

**REPORT FOR DECISION**

Agenda Item	
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**MEETING:** AUDIT COMMITTEE  
**DATE:** 29 JULY 2004  
**SUBJECT:** STATEMENT ON INTERNAL CONTROL 2003/04  
**REPORT FROM:** DIRECTOR OF FINANCE AND E-GOVERNMENT  
**CONTACT OFFICER:** JIM BUTTERWORTH

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**TYPE OF DECISION:** Non key.

**REPORT STATUS:** For publication.

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**PURPOSE/SUMMARY:** Under the Accounts and Audit Regulations 2003 the Council is required to produce a Statement on Internal Control (SIC) which will become one of the documents supporting the annual Statement of Accounts.

**OPTIONS AND RECOMMENDED OPTION:**

Members can accept or reject the statement, or can ask for it to be revised.

The Statement is a new statutory requirement which must be produced by the Council in support of its annual accounts. Members are recommended to adopt the Statement, and to endorse its suitability in support of the Statement of Accounts.

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**IMPLICATIONS -**

**Financial Implications and Risk Considerations** See Statement by Director of Finance and E-Government.

**Corporate Aims/Policy Framework: Do the proposals accord with the Policy Framework?** Yes

**Are there any legal implications?** Yes (see above)

**Considered by Monitoring Officer:** Yes The Statement on Internal Control complies with statutory requirements.

**Statement by Director of Finance  
And E-Government:**

There are no direct financial implications arising from the report.

The Statement is a further essential element of the framework by which I discharge my obligations under s151 of the Local Government Act 1972. The Statement outlines the various elements of the control framework which provide assurance that key controls are operating to an acceptable standard.

The Statement is now a statutory requirement, and must be submitted in support of the Statement of Accounts. There is, therefore, a risk that if the Statement is not adopted, then the final accounts of the Council will not be completed.

**Staffing/ICT/Property:**

There are no direct resource implications arising from the report.

**Wards Affected:**

All.

**Scrutiny Interest:**

None.

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**TRACKING/PROCESS**

**DIRECTOR:**

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Scrutiny Panel	Executive	Committee	Council
		Audit	

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## **1.0 BACKGROUND**

- 1.1 Under the Accounts and Audit Regulations 2003 the Council is required to produce a Statement on Internal Control (SIC) (see Appendix 1) which will become one of the documents supporting the annual Statement of Accounts.

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”

“The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, with (a) any statement of accounts it is obliged to publish in accordance with regulation 11, or (b) any income and expenditure account, statement of balances or record of receipts and payments it is obliged to publish in accordance with regulation 12.”

## **2.0 ISSUES**

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the following guidance:

“The Accounts and Audit Regulations 2003 require the publication of a SIC with the financial statements. This represents the end result of the review of internal control, including the process of risk management, that should be embedded throughout the activities of the authority. As such, production of the SIC should not be conducted as an ‘add-on’ end-of-year activity. The SIC should explain the nature of control, and any material changes in control, exercised through the whole of the accounting period. Although published with the financial statements, the SIC is a broad reflection of the whole governance of the authority.”

- 2.2 The Bury MBC Statement on Internal Control (attached) is based on a template devised by CIPFA. It describes the many areas of good practice which combine to form the control framework, and outlines proposals for improvement.

## **3.0 CONCLUSION**

- 3.1 Members are asked to reaffirm their assurance in the Council’s control framework by endorsing the Statement on Internal Control.
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**List of Background Papers:-**

Internal Audit Annual Report and Opinion 2004

Audit and Inspection Annual Letter 2003

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