

## **Audit and Governance Committee**

25 June 2007

Report of the Assistant Director (Audit and Risk Management)

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## **2006/07 Statement on Internal Control**

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### **Summary**

- 1 The purpose of this report is to allow consideration of the draft 2006/07 Statement on Internal Control (SIC).

### **Background**

- 2 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 the Comprehensive Performance Assessment (CPA).
- 3 Since the last report was presented to this Committee on 3 April 2007, Internal Audit has completed its review of the Council's governance arrangements and systems of internal control. This has involved each Directorate completing a self assessment of the key controls within their respective areas. Directors have also been required to complete and sign Directorate Assurance Statements, using information obtained from the review of key controls and associated evidence. A similar self assessment of Corporate key controls has been undertaken, and the S151 Officer and Monitoring Officer have been asked to complete and sign disclosure statements. Internal Audit has also gathered and reviewed other documentary evidence to identify possible control weaknesses (for example, the corporate risk register, internal and external audit reports and other inspection reports).
- 4 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 the Audit and Governance 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 were identified were reported for information to this Committee on 3 April 2007.

- 5 As previously reported, Internal Audit has also 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 had either been completed or is ongoing to improve the relevant governance arrangements and control framework. The one exception was project and programme management where there was 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 the control issues where work is still ongoing, there was still insufficient evidence that the new or improved control arrangements had been fully embedded across the Council. Where appropriate, the outstanding control issues have been taken forward and included in the draft 2006/07 SIC.

### **Draft 2006/07 Statement of Internal Control**

- 6 Local authorities are required to use judgement in deciding whether control weaknesses are significant and hence require disclosure in the SIC. The Officer Governance Group (OGG) has evaluated the control issues identified through the review process and considered which of these should be disclosed as significant control weaknesses on the basis of the following criteria. A control weakness has been considered 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.
- 7 Corporate Management Team considered the significant control issues which had been identified, together with the draft 2006/07 SIC on 6 June 2007.
- 8 A copy of the draft 2006/07 SIC is attached at annex 1. The draft includes 9 significant control issues. The SIC is scheduled to be signed

by the Leader and the Chief Executive following approval by Council on 28 June. Once approved and signed it then needs to be published as part of the 2006/07 Statement of Accounts.

## **Monitoring of SIC Action Plans**

- 9 As previously agreed by this Committee, responsibility for each significant control issue has been assigned to a named director. The directors concerned have also been required to prepare more detailed action plans even if the full details are not included in the published version of the SIC. Directorates are also preparing action plans to address any control weaknesses identified in their directorate self assessments. Progress to deliver these action plans will be monitored by Internal Audit, and reported to OGG on a quarterly basis.

## **Consultation**

- 10 Not relevant for the purpose of the report.

## **Options**

- 11 Not relevant for the purpose of the report.

## **Analysis**

- 12 Not relevant for the purpose of the report.

## **Corporate Priorities**

- 13 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**

- 14 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**

- 15 The Council will fail to comply with legislative requirements if it does not publish a Statement on 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 on 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**

- 16 Members are asked to;

- Consider the content of the draft 2006/07 SIC, particularly the significant control issues identified and the action plan to address those weaknesses;

### Reason

*To enable Members to consider the contents of the draft SIC, and in particular the significant control issues identified.*

- Note the monitoring arrangements for the overall SIC action plan and the individual action plans for each Directorate.

### Reason

*To enable Members to comment on the proposed monitoring arrangements.*

## Contact Details

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Report Approved



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### 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 – draft 2006/07 Statement on Internal Control