

FINAL ACCOUNTS AND AUDIT COMMITTEE

14 December 2005

STATEMENT ON INTERNAL CONTROL - REVIEW PROCESS FOR 2006/07

Purpose of Report

1. To ask the Committee to agree the process for reviewing the effectiveness of the Council's internal control system in preparation for the Statement on Internal Control (SIC) for 2006/07.

Background

2. Regulation 4 of the Accounts and Audit Regulations 2003 requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the Council's financial statements.
3. The purpose of the SIC process is to provide a continuous review of the effectiveness of the Council's internal control and risk management systems, so as to give assurance on their effectiveness and ensure that any weaknesses identified are addressed. The process is intended to consolidate and strengthen the corporate governance and internal control framework of the Council.

Review process for 2006/07

4. The SIC Management Group is responsible for conducting the review of the effectiveness of the Council's system of internal control. It does this by obtaining and evaluating assurances from a variety of sources, both internal and external, having regard to guidance contained in the "CIPFA Rough Guide for Practitioners". The Group maintains regular contact with our external auditors, the Audit Commission throughout the process and progress is reported quarterly to this Committee.
5. Last year the Committee agreed that the review process should focus on the following key areas and sources of assurance:
 - 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
6. This approach provided a sound basis for reviewing the effectiveness of the Council's internal controls and led to a comprehensive SIC for 2005/06. The Audit Commission endorsed this by confirming in its Annual Governance Report dated September 2006 that the Council has good arrangements for collating information to inform the SIC and that the 2005/06 SIC was comprehensive.
7. It is proposed that the Committee adopts the same approach this year in connection with the preparation of the SIC for 2006/07, with the addition of **partnership arrangements and governance**. This was identified in the SIC 2005/06 as a significant internal control issue. The Council has instigated a review of its partnership arrangements with a view to ensuring that robust governance and control arrangements are established for all significant partnerships. It is proposed that progress in this area is reviewed by the SIC Management Group and the position reported regularly to this Committee.

Financial Implications

8. There are no financial implications arising directly from this report.

Environmental Impact of Proposals

9. None identified.

Risk Assessment

10. The Council's overall risk management is enhanced by a continuous review of its internal control framework.

Conclusion

11. The SIC process provides a valuable tool and checklist for the Council in satisfying itself that the system of internal controls it has in place is operating satisfactorily. The process will be used to actively promote the protection of the Council's interests and the achievement of its strategic objectives.

Recommendation

12. The Committee is asked to agree the process for review as outlined in paragraphs 5-7 above and to note that a progress report will be brought to the next meeting of the Committee in March.

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Unpublished documents relied upon in the production of this report: None.