

	Item no: 6
--	-------------------

SUBJECT:	STATEMENT ON INTERNAL CONTROL
DECISION-MAKER:	AUDIT COMMITTEE
DATE OF DECISION:	28 TH MARCH 2007
REPORT VERSION No:	1

FORWARD PLAN No:

KEY DECISION? NO

STATEMENT OF CONFIDENTIALITY

Not applicable

WARDS/COMMUNITIES AFFECTED:

None

SUMMARY

This report is intended to bring to attention of the Audit Committee their specific responsibility in respect of the preparation of the Council's annual Statement on Internal Control ("SIC") and to provide an overview of the internal processes that have been adopted to support preparation of the "SIC".

Regulation 4 of the Accounts and Audit (Amendment)(England) Regulations 2006 require the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and publish an annual Statement on Internal Control ("SIC") with the authority's financial statements. Although the "SIC" is published with the authority's financial statements it is concerned with the overall internal control environment and is not confined to financial issues.

RECOMMENDATIONS:

That the Audit Committee:

1. Note the arrangements that have been put in place to support preparation of a robust "SIC" including the role and responsibilities of the 'Controls Assurance Management Group' (Appendix 1).
2. Note the process and timelines detailed in 'Appendix 2'.

REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee has responsibility to provide independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the statement on internal control. This responsibility extends to receiving and reviewing the draft "SIC", and where necessary challenging the

sources of assurance, prior to the draft document being reported to Standards and Governance Committee for approval.

2. It is therefore considered appropriate that the Audit Committee is made aware of the nature and scope of the assurance gathering process that will be undertaken to support production of the "SIC".

BACKGROUND

1. The Accounts and Audit (Amendment)(England) Regulations 2006 state that "the Council is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk".
2. Regulation 4 of the Accounts and Audit Regulations 2003 require the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and publish an annual Statement on Internal Control ("SIC") with the authority's financial statements. The "SIC" is published with the authority's financial statements although it is concerned with the overall internal control environment and is not confined to financial issues.

CONSULTATION

1. Consultation has taken place with members of the "Risk Management and Controls Assurance Group" in respect of their responsibility for supporting and monitoring the controls assurance framework and providing evidence to support the preparation of the "SIC".

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

No alternative options have been considered.

DETAIL

1. The purpose of the "SIC" is to provide a continuous review of the effectiveness of the organisation's overall internal control environment, including risk management. This requires the sources of assurance which the Council relies on, to be brought together and reviewed against the principal risks to its key objectives, with gaps in assurance being recorded and disclosed within the "SIC".
2. Overall assurance on the adequacy and effectiveness of controls over key risks is sought from the following sources: Internal Audit, External Audit, Risk Management, Assurances provided by Executive Directors, Performance Management and external inspection or review and reports. The foregoing sources of assurance are underpinned by the overall internal control framework which comprises the Council's policies, procedures and governance arrangements.
3. To support the process a comprehensive 'Controls Assurance Framework'

document has been developed in line with “CIPFA” guidance on developing a “Statement of Internal Control - Meeting the requirements of the Accounts and Audit Regulations 2003”. The ‘Controls Assurance Framework’ document identifies and brings together the various elements of the overall ‘assurance framework’. It includes a commentary on the controls in place, any gaps in assurance and the proposed action and timescales to address these gaps.

4. A ‘Controls Assurance - Self Assessment Questionnaire’ has also been developed internally based on the good practice examples that “CIPFA”, via the Finance Advisory Network, has identified.
5. The ‘Controls Assurance Framework’ document’ and Controls Assurance Self Assessment Questionnaires are key components of the assurance gathering process.
6. A Controls Assurance Management Group, comprising the Executive Director of Resources (as Section 151 Officer), the Monitoring Officer and the Chief Internal Auditor is responsible for drawing together, evaluating, reviewing and, where necessary challenging, the assurances and supporting evidence, and producing a draft “SIC”. The draft “SIC” is presented to the Audit Committee for review and approval prior to being submitted to the Standards and Governance Committee for final approval. The “SIC” is then forwarded to the Chief Executive and Leader of the Council for signing.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

None

Revenue

None

Property

None

Other

None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

The Audit Commission Act 1998 and the Accounts and Audit (Amendment)(England) Regulations 2006 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The

above arrangements are intended to meet those responsibilities.

Other Legal Implications:

None

POLICY FRAMEWORK IMPLICATIONS

None

SUPPORTING DOCUMENTATION

Appendices

1.	Controls Assurance Management Group'
2.	"SIC" – Timelines and Process document

Documents In Members' Rooms

1.	None
2.	

Background Documents

Title of Background Paper(s)

Relevant Paragraph of the
Access to Information
Procedure Rules / Schedule
12A allowing document to be
Exempt/Confidential (if
applicable)

1.	None	
2.		

Background documents available for inspection at: Internal Audit Office, North
Block Basement, Civic Centre

REPORT OF: Executive Director of Resources

AUTHOR: Name: Peter Rogers Tel: 023 80 832835
E-mail: peter.rogers@southampton.gov.uk

File Name: G:\DIVISION\COMMITTEE PAPERS\AUDIT
COMMITTEE\Reports 2006-07\Mar 2007 meeting