

UPDATE ON THE COUNCIL'S STATEMENT ON INTERNAL CONTROL

Report By: Principal Audit Manager

Wards affected

County-wide

Purpose

To note the outcome of the Audit Commission's review of the Council's 2005/6 Statement on Internal Control.

Financial Implications

None

Recommendation

THAT the report be noted and the actions endorsed.

Reasons

1. 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 of 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 of Internal Control. (Level 2)
 - The sources of assurance to support the Statement of 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 of 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 of Internal Control. (Level 3)
 - The assurance framework is fully embedded in the Council's business process. (Level 4)

- The Council can demonstrate corporate involvement in/ownership of the process for preparing the Statement of Internal Control. (Level 4)

Considerations

2. The Corporate Management Board at their meeting on 19th June 2006 reviewed and commented on the evidence used to support the Council's Statement on Internal Control. The Board endorsed the Statement on Internal Control and recommended its signing off by the Leader of the Council, the Chief Executive and the Director of Resources and its presentation to the Audit Committee.
3. The Council's Statement on Internal Control was presented to and approved by the Audit Committee on 30th June 2006.
4. Following the Corporate Management Board's review of the Council's Statement on Internal Control there were four areas identified for improvement:

- **The Council does not have a code of Corporate Governance in line with best practice;**

The draft Code of Corporate Governance has been submitted to the Audit and Corporate Governance Committee for consideration.

- **There is now a need to embed risk management at Key Manager level to ensure consistency across the Council;**

A staff survey has been completed and the results are being used to develop the required level of training. A revised Policy has been submitted to the Audit and Corporate Governance Committee for comments and submission to Cabinet for approval.

- **'Staying Safe' improvements within the Children and Young People Directorate raised as part of the Joint Area Review; and**

JAR progress improvement board in place and ongoing. Additional senior resource now in place. Improvement Board overseeing the next stage of improvements, focusing on performance management and project management disciplines.

- **ensuring the Council's Performance Management Framework is robustly and consistently followed across the Council.**

There are regular performance review meetings between the Chief Executive and individual directors/the Head of HR. New posts of Performance Improvement Managers within directorates directly accountable to the Head of Policy and Performance. Introduction and first stages of rollout of a new performance improvement cycle, that integrates fully corporate, directorate, service and financial planning. PRINCE 2 project management underpins the Overall Performance Improvement Plan and the Business Transformation Programme.

5. The Audit Commission has completed its review of the Council's Statement on Internal Control and it is pleasing to note their comment. *'There has been a marked improvement within the SIC for this year (2005-06). An Audit Committee came into being on 30th September and have met regularly since with attendance from the Audit Manager of the client (TT).'*
6. However the Audit Commission review did highlight two issues. The first relates to the two fundamental systems with marginal audit opinions which were previously highlighted in the Annual Assurance report. The Audit Commission is concerned that this was not included within the Council's Statement on Internal Control and that the Assistant County Treasurer (Revenues and Benefit) had not indicated these issues on his Annual Assurance return.
7. The second issue relates to the Annual Assurance return from Directors and Heads of Service. The Audit Commission felt that assurance should be obtained more frequently and should include all significant issues identified.
8. The Council's Statement on Internal Control has been updated to include the two fundamental systems with a marginal audit opinion.
9. Quarterly assurance is now requested from Directors and Heads of Service, and declaration of gifts and hospitality confirmation will now be requested twice a year, at the end of September and at the end of March.
10. In line with the request of the Audit Committee declaration of gifts and hospitality confirmation will also be requested from members.

Risk Management

- 11 If the Council does not make satisfactory progress on embedding the assurance framework it could have an adverse effect on the Council's target to improve it's CPA Use of Resources Judgement Assessment score.

BACKGROUND PAPERS

- CIPFA guidance on the Statement of Internal Control.