

**REPORT FOR DECISION**

<b>Agenda Item</b>	
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**MEETING:**                    **AUDIT COMMITTEE**

**DATE:**                      **28 JUNE 2007**

**SUBJECT:**                 **2006/07 STATEMENT ON INTERNAL CONTROL /  
GOVERNANCE STATEMENT**

**REPORT FROM:**           **DIRECTOR OF FINANCE AND E-GOVERNMENT**

**CONTACT OFFICER:**    **STEPHEN KENYON, HEAD OF STRATEGIC FINANCE**

**TYPE OF DECISION:**    Non key.

**REPORT STATUS:**        For publication.

**PURPOSE/SUMMARY:** Under the Accounts and Audit Regulations 2003 (amended 2006) 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 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.

**IMPLICATIONS -**

<b>Financial Implications and Risk Considerations</b>	See Statement by Director of Finance and E-Government.
<b>Corporate Aims/Policy Framework: Do the proposals accord with the Policy Framework?</b>	Yes
<b>Are there any legal implications?</b>	Yes (see above)
<b>Considered by Monitoring</b>	Yes    The Statement on Internal Control

**Officer:** 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 (amended 2006) 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 (amended 2006) 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 From 2007/08 onwards, Local Authorities will be required to produce a “Governance Statement” instead of the SIC.
- 2.3 To prepare for this development, the Director of Finance & eGovernment has agreed with KPMG locally, and CIPFA nationally, that the Council can produce a hybrid Statement encompassing both the current requirements of the SIC and the future requirements of the Governance Statement.
- 2.4 The draft Statement is attached. It reflects the evidence gathered via the work of Internal Audit, External Audit, consultation with officers, and assurance Statements provided by Directors.
- 2.5 It is intended that the Statement should be reviewed and submitted to the Audit Committee on a quarterly basis.
- 2.6 In order to achieve this, and to help ensure that the Statement is a live, active document that takes into account emerging risks and influences action ‘on the

ground', the Director of Finance & eGovernment is to establish a Governance Panel comprising senior officers from across the Authority.

### **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.

#### **List of Background Papers:-**

Internal Audit Annual Report and Opinion 2006/07

Audit and Inspection Annual Letter 2006

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