

STATEMENT OF INTERNAL CONTROL 2005/06

1ST JUNE 2006

REPORT BY THE DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR - RESOURCES

1.0 Introduction

1.1 The Accounts and Audit (Wales) Regulations 2005 came into force from the 1st April 2005 and apply to the Statement of Accounts for 05/06. The Statutory Instrument Regulation 4 imposes a new requirement to publish a **Statement of Internal Control (SIC)** to be signed by the Chief Executive and the Leader of the Council emphasising the corporate nature of the Statement.

1.2 The Regulation is as follows:-

Responsibility for internal control and financial management

4. - (1) The local government body shall be responsible for putting in place and ensuring that there is a sound system of internal control which facilitates the effective exercise of...

- (a) arrangements for the management of risk; and
- (b) adequate and effective financial management.

(2) The local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement ..with..any statement of accounts...

1.3 The purpose of the SIC process is to provide a continuous review of effectiveness of an organisation's internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.

2.0 The SIC Process 2005/06

2.1 As 2005/06 was the first year where the SIC had to be produced, the process established was very much of a learning exercise. The SIC needs to be a corporately owned statement and must be supported by adequate evidence. It was felt the best way of achieving this was to have a workshop where policies and procedures could be reviewed to see whether any potential SIC items had arisen.

2.2 The workshop membership consisted of the Leader of the Council, all Cabinet Members and the Executive Directors. It was facilitated by the Chief Accountant, the Chief Internal Auditor and the External Audit manager for the Council. An overview of the SIC process was given

that described the process for reviewing and gathering the assurances needed for the review of effectiveness to ensure that risk is being managed and controls are working appropriately. The Group examined examples of Assurances together with evidence of documents within the Council to support the Assurances (Appendix A). The outcome of the Workshop was an identification of the significant internal control issues that should be included within the Statement (Appendix B).

- 2.3 The SIC also includes other issues identified through the parallel process of the Joint Risk Assessment. It was not prepared in isolation examining comments, evidence and feedback from other sources such as External Audit reports.
- 2.4 In subsequent years, the SIC process will be a continuous one throughout the year.

3.0 Recommendations

- 3.1 Audit Committee critically review the supporting documentation (Appendix A) and the draft Statement of Internal Control (Appendix B) and recommend approval for inclusion in the Statement of Accounts 2005/06.

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Background Papers: Accounts and Audit Regulations (2003)
CIPFA The Statement on Internal Control – Meeting the
Requirements of the Accountants and Audit Regulations
2003 – A Rough Guide for Practitioners