

## Agenda item No. 6

Title: **Statement on Internal Control**

Lead Member: **Cllr Hames – Chair of Audit Committee**

Reporting officer: **Ian Jamieson – Head of Finance**

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### **Purpose**

To review progress on the significant internal control issues highlighted in the 2005/2006 annual Statement on Internal Control.

### **Background**

The Statement on Internal Control forms part of the statement of accounts. It is a statement describing the control environment in operation for the year of the accounts. The format is accordance with best practice as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The review of the control environment is informed by the work of internal audit, external audit, risk management and the Head of Finance.

The statement was reviewed by the Head of Finance, Corporate Management Team, Chief Executive and Leader and approved by the Audit Committee at its meeting on 29 June 2006.

### **Key Issues**

The significant control issues are reproduced in Appendix 1. A summary of progress is set out below:

#### **Risk Management and Business Continuity**

Risk Management continues to be embedded within the Council. Further Member training has been provided before the start of this meeting and workshops are scheduled early in the New Year for operational staff.

The draft Business Continuity is close to being finalised and will be reviewed by the Risk Management Group at its meeting on 14 December 2006.

#### **Corporate Governance**

A review of governance arrangements is planned early in the New Year following the publication of latest guidance from CIPFA. This will be reviewed by Internal Audit in February as part of their planned audit work.

#### **Asset Management**

An Asset Strategy and Management plan developed by the Asset Management Group was agreed by Corporate Management Team in July

2006 and approved by Cabinet on 27 September 2006.

#### Section 106 Agreements

A project group was set up in May 2006 to review the current arrangements. The group has reported to Corporate Management Team and a project plan is in place to deliver the requirements by Autumn 2007. An interim register would be developed for January 2007 to provide an audit trail and identify status and progress of agreements.

#### Monitoring of Contracts

This work has been helped by the Internal Audit report on the Council's approach to the management of contracts. A contract management group has been formed and met for the first time on 6 November. A framework for the management of contracts was agreed and this will form the basis to deliver improvements recommended in the Internal Audit report.

#### **Effect on strategies and codes**

These are contained in the statement.

#### **Risk management implications**

These are contained in the statement.

#### **Finance and performance implications**

These are contained in the statement.

#### **Legal and human rights implications**

There are no direct legal or human rights implications.

#### **Next steps**

The Head of Finance monitors the action plan to deal with the significant control issues and reports regularly on progress to the audit committee.

#### **Recommendations**

The Audit Committee reviews progress at its next meeting in March, when the 2006/07 Statement of Internal Control will be presented for approval.

Background Papers: Final Accounts Working Papers – Room 35

 Plain English guidance given

28 November 2006

Filename:N:\Committeereports\2006-2007\Audit Committee\14 December\SIC

The effectiveness of the system of internal control operated by the Council has been reviewed and the following plan is in place to address significant weaknesses and ensure continuous improvement of the system.

**Risk Management and Business Continuity**

The draft Business Continuity plan will be finalised including all activities of the Council. This will be rolled out to all staff and form a key work area for the Risk Management Group supported by external advisors.

**Corporate Governance**

A review of Corporate Governance arrangements will take place:

- update and promote awareness amongst members
- Embed within the Council.
- checking compliance with best practice
- publication of the draft Fraud and Corruption strategy.
- Introduction of Audit Committee
- Scrutiny Committee to continue to embed best practice

**Asset Management**

The Asset Management Group will take forward work required to update the Asset Management Plan following a survey of all council assets and will provide the following:

- update backlog and future maintenance requirements,
- performance and budget monitoring reporting
- update local performance measures linking asset use to corporate objectives
- update asset valuations for the financial statements
- further improve decision making on asset investment/disposal
- develop integrated approach to asset management and other information

**Section 106 Agreements**

The current arrangements have been reviewed and new procedures and processes are to be put in place to ensure efficient and effective delivery. In particular a clear audit trail and register to monitor all agreements from work in progress to completed. Legal and Planning services will implement standard conditions.

**Management of Contracts**

The arrangements for promoting, letting and managing of contracts have been reviewed and the procurement group will issue guidance and set up workshops to cover the following:

- Promoting the Council to potential contractors
- Consider risk and community benefits and seek continuous improvement
- Setting a standard corporate framework for contract monitoring
- Ensure staff continuity and level of expertise