Team and has included consultation with the Chief Finance Officer and reports on mitigating action to the Authority</p> <p>The 2007/08 corporate risk register has been agreed by Audit and Performance Committee in April 2007.</p>
<p>Provision of effective, efficient and responsive system of financial management systems.</p>	<p>Our financial systems and reporting processes continue to prove effective in supporting the Authority to achieve its priorities and outcomes and in forward planning. This has been particularly important in a continuing climate of reducing resources.</p> <p>Our capital strategy has developed further, with our first commitment to borrowing, alongside the external funding strategy (which is monitored through the Strategic Investment Group) and Asset Management Plan. More work needs to be done to pull all these together in 2007/08 and a Member workshop is planned in October 2007.</p> <p>Procedures were put in place to ensure the completion of the 2005/06 final accounts by the end of June 2006.</p> <p>Financial Procedures are in place consisting of:</p> <ul style="list-style-type: none"> a) Financial reporting and budgetary control b) Use of Exchequer accounts system c) Internal Financial Procedures – final draft in place <p>These procedures are continually reviewed to ensure their effectiveness, although generally they have worked successfully to date.</p> <p>A Procurement Strategy was agreed by Members in March 2007. Work will continue to implement the action plan including developing further the strategic procurement checklist for line</p>

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<p>Codes of Practice are issued by external bodies in respect of Authority services and processes, with which the Authority is expected to comply.</p>	<p>managers.</p> <p>The Authority's staff follow Codes of Practice relevant to different operations and professions across the Authority. This includes CIPFA Codes of Practice on:</p> <ul style="list-style-type: none"> • Local Authority Accounting in the UK: A Statement of Recommended Practice • Prudential Code for Capital Finance in Local Authorities • Treasury Management in the Public Services • Corporate Governance in Local Government
<p>The scrutiny function is carried out and developed through Committees covering a wide range of Authority functions.</p>	<p>We have continued to develop the scrutiny role of the Audit and Performance Committee. In 2006/07 we have:</p> <p>a) Reviewed Partnerships and External Funding through two Member scrutiny teams. These reported to Audit and Performance Committee in January 2007 and have resulted in action plans for improvement including recommendations to strengthen corporate governance arrangements through:</p> <ul style="list-style-type: none"> • producing a partnership policy • developing a database for mapping current partnerships • producing a protocol and toolkit for evaluation of new and existing partnerships and guidance on appropriate governance considerations • developing a commissioning role for the Strategic Investment Group to ensure a more specific connection between Corporate Priorities and external funding bids • making improvements to the Business Case template used for submissions to Resource Management Team • producing a schematic for Members and staff of the controls which create the governance and financial framework for external funding <p>b) Developed a toolkit for scrutiny teams</p> <p>c) Surveyed staff and Members to gain feedback on the scrutiny process and guidelines. It is generally felt that it is too early yet to assess the impact of scrutiny on performance improvement</p> <p>d) Agreed a work programme for the Audit and Performance Committee which includes a programme of strategic reviews and scrutiny topics for the forthcoming year on Recreation Management and Recreational Strategy</p>
<p>The role of the Standards Committee is to promote and maintain high standards of conduct by Members and co-opted Members.</p>	<p>During 2006/07 we have:</p> <p>a) Consulted Members further on the proposed changes to the Members' Code of Conduct with training planned for July 2007 in advance of the new code being implemented</p> <p>b) Agreed a Local Investigation of Complaints procedure in case any complaints of a Member's misconduct are referred to the Monitoring Officer</p> <p>c) Made amendments to the Local Determination of Complaints procedure in light of new Regulations</p> <p>d) Made amendments to the Planning Protocol to take account of the Standards Board advice on membership of lobbying groups, the representative role and 'dual hatted members'</p> <p>e) Agreed the Monitoring Officer protocol</p> <p>f) Considered the annual report on Members' declarations of</p>

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	<p>interests at meetings g) Updated our advice to Members and staff on gifts and hospitality h) Reminded staff of our advice on declaration of interests.</p> <p>It is likely that the focus for improvement in 2007/08 will be on introducing the new Members' Code of Conduct and developing the whistle blowing policy on guidance from internal audit.</p>
<p>Performance monitoring processes are in place to measure progress against outcomes and to provide for remedial action where appropriate.</p>	<p>Our performance management arrangements were identified during the NPAPA process as not being sufficiently robust and in response we developed an improvement action plan with a project team bringing energy and focus to delivering that. In 2006/07 we have:</p> <ul style="list-style-type: none"> a) Agreed common terminology and definitions for our performance management framework b) Introduced a service plan template for Heads of Service and provided support to Heads of Service through briefings c) Recorded all service actions (as reflected also in our Best Value Performance Plan) and how they contribute to key corporate actions on our performance management database so that performance can be monitored more closely over the year d) Started a review of indicators so that we can develop better measures of success to monitor achievement of NPMP outcomes and NPA outcomes e) Reviewed the appraisal process (now called the Joint Performance and Achievement Review) to ensure a more visible link on how individual work programmes contribute to the Authority's key corporate actions and to improve our performance on the number of reviews successfully carried out. <p>Improvement work continues into 2007/08 and we will be evaluating the success of our new monitoring and reporting arrangements over the next year.</p>
<p>The Authority remains committed to continuous improvement through the implementation of performance improvement plans</p>	<p>During 2006/07 the Audit and Performance Committee has considered:</p> <ul style="list-style-type: none"> a) strategic review reports on: <ul style="list-style-type: none"> • Implementing Electronic Government • Access and Recreation service • Losehill Hall • Policy Strategy and Partnerships service • Planning Performance b) the lessons learnt and achievements of the Performance Improvement Partnership project, funded by the Government's capacity building fund, which came to an end in March 2007 (reported to April 2007 meeting) c) progress against our Performance Improvement Plan showing progress and success in many areas but also highlighting more needs to be done especially on: <ul style="list-style-type: none"> • Developing a more strategic approach to handling minerals issues • Strategic review of recreational facilities

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	<ul style="list-style-type: none"> • An Authority wide sustainable development action plan • Engaging staff in transformational change and service improvement • Securing further investment in performance improvement • A structured approach to becoming a learning organisation <p>An action plan for continuing improvement is in place for 2007/08 including a project plan for implementation of the Organisational Development proposals. An environmental management action plan is being developed and will be reported to Audit and Performance Committee in 2007 following the Authority's signing of the Nottingham declaration on climate change at the end of 2006.</p>
<p>Asset management planning is underway and policies already exist for the use of capital receipts and for the use of an option appraisal methodology when determining the best use of assets.</p>	<p>The Asset Management Plan portfolio review (phase 2) has been completed involving staff and Members at a workshop in March 2006 and agreed by the Authority in May 2006.</p> <p>Action to achieve implementation has been planned over a 4 year period but other than significant progress on a few properties, including North Lees Hall and buildings, project plans are needed for progressing many other actions. This will be addressed in 2007 alongside more work on developing our capital programme which includes a Member workshop in October 2007.</p> <p>Disposal guidance has been produced during the year with proposals for the use, disposal or investment in assets being considered by Resource Management Team and Members on a business case approach including an options and financial appraisal. A corporate planned maintenance programme has been developed for the first time in 2006/07.</p>
<p>Reports from external agencies and inspectorates, for example, the Local Government Ombudsman and Health & Safety inspectorates are addressed promptly.</p>	<p>Two Ombudsman complaints resulted in the Ombudsman finding against the Authority: one being settled locally and one being recorded as maladministration with a report. The latter was reported to the Authority in June 2006 with a full statement on action to be taken to address weaknesses identified. The other was similarly addressed by line managers and will be reported to Members through the annual report to Audit and Performance Committee in July 2007. The new complaints procedure and processes will be evaluated in 2007 for some changes on handling vexatious complaints and to streamline the process further following feedback from the Head of Planning Service.</p> <p>The Authority was targeted for support on its LDF function in April 2007, following an initial approach from Government Office East Midlands. This was followed by a visit from consultants, working on behalf of the Planning Advisory Service (PAS) and has resulted in a report assessing the foundations put in place by the Authority in order to deliver its LDF. Areas requiring support are identified and the Authority is in the process of developing an action plan to address the issues raised.</p> <p>An approach has also been made to PAS regarding potential help in improving performance on minerals and major applications following the Authority being identified as a Planning Standards</p>

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<p>Services are delivered by trained, skilled and experienced personnel.</p>	<p>Authority.</p> <p>Having completed phase 1 of the Workforce Plan action plan Phase 2 has now been agreed building on previous action and focusing on:</p> <ul style="list-style-type: none"> • Development of secondment and succession planning policies • Simplification of management competencies • Finalising the Learning and Development Policy • Rolling out the partnership mentoring programme • Evaluating the impact of the Exceeding Excellence programme <p>The Authority continues to provide a corporate training programme as well as meeting continuing professional development needs through service budgets. In 2006/07 corporate training has not only focused on developing our leaders but has also included equalities, coaching and mentoring, project management, pre-retirement, appraisal skills, recruitment and selection and health and safety training as part of the corporate approach to improving performance and corporate governance controls.</p> <p>We are planning for a review of delegation in decision making to staff in 2008 as part of continuously reviewing the strategic role of Members and the implementation role of staff.</p> <p>A full Member training programme has been provided in 2006/07 although attendance at some events by Members has been low. In preparing for the impact of a reduction in Members from 38 to 30 in 2007 we have:</p> <ul style="list-style-type: none"> • Agreed an Induction programme for new Members • Reviewed Members' involvement in outside bodies resulting in recommendations for less Member involvement where we are heavily engaged and for finding opportunities to become more involved in areas like minerals, climate change and natural resources, cultural heritage • Initiated a review of Member training and development for recommending changes in 2007

5. Significant Internal Control Issues

It is considered that there are no significant internal control issues.

Signed _____ Signed _____
 Chief Executive Vice Chair of Audit and Performance Committee