

**BRIDGEND COUNTY BOROUGH COUNCIL  
AUDIT COMMITTEE**

**31<sup>ST</sup> MAY 2007**

**REPORT BY THE EXECUTIVE DIRECTOR – RESOURCES**

**STATEMENT OF INTERNAL CONTROL 2006/07**

**Purpose of this report**

- 1.0 The purpose of this report is to seek a recommendation from the Audit Committee that the Statement of Internal Control, as prepared, be included within the Authority's Statement of Accounts for 2006/07.

**Connections to Corporate Improvement Plan**

- 2.0 Achievement of the aims and objectives within the Corporate Improvement Plan will be dependant on the effective workings of internal controls within the Authority, as reviewed in the Statement of Internal Control.

**Background**

- 3.0 The Accounts and Audit (Wales) Regulations 2005 came into force from the 1st April 2005 and apply to the Statement of Accounts for 2006/07. The Statutory Instrument Regulation 4 imposes a 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.

- 3.1 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...*

- 3.2 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.

## **Current situation**

### **4.0 SIC Process 2006/07**

- 4.1 In 2005/06 the SIC was produced for the first time following a process involving a workshop of Cabinet Members and the Corporate Management Board. This process, and the resulting document, were praised by the Authority's external auditors, KPMG, as part of their audit of the 2005/06 Statement of Accounts.
- 4.2 For 2006/07, the process established in 2005/06 has been built upon and involved:
- A desktop review of documents including the Corporate Improvement Plan, Internal Audit reports and Relationship Manager's Audit letter to establish that the risk areas identified in 2005/06 were still current.
  - An update of the Action Plan produced in 2005/06 to ensure that planned actions had been carried out and that any new actions required had been identified.
  - A review of the resulting document by Corporate Management Board to establish the 'corporate ownership' required.
- 4.3 The resulting SIC document as approved by Corporate Management Board is attached as Appendix A to this report.

### **5. Effect upon policy framework and procedural rules**

None

### **6. Legal implications**

None other than those discussed in para 3 above.

### **7. Financial implications**

None

### **8. Recommendations**

- 8.1 **It is recommended that Audit Committee critically review the draft Statement of Internal Control (Appendix A) and recommend approval for inclusion in the Statement of Accounts 2006/07.**

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EXECUTIVE DIRECTOR - RESOURCES**

**22<sup>nd</sup> May 2007**

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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