

Report to: Audit Committee

Date: 15th March 2007

Report of: Director of Corporate Resources

Report No:

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Report Title: **Statement on Internal Control (SIC)**

Purpose: To remind Audit Committee of the need to produce a Statement on Internal Control (SIC) and the process for doing so.

Decision: Audit Committee is asked to:-

- Endorse the process for the production of the annual Statement on Internal Control (SIC)
- Note the timetable for the production of 2006/07 SIC

INTRODUCTION:

One of the requirements of the Accounts and Audit Regulations 2003 is the preparation on an annual Statement on Internal Control (SIC). The statement should be attached to the annual financial statement and needs to be signed by the Chief Executive and the Leader of the Council.

In order to produce the statement authorities need to undertake an annual review of the effectiveness of the system of internal control and publish the results in the SIC. The first SIC was produced for 2003/04 and was co-ordinated by the Director of Corporate Resources; this first year was treated as an interim year by the Audit Commission. Subsequently statements have been produced for 2004/05 and 2005/06.

PRODUCTION OF THE SIC

The production of the SIC has followed guidance issued by CIPFA. The guidance lists six areas where assurance on internal controls needs to be gathered:

- Performance Management
- Internal Audit
- external audit
- managers
- Risk Management
- Other

The process adopted in Bolton is outlined in Appendix A to this report.

There are two strands to the Bolton approach; an assessment carried out corporately to look at the systems and processes that are in place across the council, and an individual assessment by each department.

Corporate Assessment:

The corporate work is made up of the following elements:

- Self assessment against CIPFA minimum standards(considering the six areas of assurance above)
- Annual report of the Head of Internal Audit and SDT
- Assessment of External Audit reports
- Corporate assessment of risk management process
- Overview of any fraud investigations
- Assessment of financial management in departments(Provided by Policy Accountants)

Departmental Assessment:

Individual Directors provide an assurance on the controls in place across their departments. This statement is provided after DMT consideration of a series of questions (see Appendix B), any inspection reports, reports from both Internal and External Auditors, and any other factors. Departments need to be able to evidence the assurance should the external auditors chose to audit the process.

In giving the assurance DMT's must consider such things as:

- Have recommendations from Internal and External Audit reports been actioned?.
- Does the department follow the minimum standards for risk management?.

- Is performance information collected and monitored on a regular basis?.
- Is there a process for identifying weaknesses in control and agreeing plans for improvement?.
- That the department has been through a risk identification process, risk management action plans have been completed for all identified risks, risks have been entered on to the risk register and have been regularly monitored by DMT

See Appendix B.

As indicated in Appendix A the results from the two sources are considered by the SIC Management Group. This group drafts the annual statement, produces improvement plans for any gaps, and monitors the improvement plans during the year.

The draft SIC is considered by the Audit Committee and submitted to the Constitutional Panel for approval.

The process outlined above has been subject to continuing review as knowledge of the subject is expanded and good practice is shared.

The proposed timetable for the production of the 2006/07 SIC is attached at Appendix C to this report.

RECOMMENDATIONS:

Audit Committee is asked to:

- Endorse the process for the production of the annual Statement on Internal Control (SIC),
- Agree the timetable for the production of the 2006/07 SIC.