FINAL ACCOUNTS AND AUDIT COMMITTEE
23 March 2006

_____

STATEMENT ON INTERNAL CONTROL 2005/06 - UPDATE

Purpose of Report

1. To update Members on developments in relation to the ongoing review of the effectiveness of the Council's internal control system, in preparation for the drafting of the Statement on Internal Control (SIC) for 2005/06.

Background

2. At its meeting on 5th December 2005 the Committee agreed that the SIC Management Group (SICMG) should focus on the following key areas and sources of assurance in its ongoing review of the effectiveness of the Council's internal control system:

- Work of the Standards Committee in relation to ethical governance;

- Work of the Overview and Scrutiny Committees and Task Groups;

- Developments in risk management through the Corporate Risk Management Group;

- The CPA "Use of Resources" assessment, and actions required in relation to internal control;

- Work of Internal Audit and External Audit

- Performance management

- Assurance statements from service managers

- Budgetary control – adult and children social services

Developments in Key Areas

3. The SICMG has met to review developments in the above areas and has noted the following:

Standards Committee

4. In January 2006 the Standards Committee received a report on the work that is being undertaken to strengthen the Council's whistleblowing and anti-fraud and corruption policies and procedures. These form a key line of enquiry in the Use of Resources component of the Comprehensive Performance Assessment.

5. New policies and procedures have been agreed and steps are now being taken to implement these through:

    • publicity and communication to staff;

      (Article in the Mag; Intranet; Team Briefing - News and Views);

    • ensuring the underlying supporting processes are in place;

      (Register for incidents and investigations; dedicated telephone number for whistleblowing allegations; standard arrangements for registration of gifts and hospitality and officers' interests within departments)

    • training for managers;

      (Senior Managers Conference; Manager Development Programme)

6. The Standards Committee is monitoring progress in the implementation of the new policies and procedures.

Overview and Scrutiny

7. The work of the Overview and Scrutiny Committees and Task Groups will be reviewed over the next few months on matters relating to the Council's internal control arrangements. This will take account of the work of the Task Groups on Budget Process, Performance, and the Corporate Consultation Strategy, and the work of the Overview and Scrutiny Committee on the Corporate Procurement Strategy and Procurement Governance.

Risk Management

8. Developments in relation to risk management are the subject of a separate report to Members at item 8 of the Agenda.

Use of Resources Assessment

9. The use of resources assessment evaluates how well the Council manages and uses its financial resources. The assessment is conducted annually and feeds into the annual Comprehensive Performance Assessment (CPA) score.

10. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services. It has five themes covering:

- financial reporting;
- financial management;
- financial standing;
- internal control;
- value for money;

11. The results of the assessment are outlined in the Table below:

Table 1

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
VFM	3 out of 4
Overall use of resources	**2 out of 4**

Source: (Note: 1 = lowest, 4 = highest)

12. The Council is taking steps to address the key issues identified in the Use of Resources report and has drawn up a detailed action plan, highlighting the criteria that needs to be met and any improvement required in each theme. The action plan identifies the responsible officers to take forward specific actions and sets out the timescales within which the action is to be completed.

13. The SICMG will monitor progress against the action plan, focusing particularly on the section on internal control.

14. The Use of Resources Assessment and the implementation of the Action Plan provide an important source of information and assurance in measuring the effectiveness of the Council's internal control arrangements and will form a key part of the "Review of Effectiveness" section in the SIC for 2005/06.

Work of Internal Audit and External Audit

15. Separate reports on the Annual Audit and Inspection Letter 2004/05 and the Internal Audit Terms of Reference and Strategy appear at items 9 and 11 of the Agenda.

Audit Commission's follow-up review on Performance Management

16. This is due to take place soon. The outcome will be considered by the SICMG and reported to the next meeting of the Committee.

Assurance Statements from Service Managers

17. Representatives on the SICMG will ensure that the Directors Assurance Statements are reviewed at departmental management team meetings during April and May. Completed assurance statements will be included with the draft SIC 2005/06 in the report to Committee in June.

Budgetary Control in relation to adult and children social services

18. This is identified as one of the key strategic risks in the Council's Risk Register (see Appendix to report on item 8 of this Agenda) and is the subject of regular monitoring reports to Cabinet. The position will be reviewed further at the June meeting to determine whether this should be included as a significant issue of internal control in section 5 of the SIC for 2005/06.

Presentation and Content of SIC 2005/06

19. The Chief Internal Auditor and I have met with the District Auditor to review the content and layout of the SIC having regard to CIPFA guidance and examples of best practice from among other authorities. We are also seeking advice from the Communications Team on how the presentation and readability of the document can be improved. The draft SIC for 2005/06 will be submitted for consideration by the Committee in June.

Financial Implications

20. There are no financial implications arising from the issues covered in this report.

Environmental Impact of Proposals

21. None identified.

Risk Assessment

22. There are no risks associated with the issues covered in this report.

Proposal

23. The Committee is asked to note the position so far in relation to each of the key areas of review and that the draft SIC for 2005/06, based on the SICMG's review of the effectiveness of the Council's internal control system, will be brought to the next meeting of the Committee in June.

IAN GIBBONS
DEPUTY MONITORING OFFICER

_____

Report Author: Ian Gibbons, Deputy Monitoring Officer
Unpublished documents relied upon in the production of this report: None.

Process for Reviewing the Effectiveness of the Council's Internal Control Framework in preparation for the Statement on Internal Control 2005/06

The SIC Management Group will focus on the following key areas and sources of assurance in its ongoing review of the effectiveness of the Council's internal control system, for the purpose of preparing the Council's Statement on Internal Control for 2005/06:

- The work of the Standards Committee in relation to ethical governance.

- Developments in risk management, through the Corporate Risk Management Group.

- The CPA "Use of Resources" assessment, and actions required in relation to internal control. The assessment report is due to be published in December.

- The work of Internal Audit and External Audit, and the issues arising through their reporting processes. The Audit Commission's annual audit and inspection letter will be available in January / February 2006.

- Performance management issues arising from the Audit Commission's follow-up review and CPA Service Assessment results.

- Assurance statements from service managers

- Budgetary control in relation to adult and children social services.

- Compliance with Gershon requirements, through the Performance and Efficiency Group.