REPORT TO:	**AUDIT SUB SOMMITTEE**	**AGENDA ITEM: 9**
DATE OF MEETING:	**21st JUNE 2007**	**CATEGORY: RECOMMENDED**
		OPEN
REPORT FROM:	**DIRECTOR OF CORPORATE SERVICES**	
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE (595811)**	**DOC:** u/ks/sic/covering report
SUBJECT:	**STATEMENT ON INTERNAL CONTROL 2006/07**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:**

1.0 Recommendations

1.1 That the Council's Statement on Internal Control for the year ended 31st March 2007 be considered and approved.

1.2 That the Committee authorises the Leader of the Council and Chief Executive to sign the Statement on Internal Control.

2.0 Purpose of Report

2.1 To submit the Council's Statement on Internal Control for 2006/07 in accordance with the Accounts and Audit Regulations 2003 (Regulation 4).

2.2 This regulation was amended in 2006 to require the findings of the review of the effectiveness of system of internal control to be considered by an appropriate committee, such as an Audit Committee.

3.0 Detail

3.1 Regulation 4 requires the council to conduct at least once a year, a review of the effectiveness of its system of internal control and to publish the relevant statement (SIC). This will be published within the Council's annual financial statements.

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

3.3 The SIC is designed to help demonstrate good corporate governance by setting out and reporting on how the Council conducts its overall business. The Council's **SIC for 2006/07 is attached to this report**.

3.4 Essentially it sets out the overall framework that the council has in place to ensure that:

- Business is conducted in accordance with the law and proper standards.
- Accountability is maintained
- Public resources are safeguarded and properly accounted for.
- Functions are exercised as effectively as possible.
- Arrangements are in place to manage risk.

3.5 The Council operates within a fast changing environment. Consequently, the system needs to be subject to constant review and there will always be room to strengthen and increase the effectiveness of internal control.

3.6 Indeed, issues identified in the corresponding statement for 2005/06, highlighted several areas to be developed. Many of these were acted upon during 2005/06 such as:

- Developing a new communication and consultation strategy
- Establishing an Audit Committee
- Producing an summary statement of accounts
- Reviewing performance management
- Regular reporting on risk management
- Reviewing and updating the whistle blowing policy

3.7 Whilst these will continue to be embedded in the day-to-day business of the Council, there are other areas that have been identified that are considered **key** in further strengthening the internal control environment.

3.8 These are set out in Section 5 of the SIC and primarily, are those that have been highlighted from a review of the Local Code of Corporate Governance and through work undertaken by the Audit Commission during the last year, including its Use of Resources Judgement.

4.0 Financial Implications

4.1 None directly.

5.0 Corporate Implications

5.1 All members of senior management (Management Team and Heads of Department) have been consulted and made aware of its contents. The Statement must be signed by the Council's Leader and most senior officer (the Chief Executive).

5.2 This emphasises that the SIC is about all corporate controls and goes to the heart of the leadership and management of the organisation.

6.0 Community Implications

6.1 A SIC is seen as a public assurance statement that a council has a sound system of internal control, designed to help manage and control risk.

7.0 Background Papers

- Account and Audit Regulations 2003 and 2006
- CIPFA – The Statement on Internal Control – A Rough Guide for Practitioners (2005)