

APPROVAL OF THE COUNCIL'S STATEMENT ON INTERNAL CONTROL 2006-2007

Report By: Audit Services Manager

Wards Affected

County-wide

Purpose

To inform the Audit and Corporate Governance Committee of the work and process followed in relation to the completion of the Council's Statement on Internal Control (Appendix 1 refers).

Financial Implications

None.

RECOMMENDATION

THAT (a) the Audit and Corporate Governance Committee review and comment on the evidence used to support the Council's Statement on Internal Control; and

(b) subject to any comments by the Audit and Corporate Governance Committee, the Council's Statement on Internal Control be approved.

Reasons

The CPA Use of Resources highlights the Criteria for judgement in relation to the Statement of Internal Control as follows:

- An appropriate member group has responsibility for review and approval of the Statement on Internal Control (SIC) and considers it separately from the accounts (Level 2);
- the Council has conducted an annual review of the effectiveness of the system of internal control and reported on this in the Statement on Internal Control (Level 2);
- the sources of assurance to support the Statement on Internal Control have been identified and are reviewed by senior officers and members (Level 2);
- there are action plans in place to address any significant internal control issues reported in the Statement on Internal Control (Level 2);
- the Council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances (Level 3);

- the assurance framework provides members with information to support the Statement on Internal Control (Level 3);
- the assurance framework is fully embedded in the Council's business process (Level 4); and
- the Council can demonstrate corporate involvement in/ownership of the process for preparing the Statement on Internal Control (Level 4).

The Council currently scores 2 out of 4 for the Internal Control element of the Use of Resources Assessment in 2006 and is aiming to score at least 3 at the next assessment.

Considerations

1. The Audit and Corporate Governance Committee on 20th February, 2006 adopted a Statement on Internal Control Assurance Framework, which set out the key documents used to evidence the Council's Statement on Internal Control.
2. The assurance framework is due for review and an updated framework will be presented to the next Audit and Corporate Governance Committee in September 2007.
3. Audit has reviewed the Risk Registers as part of the process used to prepare the risk based Audit Plan for 2007-2008.
4. The Corporate Plan for 2006-2009 identified the main risks and outlined how these risks would be managed. This is supplemented by Corporate Management Board review of corporate risks on a regular basis. At Directorate level risk register were reviewed, however in some directorates this was not evidenced adequately.
5. The Council's draft revenue budget for 2006/07 was presented to Cabinet on 23rd February 2006 and subsequently approved by Council on 10th March 2006. The final revenue and capital outturn for 2006/07 was presented to Cabinet on 7th June 2007 and showed overall revenue under spend of £3,193,000 on a total revenue budget of £118m. With regards to the Capital Programme the outturn was £40.949m compared to the total agreed bids for 2006/07 of £60.6m.
6. The Council's Operating Plan 2006-2007 sets out what the Council intends to do during the year. As part of the Council's Performance Management Framework Integrated performance reports are presented to Cabinet in line with the framework, with the final report being presented to Cabinet on 7th June, 2007. The highlights of the report were:
 - 33 (27%) indicators fell within the criteria not achieved or where no end of year outturn has been reported or the latest data indicated that the target would not be achieved;
 - of the 122 best value performance Indicators that have thus far reported an outturn and can be compared to previous years, 62% (40%) have improved and 27% (35%) have deteriorated;

- Government Office West Midlands (GOWM) have confirmed that the Minister has decided that the GOWM-led improvement board for Children and Young People will continue to oversee progress in Herefordshire for at least another six months; and
 - progress has now been made with the appointments needed to drive Adult Social Care improvements.
7. Directorate service plans for 2006/07 were completed, quality checked and signed off as part of the Council's performance management framework.
 8. The Audit and Corporate Governance Committee received an Interim Assurance Report on 8th December, 2006, an updated Interim Assurance Report on 19th January, 2007 and an updated Interim Assurance Report No.2 on 13th April, 2007. This report represents the final Assurance Report for 2006-2007.
 9. The Audit and Corporate Governance Committee received the Audit Commission's Annual Governance Report on 22nd September, 2006. Three recommendations were made, these have been actioned by the Council.
 10. The Audit Commission's Annual Inspection Letter informed the Council that they were able to issue an unqualified audit opinion in relation to the Council's Statement of Accounts.
 11. Written assurances have been received from Directors and Heads of Service with regard to internal control and related matters.
 12. The Audit Commission's Use of Resources Report, which confirmed the Council had maintained its score at 3 (consistently above minimum requirements – performing well) was presented to the Audit and Corporate Governance Committee on 19th January, 2007. The Action Plan was presented to and approved by the Audit and Corporate Governance Committee on 13th April, 2007. Members will be updated on progress at the next Audit and Corporate Governance Committee meeting.
 13. Details of external inspections have been summarised within the body of the Statement on Internal Control.
 14. The Monitoring Officer's report has been submitted to the Audit and Corporate Governance Committee as a separate agenda item.
 15. The Audit Services Manager has completed his work on the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on Internal Control checklist and a satisfactory opinion given.
 16. Corporate Management Board members have reviewed and commented on the evidence used to support the Council's Statement on Internal Control.

Risk Management

17. The Council has an obligation under the Use of Resources regime to conduct an annual review of the effectiveness of its systems of internal control, ensure that members approve the Statement on Internal Control (SIC), and that the sources of assurance to support the SIC have been identified and are

reviewed by senior officers and members. This report forms part of the process to ensure that the Council meets its obligations.

BACKGROUND PAPERS

Key lines of enquiry for Use of Resources 2007 assessments.