

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Date of meeting: 25 June 2007

Subject: Statement on Internal Control 2006/07

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Recommendation/Decision Required:

To consider and approve the draft Statement on Internal Control for 2006/07 for inclusion within the Statutory Statement of Accounts.

Report:

1. The Council's Statutory Statement of Accounts is included at item (10) 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 also a requirement for the Council to review, at least annually, the effectiveness of its system of internal audit. The amended Regulations 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. The Finance and Performance Management Cabinet Committee considered the first formal review of Internal Audit in June last year, in the context of a recent review of Internal Audit conducted by the Audit Commission. Members indicated that they were satisfied with the system of Internal Audit, having regard to the Audit Commission's report.
4. Subsequent to last year's initial review of Internal Audit, CIPFA has issued guidance on the approach to the annual review, which is addressed in a separate report, elsewhere on this agenda.
5. 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
6. 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.

7. 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 2006/07 is included on the agenda for this meeting, and the Chief Internal Auditor has included an opinion that satisfactory assurance can be given regarding the adequacy of the Council's internal control system in 2006/07.
8. 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 2006/07. A number of corporate improvements have also been identified.
9. 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.
10. Taking this latest guidance into account the Committee is therefore requested to consider and approve the draft Statement of Internal Control, for inclusion 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 on Internal Control 2006/07

Key Decision Reference: n/a