

**NEW FOREST NATIONAL PARK AUTHORITY
DRAFT STATEMENT OF INTERNAL CONTROL YEAR ENDING 31 MARCH
2007**

1 Scope of responsibility

- 1.1 As Chairman and Chief Executive of New Forest National Park Authority, and because the Authority receives public funds, we have 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 conduct its business in accordance with the law and with regard to proper standards. The Authority also has to strive for continuous improvement in the way it runs its operation.
- 1.2 To achieve the above, the Authority has responsibility for ensuring sound financial management and a sound system of internal control and internal audit that supports the achievement of its objectives and reviews its effectiveness.
- 1.3 This statement sets out how the Authority has sought to meet these requirements for the financial year ended 31 March 2007.

2 The purpose of the system of internal control

- 2.1 The system of internal control is based on an ongoing process of risk management designed to manage risk to provide a reasonable but not absolute assurance of effectiveness. The risk management process is designed to :
- identify the principal risks to the achievement of the Authority's policies and objectives;
 - evaluate the nature and extent of those risks, including the likelihood and potential impact of their being realised; and
 - manage them efficiently, effectively and economically.

3 The internal control environment

- 3.1 The Authority was established by Order made under the Environment Act 1995 on 1 April 2005 and assumed its full powers and responsibilities on 1 April 2006. In addition to managing all of its statutory functions consistently with its statutory requirements, some resources have been devoted during its first year of being fully operational to trying to complete the development of the infrastructure and corporate policies required by a new organisation.

3.2 The Authority has recognised the need for a strong control environment in the course of developing the principles on which it will conduct its business. Factors that influence the control environment include integrity, ethics, operating style and the way that management and members assign responsibility and authority.

3.3 Key elements of the Authority's control environment are set out below.

Establishing and monitoring the Authority's Objectives

3.4 The Authority publishes its objectives in a variety of plans, taking as its starting point the two purposes of national parks, and the socio-economic duty, enshrined in national park legislation. The principal plan is the National Park Management Plan – the Authority adopted the Strategy for the New Forest 2003 as its interim National Park Management Plan in May 2005. The Authority's second Corporate Plan (Best Value Performance Plan) was approved on 24 April 2007 and translates the aim and objectives from the Management Plan into priority objectives, actions and operational and service targets for the Authority's workplan for 2007/08 and beyond. Revenue and capital budgets set out the Authority's spending plans (see below).

3.5 Business Plans which are linked to the objectives in the Corporate Plan, are developed each year for individual Directorates and Units.

3.6 Progress with Business Plans is monitored by the Management Board and Resources and Performance Committee receives regular reports on progress in meeting Corporate Plan objectives and targets.

Policy and decision making

3.7 The Authority's Standing Orders and Scheme of Delegation to Committees and officers, and other corporate policies, describe how it operates and how decisions are made through the Authority and its committees. Other than the powers delegated to the Standards, Planning Development Control and Resources and Performance Committees, all other policy issues are referred to the full Authority for decision. The roles of the Standards Committee, the Planning Development Control Committee and the Resources and Performance Committee are defined.

3.8 The development of policy has been facilitated by meetings with members and other stakeholders. Engagement with the public has been promoted through varied timing and venues for all Authority and Committee meetings. The prime objectives are to operate effectively, efficiently, transparently and accountably within the law.

Ensuring compliance with established policies, procedures, laws and regulations

- 3.9 To ensure compliance with established policies, procedures, laws and regulations, the Authority has supplemented the Standing Orders or established procedures as follows :
- monitoring and compliance roles are embedded in the responsibilities of both the Authority's Monitoring Officer and Section 151 Officer, both of which are provided externally to the Authority;
 - Financial Regulations and definition of the role of the Chief Finance Officer;
 - Treasury Management Policy and Prudential Code for Capital Finance;
 - approved Scheme of Delegations;
 - approved Code of Practice for Corporate Governance and agreed arrangements for monitoring compliance by the Authority;
 - Codes of Conduct for members and staff and local protocols on member/officer relations and planning matters;
 - professional training for both staff and members;
 - appointment of independent member to chair the Standards Committee which promotes good practice and compliance by members with relevant codes and protocols;
 - internal and external audit opinion on the legality of transactions and governance arrangements;
 - risk assessment for all programmes and projects.

Financial management and reporting

- 3.10 The arrangements for financial management and reporting are now established in the Authority.
- 3.11 In preparing its budget for its second full year of operation - 2007/08 - the Authority adopted an expenditure planning process which required all bids to be supported by a business case that identified its link to the Corporate Plan. All proposals for savings and expenditure were scrutinised by the Management Board prior to formal proposals being considered by the Resources and Performance Committee on behalf of the Authority. The Financial Strategy and budget forecast for the third financial year was considered and approved by the Authority in February 2007.
- 3.12 The Authority's main source of finance is an annual grant from its sponsor Department, Defra, with some additional income from planning fees and services and interest on investments. Quarterly claim forms showing forecasts and actual expenditure incurred are returned to Defra for monitoring purposes. In addition, for the purpose of financial monitoring, regular financial reports were available to officers and members, showing

the latest forecast spend for the year and actual costs and income received.

3.13 The Authority is discussing the sustainability of its budget in the longer term with Defra and will factor the outcomes of those discussions and the implications of the Comprehensive Spending Review settlement for Defra into a new three-year strategy to be completed later in 2007.

3.14 The financial control function includes:

- a comprehensive budgetary control process which ensures budgets are set within the financial limits of the Authority and that variations are reported;
- strategic financial planning and treasury management;
- maintenance of the Authority's main accounting system;
- ensuring Financial Regulations are enforced;
- setting approved expenditure parameters within the Authority's accounting system;
- management of financial reporting processes to officer and member meetings;
- member access to regular financial information.

3.15 Financial management has been delegated by the Authority to the Resources and Performance Committee, established in July 2006.

Ensuring the economic, effective and efficient use of resources and securing continuous improvement

3.16 As a new organisation, the Authority has adopted the principle of achieving best value from the resources it has available for the delivery of services. This principle has been endorsed by members through the Corporate Plan process. Many of the objectives of the Authority will be achieved through working with partner organisations and the voluntary sector.

3.17 The Authority continues to develop and manage its resources within its financial constraints and in the spirit of continuous improvement. During the year, a review of the planning administration function was undertaken to optimise use of resources and improve efficiency in procedures. Also, as part of the expenditure planning process towards preparation of the budget for 2007/08, all service costs were subject to review to ensure resources were directed to meet key objectives of the Authority. Consideration was also given to the senior management structure.

Performance management

- 3.18 The Authority has continued to develop a formal performance review process involving regular reports to Resources and Performance Committee and an annual report to the Authority. Among other things, this includes an full appraisal process for staff (rolled out in May 2007) supported by individual objectives and targets linked back to section Business Plans and the Corporate Plan, which will be monitored by the individual staff and their line managers.
- 3.19 The Authority published an annual Best Value Performance Plan (Corporate Plan) and submits annual returns to government.

4 Review of effectiveness of internal control

- 4.1 The Authority will review the effectiveness of its systems of internal control at least annually, informed among other things by the work of internal audit and the managers in the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments from the external auditors in their annual governance report to the Authority.
- 4.2 The Resources and Performance Committee and the Standards Committee both have a role in monitoring aspects of corporate governance within the Authority.
- 4.3 In line with good practice and advice given by the Chartered Institute of Public Finance and Accountancy (CIPFA) the Resources and Performance Committee's terms of reference were amended during the financial year to take on the responsibilities of an 'audit committee'.
- 4.4 An audit plan was agreed with the Authority's external auditor for the audit for 2006/07 and the results of the work during the year were reported to the Resources and Performance Committee. The governance letter to the Authority, which is produced at the end of the audit for 2006/07, will be considered by the Committee.
- 4.5 The effectiveness of the Authority's systems of internal control can be further demonstrated through:
- the Corporate Governance annual review and report to the Resources and Performance Committee;
 - an effective Internal Audit service, as reviewed by the external auditor;
 - the imposition of controls together with effective operational management by the Management Board.

5 The role of Internal Audit

5.1 Internal Audit is a mandatory function whose primary aim is to ensure that the Section 151 Officer's responsibilities, to maintain proper control over the Authority's financial affairs as defined by S151 of the Local Government Act 1972, are fully met. The Internal Audit service will be subject to a triennial review by the Authority's external auditors during 2007/08.

5.2 The primary functions of Internal Audit are to:

- act as an independent appraisal function for the review of the internal control mechanisms adopted by the Authority;
- undertake to review, on a regular basis, all fundamental financial and business systems to ensure good stewardship of assets and probity is maintained;
- review, appraise and report upon the extent to which the Authority's assets and interests are accounted for and safeguarded from losses of all kinds. Such losses may arise from fraud and other offences, waste, extravagance, inefficient administration, poor value for money or any other cause;
- comment on the suitability and reliability of financial and other management data developed by the Authority;
- liaise with the Audit Commission responsible for the Authority's external audit service on at least an annual basis to formulate agreed audit action plans and to complement working arrangements.

5.3 The annual performance and monitoring report on the activities of internal audit was reported to the Resources and Performance Committee in March 2007.

6 Corporate governance

6.1 The Authority's Monitoring Officer and Section 151 Officer are able to provide assurance as to the effectiveness of its corporate governance arrangements. This follows the annual review on the adequacy of these arrangements, measured against the local code of practice as reported to the Resources and Performance Committee in June 2007.

6.2 The review identified further development of the current Business Continuity plan as an area for improvement to further enhance effectiveness in 2007/8. This will be monitored and reported on at the next review.

Conclusion

We are pleased to report that the New Forest National Park Authority has sound levels of internal control and is fully committed to the principles of continuous improvement. There are no matters of consequence to report.

..... Clive Chatters, Chairman

.....Lindsay Cornish, Chief
Executive