

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Date of meeting: 19 June 2006

Subject: Statement on Internal Control 2005/06

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Recommendation/Decision Required:

To consider and approve the draft Statement on Internal Control for 2005/06 (included within the Statutory Statement of Accounts).

Report:

1. The Council's Statutory Statement of Accounts is included as Item 9 on the agenda for this meeting. The Statement has been prepared in accordance with the Accounts and Audit Regulations 2003. Within the Regulations there is a mandatory requirement to publish a Statement on Internal Control (SIC), designed to provide the Council with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements need to be improved.
2. The Accounts and Audit Regulations were amended with effect from 1 April 2006. From that date there is a new requirement for the Council to review, at least annually, the effectiveness of its system of internal audit. The first such review is addressed in Part 3 of the Internal Audit Annual Report for 2005/06, elsewhere on this agenda. The amended Regulations also require the findings of that review to be considered as part of the review of the Council's system of internal control, which is the subject of this report.
3. CIPFA has provided guidance on the process for the establishment, operation and review of the system of internal control, which includes amongst other things;
 - compliance with laws, regulations and the Council's policies,
 - accuracy and reliability of financial statements
 - effective and efficient management of resources;
 - delivery of high quality services; and
 - management of risk
4. In practice the system of internal control is under regular review via the work of Internal Audit, External Audit and other review agencies and inspectorates. Regular reports are submitted to the Council's Management Board, and relevant issues are considered by the Officer Corporate Governance Group.

5. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls, and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, providing details of any weakness that qualifies the opinion. The annual audit report for 2005/06 is included on the agenda for this meeting, and includes an opinion of the Chief Internal Auditor that satisfactory assurance can be given regarding the adequacy of the Council's internal control system in 2005/06.
6. The Chief Internal Auditor's assessment is based primarily on the work of his team during the year. In addition, all Heads of Service have again reviewed the internal controls operating within their Service Areas, and have provided assurance statements confirming their belief that appropriate controls were in place during 2005/06. A number of corporate improvements have also been identified.
7. The Audit Commission has issued guidance on how it will assess the Council's arrangements to ensure a sound system of internal control. Amongst other things the Audit Commission indicates that the system will be enhanced by "an appropriate Member group" having responsibility for reviewing and approving the SIC, considering it separately from the statement of accounts.
8. Taking this latest guidance into account the Committee is therefore requested to consider and approve the draft Statement of Internal Control, included within the Statutory Statement of Accounts.

Resource implications: nil

Community Plan/BVPP reference: nil

Relevant Statutory Power: Accounts and Audit Regulations

Background Papers: Draft Statement of Internal Control 2005/06

Key Decision Reference: nil