

Audit and Governance Committee

3 April 2007

Report of the Assistant Director (Audit and Risk Management)

2006/07 Statement of Internal Control

Summary

- 1 The purpose of this report is to provide Members with details of the progress which has been made;
 - to prepare the 2006/07 Statement of Internal Control (SIC) (which is to be published with the Statement of Accounts).
 - to address the significant control issues identified in the 2005/06 SIC;
 - by each Directorate to date to rectify control weaknesses, as declared in their individual control self assessments.

Background

- 2 As reported to the last meeting of this Committee (on 31 January 2007), the Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to publish a SIC as part of their Statutory Accounts. The purpose of the SIC is to demonstrate and/or provide;
 - a) openness and accountability to the public;
 - b) assurance to stakeholders;
 - c) a framework for improving the adequacy and effectiveness of corporate governance arrangements;
 - d) evidence for CPA.
- 3 CIPFA has previously issued guidance on the process which needs to be followed to prepare the SIC (including the need to establish, maintain and review the systems of internal control). The guidance also prescribes the form and content of the SIC. The Council's 2005/06 SIC fully complied with the CIPFA guidance and the process which was followed resulted in ten significant control issues being identified.

2006/07 SIC

- 4 There is now a well established process within the council to prepare the SIC. A key element of the process is the review of the Council's governance arrangements and systems of internal control. This review includes a requirement for each Directorate to complete a self assessment of the key controls within their respective areas. Each Director must then complete and sign a Directorate Assurance Statement, using the information obtained from the review of key controls and associated evidence. The S151 Officer and Monitoring Officer must also complete and sign disclosure statements. The review process will also take account of the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment. In addition, Internal Audit will review other documentary evidence to identify possible control weaknesses (for example, internal and external audit reports and other inspection reports).
- 5 The Officer Governance Group will evaluate any control issues identified through the review process and consider which should be disclosed in the SIC as significant control weakness. A control weakness will be considered to be significant where;
 - a) the issue has seriously prejudiced or prevented achievement of a principal Council aim or objective;
 - b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from another aspect of the Council's services;
 - c) the issue has led to a material impact on the accounts;
 - d) the Audit and Governance Committee has advised that it should be considered significant for this purpose;
 - e) the Chief Internal Auditor has reported on it as significant in the annual opinion on the Council's internal control environment;
 - f) the issue, or its impact, has attracted significant public interest or has seriously damaged the Council's reputation;
 - g) the issue has resulted in formal action being taken by the S151 Officer and/or the Monitoring Officer.
- 6 At the last meeting of this Committee it was agreed that;
 - a) the period of time allowed for consulting on the draft SIC, prior to it being reported to Members, should be extended (see the list of key dates below).

- b) Members should be invited to contribute to the review process itself by identifying control weaknesses and other governance issues for possible inclusion in the SIC.
- c) in-year monitoring arrangements needed to be strengthened to ensure focus is maintained on resolving any control issues identified in the SIC.

7 The following are the key dates for preparing the 2006/07 SIC;

	Target Completion Date
Deadline for receipt of Directorate key control self assessments and the completion of the Corporate key control self assessment	9/3/07 (completed)
Deadline for the receipt of control/governance related issues from Members	23/3/07 (completed)
Deadline for receipt of Directorate Assurance Statements, and the S151 and Monitoring Officer Disclosure Statements	23/5/07
Completion of evidence gathering (by Internal Audit)	23/5/07
Consideration of identified control weaknesses by OGG.	1/6/07
Consideration of the draft SIC by CMT	6/6/07*
Completion of the formal consultation on the draft SIC with the Leader and Chief Executive	13/6/07
Final amendments to the SIC to be completed	15/6/07
Audit and Governance Committee	25/6/07*
Executive	26/6/07*
Full Council	28/6/07*
SIC to be signed by the Leader and Chief Executive	28/6/07

* dates of meetings to be confirmed.

Progress to Date

- 8 Group Leaders, the Executive Member and Shadow Executive Member for Corporate Services, the Chairs of Corporate Services EMAP, Standards Committee and the Scrutiny Management Committee, together with Members of this Committee, were asked to provide details of any significant control issues which they were aware of, for possible inclusion in the 2006/07 SIC. Details of the control issues which have been identified to date, are given in annex 1.
- 9 Internal Audit has reviewed the progress which has been made to address the 10 significant control issues identified in the 2005/06 SIC. In all but one case, work has either been completed or is ongoing to improve the relevant governance arrangements and control framework. The one exception is project and programme management where there is still insufficient evidence to show that key projects are always effectively managed, properly resourced, undertaken in accordance with best practice and deliver the anticipated benefits. In addition, for some of those control issues where work is still ongoing there is still insufficient evidence that the new or improved control arrangements are fully embedded across the Council. Further details of the progress which has been made to address the significant control weaknesses are given in annex 2.
- 10 Each Directorate has also reviewed and updated their key control self assessments, and provided evidence of;
 - a) what action(s) they had been taken to address any control weaknesses identified as part of the 2005/06 SIC review, plus
 - b) any new or emerging control weaknesses.
- 11 Detailed responses have been received from all the Directorates. The responses have not been subject to audit, but will be verified as part of the review of governance arrangements which is due to be completed by 23 May. Although there are a number of common concerns identified there are also some apparent inconsistencies between the submissions. Further work will therefore be undertaken to investigate these issues. A summary of the responses received is given in annex 3.
- 12 The Officer Governance Group will take account of the results of the follow up exercise as part of the wider review of the effectiveness of the Council's governance arrangements (which is due to be completed by 1 June 2007).

Consultation

- 13 Not relevant for the purpose of the report.

Options

- 14 Not relevant for the purpose of the report.

Analysis

15 Not relevant for the purpose of the report.

Corporate Priorities

16 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

17 The implications are;

- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the SIC.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** - there is a legal requirement for the Council to publish a Statement of Internal Control as part of the annual Statement of Accounts.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

18 The Council will fail to comply with legislative requirements if it does not publish a Statement of Internal Control with the annual Statement of Accounts. The Council would be criticised by the external auditor if the process followed to prepare the Statement of Control was not sufficiently robust. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

Recommendation

19 Members are asked to;

- note the results of the work completed to date by Internal Audit to prepare the 2006/07 SIC,

Reason

To enable Members to consider the adequacy and effectiveness of the Council's control environment.

- consider the results of the follow up review of the 2005/06 SIC action plan

Reason

To ensure Members are aware of the progress which has been made to address previously reported significant control issues.

Contact Details

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Report Approved



Date 20 March 2007

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- Accounts and Audit Regulations 2003 (as amended)
- CIPFA guidance – 'The Statement on Internal Control in Local Government – Meeting the Requirements of the Accounts and audit Regulations 2003'

Annexes

Annex 1 – control issues identified by Members (2006/07 SIC)

Annex 2 – 2005/06 SIC Action Plan Follow Up

Annex 3 - Review of Directorate controls