

CONSTITUTION COMMITTEE – 30TH JUNE 2005

REPORT OF THE DIRECTOR OF RESOURCES

STATEMENT ON INTERNAL CONTROLS FOR 2004/05

PURPOSE

1. The purpose of this report is to present the 2004/05 Statement on Internal Control for review and approval.

BACKGROUND

2. The Accounts and Audit Regulations (2003) requires the Authority to conduct a review, at least annually, of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the financial statements.
3. In recognising the difficulty that authorities would face in fully meeting the requirements of the Accounts and Audit Regulations, the Chartered Institute of Public Finance and Accountancy (CIPFA) allowed for transitional arrangements in 2003/04, with a more comprehensive SIC document from 2004/05. Appendix 1 presents the Authority's comprehensive SIC for 2004/05. The contents and format of the SIC are largely dictated by the regulation.
4. The purpose of the SIC is to provide a continuous review of the overall effectiveness of the Authority's corporate controls (financial and non-financial) that exist for the effective exercise of functions and includes arrangements for managing risks. Assurance can then be given on their effectiveness and/or action plans developed to address weaknesses identified.
5. In recognition of the overlap between the SIC and the Authority's Code of Corporate Governance, the corporate governance control assurance statement has been assimilated into the SIC and all aspects of the absorbed statement have been observed and adhered to.
6. CIPFA's proper practice requires that the most senior officer (Chief Executive) and the most senior member (Leader of the Council) sign the SIC.

7. To ensure that reliable evidence exists to support the SIC, the Guide, produced by the Finance Advisory Network (FAN) with support from the Better Governance Forum, CIPFA and the Audit Commission, has been applied.
8. Sources of assurance were identified and documented for each objective and stage of the assurance gathering process. To satisfy the need to ensure that this evidence accurately reflects the internal control environment, chief officers were asked to undertake a self assessment of the internal controls within their department and provide assurance statements on their effectiveness. Gaps in the internal control environment at a departmental level were identified as part of this process and actions to address these weaknesses have been proposed. Other sources of evidence used to produce the SIC included the Head of Internal Audit's annual report and the management letter.
9. As a result of this process three internal control issues were identified and included within the SIC as requiring further action:-
 - a) Procurement and e-procurement: to develop a consistent corporate approach to procurement a corporate procurement unit has been established to work alongside the interdepartmental procurement liaison group to develop a corporate procurement strategy, monitor procurement performance and support procurement staff within departments. Further details are contained in the procurement improvement plan approved by Cabinet on 7th September 2004.
 - b) Risk Management: to embed risk management fully into the culture of the organisation risk assessments have been extended to cover operational risk beyond those identified as part of the service planning process. Progress against action plans will also be monitored as part of the performance management process. Further details on the progress made by the Corporate Risk Management Group will be presented to the Cabinet during July.
 - c) LSC Grant Claims: a number of control weaknesses were identified in the claims process used by some Leicestershire Community Colleges to obtain funding for further education courses from the Learning and Skills Council (LSC). The Authority is responding to the issues raised by the external audit and steps are being taken to improve the system. In the short term, this will involve working with the colleges to improve the standard of working papers and evidence to support the claims. The whole system of managing adult further education provision is changing in line with the recent Best Value review.

EQUAL OPPORTUNITIES IMPLICATIONS

10. None.

RECOMMENDATIONS

11. The Committee is recommended to approve the Statement on Internal Controls for 2004/05.

CIRCULATION UNDER SENSITIVE ISSUES PROCEDURE

12. None.

BACKGROUND PAPERS

13. None.

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