

BRECKLAND COUNCIL

OVERVIEW & SCRUTINY COMMISSION: 24 MAY 2007

REPORT OF THE CHIEF ACCOUNTANT & S151 OFFICER **(Author: Mark Finch)**

STATEMENT ON INTERNAL CONTROL

Summary: Members are requested to recommend the Statement on Internal Control and the review of the effectiveness of Internal Audit.

1. INTRODUCTION/BACKGROUND

1.1 The Accounts and Audit Regulations 2003 introduced a requirement for local authorities to include a Statement on Internal Control (SIC) as part of the Annual Statement of Accounts. The scope of the SIC covers the broad range of the Council's corporate governance arrangements, including:

- Arrangements for establishing corporate objectives and priorities
- Risk identification and management
- Identification and evaluation of key controls.

Councils are required to undertake an evaluation of these arrangements and report in the SIC on gaps/weaknesses and plans for improvement. The statement is required to be considered by a committee. Should the internal control environment change in between the accounts being prepared and being published the SIC should reflect these changes.

1.2 The regulations were amended in 2006, and a requirement to review the effectiveness of Internal Audit was introduced. The Audit Manager provided self-assessment for this in her annual report, and this report comments on this aspect further. The review was carried out by the S151 Officer using this information as well as knowledge and evidence gathered throughout the year.

2. KEY DECISION

2.1 This is not a key decision.

3. COUNCIL PRIORITIES

3.1 This report is of a statutory nature and therefore does not specifically address the Council priorities.

4. THE STATEMENT ON INTERNAL CONTROL

4.1 The statement (appendix A) has been prepared using evidence gathered internally while reviewing controls, as well as using the work of the internal auditor to review the operation of key controls, and findings from external audit reports. The SIC reflects the findings of this review, and recommendations for making the internal control environment more robust, as well as comments made by the Audit manager in her annual report.

4.2 The SIC is one of the statements included within the draft Statements of Accounts that will be presented to Council for approval in June 2007. Overview and Scrutiny Commission are requested to note the contents of the statement in its capacity to monitor the internal control environment of the authority, and to recommend to Council the Statement on Internal Control.

5. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

- 5.1 The Audit manager provided information in the annual report which explained key features of how internal Audit has been managed and highlighted the progress made in developing the service over the past year. The provision of the service has been challenging due to the original contract provider going into administration and the change of Contract Manager part way through the year. Initially there had been some delay in delivering the audit plan owing to the contractor having resourcing issues. However it should be recognised that the plan was completely delivered in time to inform the SIC, and quality issues caused by turnover were all resolved to the satisfaction of the Audit manager and Section 151 Officer.
- 5.2 CIPFA published a guide to the review of the effectiveness of the system of Internal Audit. This contained checklists (Appendix B) covering audit standards and characteristics of effectiveness and was used by the S151 Officer in his review of the service. The effectiveness of the service can also be measured by the way that managers have responded to audit recommendations, with 98.8% of recommendations being accepted, with issues being addressed within 2-5 months. This gives the Section 151 Officer great assurance in recommending the effectiveness of Internal Audit.

6. OPTIONS AVAILABLE

- 6.1 To accept the recommendations contained in this report on the Statement on Internal Control and the review of the effectiveness of Internal Audit
- 6.2 To add further comment to the statement on Internal Control and the review of the effectiveness of Internal Audit

7. REASONS FOR RECOMMENDATION

- 7.1 To approve the Statement on Internal Control
- 7.2 To approve the review of effectiveness of system of internal audit

8. RECOMMENDATION(S)

- 8.1 To note the report and approve:
- the Statement on Internal Control
 - the review of the effectiveness of Internal Audit
- 8.2

*Appendices: Appendix A – Draft Statement on Internal Control
Appendix B – CIPFA Code of Practice checklists*