

**FINAL ACCOUNTS AND AUDIT COMMITTEE
28 JUNE 2007**

**STATEMENT ON INTERNAL CONTROL IN
LOCAL GOVERNMENT 2006/07**

Purpose of report

1. To ask the Committee to consider a draft Statement on Internal Control for 2006/07 for initial comment before final approval is sought from the Committee at its meeting on 27 September 2007.

Background

2. The Council is required to conduct an annual review of the effectiveness of its system of internal controls and publish a statement on internal control (SIC) with the Council's financial statements.
3. The SIC Management Group has reviewed the key areas of assurance identified by the Committee at its meeting in December 2006 as part of its ongoing review of the effectiveness of the Council's internal control arrangements. A draft SIC has been prepared on this basis. A copy is attached as Appendix 1.

Draft SIC - Content

4. Section C describes the Council's internal control environment. It reflects changes which have been made to the internal control arrangements since last year's SIC.
5. Section D provides a review of the effectiveness of the system of internal control drawing upon evidence from the various sources of assurance agreed by the Committee.
6. The overall audit opinion based on the audit work completed during the year is that internal control is in place and is operating satisfactorily in relation to the various systems and procedures reviewed.
7. Section E of the draft SIC requires the Council to identify any significant internal control issues affecting the Council during the period covered by the SIC i.e. the financial year 2006/07 through to the date of publication of the SIC at the end of September 2007.
8. The CIPFA guidance suggests that an internal control issue is to be regarded as significant if:

- the issue has seriously prejudiced or prevented achievement of a principal objective;
 - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
 - the issue has led to a material impact on the accounts;
 - the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
 - the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
 - the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
 - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
9. In the SIC 2005/06 two significant issues of internal control were identified - budgetary control and partnership arrangements. As paragraphs 74-78 of the draft SIC confirm, appropriate measures have been taken to address these issues such that they no longer need to be regarded as significant issues of internal control for these purposes. They will, however, continue to be closely monitored to ensure that the control measures in place remain effective.
10. For the SIC 2006/07 we are proposing at this stage to include one matter which is considered to be a potentially significant internal control issue within the above criteria. This is the combined impact of the major programmes which the Council is undertaking as part of the Government's transformation agenda, the two most significant of which are the implementation of the One Council for Wiltshire proposal, if approved by the Secretary of State, and the introduction of a new Business Management System. The risks associated with these projects are being managed through robust project management arrangements and regular reporting to the relevant programme boards.
11. The Audit Commission will be consulted on the content of the draft SIC and their comments will be taken into account in the presentation of the final version to the Committee in September.
12. The Council has developed an Assurance Framework, which maps the Council's strategic objectives to risks, controls and assurances. This provides information in support of the SIC and will be presented for consideration by the Committee in September alongside the final SIC 06/07. By then the Assurance Framework will have been updated to fully reflect the Corporate Plan which is due to be adopted by County Council in July. In the meantime, if Members wish to view the Assurance Framework

they should please contact Linda Watts.

Financial implications

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

Risk Assessment

14. There are no risks arising directly from the issues covered in this report.

Recommendation

15. The Committee is therefore asked:

- a. to consider the draft SIC in Appendix 1 and to make any amendments or observations on the content.
- b. to note that the draft SIC will be revised in the light of any comments this Committee may wish to make, and will then be considered by the Standards Committee and Cabinet before being brought back to this Committee for final approval for publication by 30 September 2007.

IAN GIBBONS DEPUTY MONITORING OFFICER

Report Authors: Ian Gibbons, Deputy Monitoring Officer
Steve Memmott, Chief Internal Auditor

Unpublished documents relied upon in the production of this report:

The CIPFA Finance Advisory Network: The Statement on Internal Control "A Rough Guide for Practitioners"

CIPFA Guidance "The Statement on Internal Control in Local Government - Meeting the Requirements of the Accounts and Audit Regulations 2003."

Environmental impact of the recommendations contained in the support: None