

	<p style="text-align: center;">Audit Committee 20th June 2007</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: ALL
<p style="text-align: center;">Statement On Internal Control 2006/07</p>	

1. Summary

- 1.1. The purpose of this report is to present the draft Statement on Internal Control (SIC) for consideration by Members.

2. Recommendations

- 2.1 The Audit Committee approve the content of Statement on Internal Control which will be issued with the accounts.

3. Detail

Statement on Internal Control

- 3.1. One of the responsibilities of the Audit Committee is to oversee the production of the Council's Statement on Internal Control and to recommend its adoption. The statutory requirement for such a statement was introduced by the Accounts and Audit Regulations 2003¹ for the 2003/4 Accounts. The statement must be produced with the accounts and has to be signed by the Leader and Chief Executive.
- 3.2. A proposed model for the compilation of the SIC and the review of internal controls was approved by the Corporate Management Team in April 2005. and endorsed by the Performance and Finance Committee at its meeting on 22nd June 2005².
- 3.3. The process for compiling the 2006/7 SIC and reviewing the internal controls in place during the year is summarised below:
- The Head of Audit and Investigations, Borough Solicitor, Director of Finance and Corporate Resources and Director of Policy and Regeneration review last year's statement and the action plan to account for any changes. A number of changes were made to this year's statement to reflect those reviews.
 - Every Corporate and Service Area Director was required to complete a certificate of assurance for their own area of responsibility. Each certificate

consisted of a list of expected controls and Directors were asked to consider these and how they met the control. Any weaknesses were highlighted on the front of the certificate. Some Directors sought assurance from their own Management Teams via signature of a certificate upon which the Director could rely. The method by which Director's obtain their assurance has not been prescribed.

- The Internal Audit team conducted a sample check of the certificates to ensure that the evidence was in place to support the statements contained within the certificates.
- The Strategic Finance Group met on 20th June 2007 to consider these certificates. Some amendments were made and further discussions were had with a number of SFG members. Final versions of the Certificates have been signed by each Director.
- During the year the Chief Executive and Leader have considered various matters relating to internal control issues which will inform their view of the effectiveness of the internal control environment. These include, but are not limited to, the work of PWC, the Audit Commission, the Director of Finance and Corporate Resources, Borough Solicitor, the Corporate Complaints Team and the Head of Audit and Investigations.
- If approved by this committee the SIC will be presented to the Chief Executive and Leader of the Council for signature. Further work may be required following consideration by this committee and this will need to be completed prior to submission of the accounts for 2006/7 to the General Purposes Committee on 26th June 2007.

- 3.4. The SIC is informed by the work of internal audit. The CIPFA Code of Practice on Internal Audit requires the Head of Audit and Investigations to provide and opinion on the overall adequacy of the Council's internal control environment and disclose any qualifications to that opinion. This opinion forms part of the formal annual report of the Head of Audit and Investigations which has been presented to this committee. The opinion of the Head of Audit and Investigations in relation to the system of internal control is shown below:

"I have considered all of the work conducted by internal audit staff, Deloitte and Touche Public sector Internal Audit Ltd and investigation staff for the year ended 31st March 2007 and work undertaken post year end. This includes oversight of all internal audit reports and fraud investigations and personal conduct of specific projects. In my opinion, the controls in place in those areas reviewed are adequate and effective. Where weaknesses have been identified, these are being addressed by management and followed up by Internal Audit.

In addition, I have had oversight of the process by which the Statement on Internal Control has been completed and I am satisfied that the content of the statement is accurate and its completion has complied with the relevant CIPFA guidance. Any issues which I have judged relevant to the preparation of the Statement on Internal Control have been included."

- 3.5. The draft Statement on Internal Control is attached as Appendix 1. This will be circulated separately.

4. Financial Implications

- 4.1. None.

5. Legal Implications

- 5.1. The Accounts and Audit Regulations 2003 require that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- 5.2. The Regulations also require that the Council produces a Statement on Internal Control, signed by the Leader and Chief Executive, to be attached with the annual accounts.

6. Diversity Implications

- 6.1. The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

7. Staffing/Accommodation Implications

- 7.1. None.

8. Background Papers

1. Accounts and Audit Regulations 2003
2. Report from the Director of Finance – Statement on Internal Control
2004/05 Performance and Finance Select Committee – 22nd June 2005.

DUNCAN McLEOD
Director of Finance and Corporate Resources