

ITEM NO: 11

DECISION-MAKER:	AUDIT COMMITTEE STANDARDS AND GOVERNANCE COMMITTEE		
SUBJECT:	STATEMENT ON INTERNAL CONTROL 2006/07		
DATE OF DECISION:	28 TH JUNE 2007 29 TH JUNE 2007		
REPORT OF:	EXECUTIVE DIRECTOR OF RESOURCES		
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

The Accounts and Audit Regulations requires the Council to conduct a review 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 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.

An important part of the process is for the Audit Committee to review and approve the draft SIC and recommend its acceptance to the Standards and Governance Committee prior to the document being forwarded to the Chief Executive and Leader of the Council for signing.

RECOMMENDATIONS:

- (i) That the Audit Committee review the draft "SIC" (Appendix 1) together with sources of assurance upon which the statement is based;
- (ii) That the Audit Committee approve the draft "SIC" and recommend its acceptance to the Standards and Governance Committee;
- (iii) That the Audit Committee notes the content of the Significant Internal Control Issues – Action Plan Status document (Appendix 2).

REASONS FOR REPORT RECOMMENDATIONS

1. 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. 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.

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. A robust controls assurance process has been developed by the Council, in line with guidance published by the Chartered Institute of Public Finance and Accountancy ("CIPFA"), to support the preparation of the SIC.
4. The Committee will recall the report submitted to the previous meeting detailing 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'.

CONSULTATION

5. The documents have been developed by the Council's "Controls Assurance Management Group". Members of the "Risk Management and Controls Assurance Group" have seen a copy of the draft SIC and a copy has also been referred to the Chief Officers Management Team for noting together with the action plan status report.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

No alternative options have been considered.

DETAIL

- 6.. The annual review of effectiveness of key controls has been informed by assurances that have been sought from each Executive Director regarding the effectiveness of the key controls within their areas of operation. These assurance have been obtained via a "Controls Assurance Self Assessment Questionnaire" which each Executive Director is required to complete in full and with due diligence. The scope of these "self assessments" includes Management Structures and Reporting Arrangements, Strategy and Planning, Risk Management, Integrity and Ethical Values, Service Delivery, Performance Management and Policy and Procedures. The Council's Internal Audit section has then undertaken a sample check of the responses on the questionnaires and the supporting evidence.
7. The annual review is further informed via the completion of a "Controls Assurance Framework" document. The document, which has been developed in line with "CIPFA" guidance, identifies the key components of the City Council's overall internal control environment. This comprehensive document comments on the key controls that are in place, sources of assurance, identifies any gaps in key controls or assurance and notes any improvements planned for the forthcoming period to address these gaps.

8. The returns, together with the other sources of assurance have then been reviewed by the Council's "Controls Assurance Management Group", which comprises the Section 151 Officer, Monitoring Officer and Chief Internal Auditor. This Group is responsible for drawing together, evaluating and, where necessary, challenging the sources of assurance and supporting evidence in addition to drafting the "SIC".
9. The 'Significant Internal Control Issues – Action Plan Status document' summarises the actions taken in respect of the significant control issues identified on the 2005-06 SIC together with the significant control issues identified on the 2006-07 SIC. In some cases the nature of the issue or theme is such that it continues appear on the SIC.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

10. NONE

Revenue

11. NONE

Property

12. No specific property implications have been identified in this report.

Other

13. NONE

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

14. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 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:

15. NONE

POLICY FRAMEWORK IMPLICATIONS

16. NONE

SUPPORTING DOCUMENTATION

Appendices

1.	Draft Statement on Internal Control 2006-07
2.	Significant Internal Control Issues – Action Plan Status 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

E-mail: peter.rogers@southampton.gov.uk

FORWARD PLAN No: N/A

KEY DECISION? N/A

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WARDS/COMMUNITIES AFFECTED:

Not applicable