

6. 2006/07 Statement of Internal Control

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Purpose of the Report

This report has been prepared for the Audit Committee to approve the Statement of Internal Control (SIC) for 2006/07. A copy of the Statement and the annual report from Internal Audit is attached at pages 3-16.

Recommendation

It is recommended that the Audit Committee approve the 2006/07 Statement of Internal Control.

Background

As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the Councils requirements in demonstrating this is to produce an annual Statement of Internal Control.

The Chartered Institute of Public Finance and Accountancy (CIPFA) provides guidance on the processes for the establishment, operation and review of a system of internal control (SIC). Their guidance also provides help on the format and content of SICs.

Statement of Internal Control

Regulation 4, of the Accounts and Audit Regulations includes a requirement to publish a Statement of Internal Control (SIC). Previously local authorities were required to include a Statement on the system of internal **financial** control (SIFC) with their statement of accounts. The new regulations now require authorities to carry out a review of the effectiveness of their system of **internal control** and to include a statement of internal control in the annual accounts. This is to provide assurance that SSDC has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.

As an authority's system of internal control will be much wider ranging than its system of internal financial control, the change is a substantial one. It is therefore more appropriate if this is now considered separately before the Statement of Accounts are approved. It is also likely that the SIC will now be positioned more prominently within the Statements, at the end of the published document.

The SIC will continue to be signed by the Leader of the Council, the Chief Executive and Section 151 Officer.

An officer working group has continued to review the control framework at SSDC and this is described fully in the SIC. There are no significant issues to be addressed and a number of actions are planned to further strengthen the control framework. Some of the actions are still outstanding from last year and are included in Section 5 of the SIC. The actions will be monitored and reviewed by the Audit Committee in 2007/08.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *Statement of Operational Service Internal Controls*
2006/2007 SIC Action Plan



STATEMENT OF INTERNAL CONTROL 2006/07

PART 1 – SCOPE OF RESPONSIBILITY

SSDC is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for;
- public money is used effectively.

SSDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way that its functions are exercised, having regard to economy, efficiency and effectiveness.

In discharging its overall responsibility, SSDC must also ensure that there is a sound system of internal control that helps to enable the effective exercise of SSDC's functions. This system of internal control must include the arrangements for the management of risk.

PART 2 – THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

SSDC's system of internal control is designed to manage risks to a reasonable level rather than to eliminate all risks of failing to achieve the policies, aims and objectives. **It can therefore only provide reasonable and not absolute assurance of effectiveness.** The system of internal control is based on an ongoing process that is designed to:

- identify the risks and prioritise actions to achieving policies, aims and objectives;
- evaluate the likelihood of those risks occurring;
- assessing the impact should those risks occur;
- managing the risks efficiently, effectively and economically.

The system of internal control has been in place throughout the year ending 31 March 2007 and up to the date of approval of the Annual Report and Accounts.

PART 3 – THE INTERNAL CONTROL ENVIRONMENT

The key elements of SSDC's internal control environment are as follows:

- **Establishing principal statutory obligations and organisational objectives**
 - Corporate forward-looking performance indicators and targets are established following consultation.

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- Key corporate priorities are established following consultation and are published in the Council’s Corporate Plan 2005 to 2012.
- Performance of all key targets are monitored by the District Executive and reviewed by the Overview and Scrutiny Committee.
- The Audit Committee considers reports on matters of internal control and the Code of Corporate Governance.
- Portfolio holders and /or Area Committees monitor more detailed service targets.
- **Policy and Decision Making**
 - The Council has adopted a Constitution that sets out how it operates, how decisions are taken and the procedures followed.
 - The District Executive facilitates decision-making and its Sub Committees, 4 Area Committees and meetings are open to the public except where personal or confidential matters are disclosed.
 - Portfolio holders can make decisions under delegated authority and these are fully publicised. Senior officers can also take decisions under delegated authority.
 - Regulation Committee determines planning applications that are referred from Area Committees.
 - The Council publishes a Forward Plan that provides details of key decisions to be made by the Council and its committees.
 - Area Committees also hold regular workshops where local issues are identified and discussed; Area Action Plans are then established to target specific needs.
- **Compliance with Established Policies, Procedures, Laws and Regulations**
 - A local Code of Corporate Governance has been adopted that meets the CIPFA/SOLACE guidance.
 - Regular reports are made to the authority on progress of initiatives and changes from external bodies (e.g. government regulations).
 - Professional qualified finance staff review all executive reports to ensure that financial implications are fully reported.
 - The Council’s Monitoring Officer is the Head of Legal and Democratic Services, who scrutinises all executive reports. After consulting with the Head of Paid Service (the Chief Executive) and Chief Financial Officer (Head of Finance) the Monitoring Officer will report to full Council if any proposal would give rise to an unlawful decision or maladministration.
 - The Head of Finance’s responsibilities for the legality of financial transactions are reflected in the job description of senior SSDC finance staff.

- Standing Orders, Financial Procedure Rules and the Scheme of Delegation state clearly the limits to authorities and procedures to be followed. Regular training and refresher courses are held to familiarise staff with these rules and regulations.
- Elected member and officer Codes of Conduct have been adopted by the Council.
- HR procedures, employee terms and conditions of service are being reviewed to ensure they cover all aspects of good employment.
- **Identifying, Assessing and Managing Risks**
 - The Council has approved a Risk Management Policy that identifies how risks are managed.
 - A continuous programme of Control and Risk Self Assessment sessions is carried out to identify risks, prioritise actions and highlight responsibilities. Ad hoc sessions are also carried out if a specific risk is identified.
 - Responsible officers are required to maintain their part of the Risk Register.
 - All Heads of Service have the following included within their job descriptions, “Lead the service(s) in a full and comprehensive understanding of risk, risk assessment and risk management as it relates to the operational areas relevant to the service(s).”
 - Internal Audit Reports to managers on the effectiveness of controls and to identify service risks and agree an Action Plan.
 - Budget reports on adequacy of reserves and robustness of budgets.
 - The three statutory officers (Head of Paid Service, Monitoring Officer and s151 Officer) regularly meet as a Corporate Governance Group.
 - Capital reports identify areas of risk and report on progress of schemes.
- **Ensuring the economic, effective and efficient use of resources, and for securing continuous improvement in the way in which SSDC’s functions are exercised**
 - Service Plans are updated annually. These identify the performance measures and targets that will be used to ensure the services achieve the agreed objectives. Service Plans are linked to corporate objectives and priorities.
 - Heads of Service, Directors and Portfolio Holders monitor progress on the achievement of Plans through the Scorecard mechanism.
 - Heads of Service sign annually a Statement of Operational Service Control that confirms, and evidences, their monitoring and evaluation procedures.

- The Council's financial strategy is to maintain a balanced budget (that is an annual revenue budget funded from income due in the year) whilst keeping council tax increases in line with inflation. Efficiency measures are agreed annually as part of the service plans and budget setting process.
- Reviews by external auditors, internal audit and external agencies contribute to the continuous improvement processes of the Council.
- Trained and experienced people deliver services. All posts have a detailed job description and person specification. Training needs are identified through the Staff Development and Review process and addressed via the Corporate Training Budget. The Council has retained the Investors in People standard continuously for 10 years.
- **The financial management of the authority and reporting of financial management**
 - The financial management of the Council is conducted in accordance with the rules set out in Part 4 of the Constitution.
 - The Council has designated the Head of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.
 - The Council has approved a Financial Strategy that supports the Medium Term Financial Plan and annual budget setting procedures. There are clearly defined capital expenditure guidelines and the Council has fully adopted the Prudential Code.
 - The Council maintains an Internal Audit Section through the South West Audit Partnership that operates to standards specified by the Institute of Internal Auditors.
 - Budgets are monitored quarterly by the 4 Area Committees and the District Executive and actions taken to manage the overall budget as required.
 - The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Management Letter and CPA assessment process. In 2006 this included an assessment of the Council's Use of Resources. SSSC scored an overall 3 out of 4. A revised Action Plan will be agreed and further improvements monitored by the Audit Committee.
 - There is an annual programme of financial management training and comprehensive guidance is issued for budgeting and closure of accounts.
- **The Performance Management of the Council and reporting of Performance Management**
 - The Council has a defined Performance Management Framework that has been published in leaflet form and issued to all employees.
 - The Performance Management Framework that ensures the links between corporate objectives and priorities are cascaded down through Service Plans to individual employee Staff Development and Review (SDR).

- SDRs are undertaken annually and the notes recorded and signed by the employee, their line manager and the line manager’s manager.
- Key performance indicators are identified and linked to an individual employees role wherever possible.
- The Council’s Overview and Scrutiny Committee reviews the action taken by the Executive on the key corporate priorities as set out in the Corporate Scorecard.
- Area Committees receive performance reports on key issues affecting the local area and provide a link to local communities – their views and aspirations.

PART 4 – REVIEW OF EFFECTIVENESS

SSDC has responsibility for conducting, at least annually, a review of the system of internal control. This review is informed by the work of SWAP and the Senior Managers Forum, who have responsibility for the development and maintenance of the internal control system.

The process that has been applied to maintaining and reviewing the effectiveness of the system of internal control includes:

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the Constitution annually through its Standards Committee.
- The Council has an Overview and Scrutiny Committee that can call in any decision made by an Executive Committee before implementation. This enables them to consider whether or not the decision is appropriate. Pre-decision scrutiny is evolving to aid in the decision making process.
- The Audit Committee reviews the Annual Statement of Account and the Statement of Internal Control. It also monitors the performance of internal audit and agrees the Internal and External Audit Plans. It also reviews specific parts of the Constitution and makes recommendations on any amendments to full Council.
- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit Service has a Charter approved by the Council and there are no restrictions on the scope of their work. A risk model is used to formulate a 3-year plan, covering financial and non-financial risks, which is approved by the Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the Heads of Service with copies to the relevant Director, Head of Finance and Chief Executive. All Audit Reports include an ‘opinion’ that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action plan that is agreed with the service manager.
- The Internal Audit Section is subject to regular inspection by the Council’s external auditors who place reliance on the work carried out by Internal Audit.
- For performance management, a ‘traffic light’ monitoring and reporting system is in place reporting quarterly to the Executive Committee.

- The Council's Financial Procedure Rules are kept under continuous review and revised periodically – the last review was approved in May 2006.
- The Audit Commission carried out the Comprehensive Performance Assessment in May 2004. The Chief Executive reports to District Executive and full Council on achievement of the agreed improvements and manages the Improvement Plan. In January 2006 the Council participated in the pilot for the revised CPA process for district councils that was undertaken by the Audit Commission.
- The Council's new management structure came into effect on 1 April 2006. The new Heads of Service have received specific training in aspects of corporate governance to ensure the arrangements are not affected by the changes. The Corporate Governance Group will ensure good practice in corporate governance is embedded in the organisation.

PART 5 – SIGNIFICANT INTERNAL CONTROL ISSUES

SSDC has reassessed its systems and procedures and has identified that in the vast majority of cases, robust arrangements are in place. **No significant control issues were found.**

A number of actions are planned to strengthen the control framework:

- The Council's **Standing Orders relating to Contracts** are being fully reviewed and the associated financial procedure rules included into a revised document **Contract Procedure Rules**.
- **Risk Management** – further embed risk management into the management arrangements of the organisation. A review of the Risk Strategy will be undertaken to ensure key corporate risks are identified and monitored. The Audit Committee will receive an annual report on the effectiveness of the arrangements once in place.
- Further **Project management guidance** will be disseminated to officers and members through training and practical experience. All capital scheme bids for 2008/09 will follow the project management methodology.
- A **register** for Potentially Violent Warning Markers and Dangerous Buildings to be introduced and maintained.
- The implementation of the **new HR system** is now partially completed and internal audit will conduct a review once complete to ensure that it adequately addresses identified weaknesses.
- A review of **Cash Office Security in Chard** has been completed with recommendations made by Council Insurer's. The majority of these recommendations have been implemented. Once the cash collection strategy has been completed a final decision will be made on any building work necessary.
- The Council's external auditors have reported their assessment of the **Use of Resources** and the authority upgraded to a "3". Further areas for improvement will be included in the 2006/07 Action Plan and monitored by the Audit Committee.

- Further training will occur and additional assistance to those services that have received **Internal Audit Reports** with “no” or “partial assurance” to improve their processes and procedures to enhance internal controls.

Signed on behalf of SSDC:

..... Date:
Donna Parham, Head of Service, Finance

..... Date:
Phil Dolan, Chief Executive

..... Date:
Cllr Tim Carroll, Leader

**SOUTH SOMERSET DISTRICT COUNCIL
ANNUAL REVIEW OF INTERNAL CONTROL**

2007/08 ACTION PLAN

No.	Issue	Responsible Officer	Action	Current Status
1.	Use of Resources – improvement plan	Corporate Governance Group	<ul style="list-style-type: none"> • Agree Improvement Plan: June 07 	<ul style="list-style-type: none"> • The improvement plan is included within this agenda and will be monitored by the Audit Committee in 2007/08.
2.	Contract Procedure Rules – complete revision to bring all procedures into one document	Gary Russ	<ul style="list-style-type: none"> • Contract Procedure Rules completed: June 07 • Agreed by Audit Committee: July 07 • Approved by Council: September 07 	<ul style="list-style-type: none"> • Contract Procedure Rules were drafted and reviewed by the Assistant Chief Executive and the Head of Finance. Agreement was reached that some amendments were required, revised draft is expected by the end June 07.
3.	Risk Management – provide management reports and further embed into organisation	Gary Russ	<ul style="list-style-type: none"> • Regular reports to Management Board: June 07 • Regular Reports to Audit Committee: July 07 	<ul style="list-style-type: none"> • Some improvements requested for Heads of Service to complete so that management reports are more meaningful.
4.	Project Management Guidance	Rina Singh/ Donna Parham	<ul style="list-style-type: none"> • All capital schemes to follow guidance for 2008/09 bids: August 07 	<ul style="list-style-type: none"> • Further training will be arranged for managers to assist them with new bids. • Directorate “Champions” to be appointed as contact points.
5.	A register for Potentially Violent Warning Markers and Dangerous Buildings	Ian Clarke	<ul style="list-style-type: none"> • Register to be implemented by: September 07 	<ul style="list-style-type: none"> • Register to be finalised
6.	HR system	Rina Singh	<ul style="list-style-type: none"> • System completion: to be confirmed once funding agreed • Audit review: to be confirmed 	<ul style="list-style-type: none"> • Audit Committee will continue to monitor Internal Audit reports on the improvements agreed

No.	Issue	Responsible Officer	Action	Current Status
7.	A review of Cash Office Security in Chard	Donna Parham	<ul style="list-style-type: none"> Finalise cash collection strategy: June 07 	<ul style="list-style-type: none"> Reports to be made to DX to implement cash machines and strategy.
8.	Improvements in Internal Audit Report findings.	Corporate Governance Group	<ul style="list-style-type: none"> Further training for managers in internal controls September 07. Improved reporting mechanism for managers, Corporate Governance Group, Management Board, and Audit Committee September 07. 	<ul style="list-style-type: none"> Training sessions to be set up through Finance/Audit/Procurement (re risks). Improved process for regular monitoring of actions agreed by Corporate Governance Group now needs to be rolled out.

South West Audit Partnership

A Report to the Audit Committee

Annual Report 2006/2007

1. PURPOSE

The Accounts and Audit Regulations (England) 2003 requires public authorities to publish a Statement on Internal Control (SIC).

The Statement is an annual review of the System of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. Standard 9 of the SIC requires “the Head of Internal Audit to include in the annual Internal Audit Report to the authority an opinion on the overall adequacy and effectiveness of the authority’s internal control environment, providing details of any weaknesses that qualify this opinion and bringing to the attention of the authority any issues particularly relevant to the preparation of the SIC” – *Meeting the Requirements of the Accounts and Audit Regulations 2003 (CIPFA Publication)*.

The purpose of this report is to satisfy this requirement.

2. THE ROLE OF INTERNAL AUDIT

The Internal Audit service for SSDC is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors. The Partnership is also guided by the Internal Audit Charter which is reviewed annually and the CIPFA Code of Practice for Internal Audit in Local Government. The latest revision of the Charter was approved by the Audit Committee at its meeting on 22 February 2007.

Internal Audit provides an independent and objective opinion on the authority’s control environment by evaluating its effectiveness. Primarily the work of the Unit includes:

- 4 -Year Plan of Operational Audit Reviews
- Annual Review of Key Financial System Controls
- Follow Up Reviews

3. INTERNAL AUDIT WORK PROGRAMME FOR 2006/2007

3.1 OPERATIONAL AUDITS

Operational Audits are a detailed evaluation of a services control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated. In total 21 operational audits were planned, however, 4 of these reviews, were not completed and with the approval of the Head of Financial Services, 3 have been rescheduled for 2007/08. The Review of Human Resources was treated as a Follow Up Review to 3 previous audits of the service covering Personnel Policies, Training & Development and Recruitment. The review of Central Administration was dropped as no longer relevant. A further 2 Audits were completed from the previous year.

As part of the Auditor's Opinion, each review is given a 'star' rating offering management the following levels of assurance:

▲★★★★ Full - The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively at all times and risks against the achievement of objectives are well managed.

▲★★★★ Reasonable - Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

▲★★★★ Partial - Most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

▲★★★★ None - The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Where low to medium control or administrative weaknesses are identified, normal expectation is for reviewed areas to be assessed into the 'Reasonable' category of assurance. However, where the assessed area falls below 'Reasonable', management is expected to address the risks identified as a matter of priority so that when the audit is followed up approximately six months later, the service area can be reassessed upward.

The following is a summary of the reviews. Those completed to draft stage have resulted in 246 agreed actions for improvement:

2 audits were completed from the previous year:

- STRATEGIC HOUSING - **▲★★★★ Reasonable**
- HOMELESSNESS ELEMENT - **▲★★★★ None**
- DEVELOPMENT CONTROL - **▲★★★★ Partial**

11 audits were completed and final reports issued:

- DOG WARDENS - **▲★★★★ Reasonable**
- PAYROLL - **▲★★★★ Partial**
- TELEPHONES - **▲★★★★ Partial**
- YEOVIL RECREATION CENTRE - **▲★★★★ Reasonable**
- COMMUNITY GRANTS - **▲★★★★ Reasonable**
- PRINTING AND COPYING - **▲★★★★ Partial**
- WASTE AND RECYCLING - **▲★★★★ Partial**
- ST MICHAELS HALL - **▲★★★★ Reasonable**
- ABANDONED VEHICLES - **▲★★★★ Reasonable**
- FINANCIAL MANAGEMENT - **▲★★★★ Full**
- CORPORATE POLICY AND PERFORMANCE - (BVPI'S ONLY)

2 audits are at draft stage:

- ENVIRONMENTAL PROTECTION - **▲★★★★ Reasonable**
- LUFTON STORES - **▲★★★★ None**

The following audits are in progress and a draft report to be completed shortly:

- PUBLIC RELATIONS
- CORPORATE GOVERNANCE
- CARELINE

3 audits were not completed from the plan with agreement of management. The reviews have been programmed into the plan for 2007/08:

- IS NETWORKS
- IS DEVELOPMENT
- REGISTRATION OF ELECTORS

3.2 MANAGED AUDITS

Managed audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. The review for Payroll has been incorporated into the Operational Audit above. In addition the following reviews have been completed which resulted in 30 agreed actions for improvement:

- CAPITAL ACCOUNTING
- MAIN ACCOUNTING
- HOUSING BENEFITS
- TREASURY MANAGEMENT
- CREDITORS
- DEBTORS
- COUNCIL TAX
- NNDR

The External Auditors are likely to focus on these weaknesses when they carry out their work to sign off the Council's final accounts. Therefore a summary of all actions arising from the Managed Audits has been provided to the Head of Financial Services who has undertaken to monitor these through to completion. However, it should be noted that the weaknesses identified are mainly of an administrative nature. On the whole I am able to offer reasonable assurance that key financial controls are in place and working as intended.

3.4 FOLLOW UP REVIEWS

Follow up audits are carried out to assess progress made against agreed actions from completed reviews. In total 16 follow up reviews were completed:

- EXPENSE CLAIMS
- STREETSCENE
- ECONOMIC DEVELOPMENT
- ASSET MANAGEMENT
- LOCAL LAND CHARGES
- PROPERTY SERVICES
- HUMAN RESOURCES
- CREDITORS
- ENGINEERING SERVICES
- NNDR
- COUNCIL TAX
- FOOD SAFETY
- SUNDRY DEBTORS
- CUSTOMERS FIRST
- PLAY AND YOUTH

These reviews covered 281 agreed actions.

4. OTHER ACTIVITIES

In addition to the above activities Internal Audit continue to provide support and advice to management on a wide range of internal control and risk matters including the facilitation of ad-hoc risk sessions. In addition the Group Auditor acts as the Data Protection Officer, providing necessary advice and dealing with Subject Access Requests. The Group Auditor also acts as the Key Contact for the National Fraud Initiative and coordinates the Council's response.

Specific reviews have included the Somerset Waste Partnership and Officer Expense Claims.

5. SUMMARY

Two of the operational audits have resulted in the Auditor not being able to offer management assurance on the reliability of internal control, while on a further five, only Partial Assurance could be given. As with all reviews an agreed action plan has been drawn up with the cooperation of the service management to address the identified weaknesses.

For the 16 Follow-Up Reviews that were completed, 281 agreed actions were reviewed and it was found that 72 (26%) had not been completed. However, it should be noted that this was the status at the time of the follow up review. The Corporate Governance Group have since sought written confirmation from the relevant Heads of Service that the actions have been addressed. In addition the outstanding actions from the review of Human Resources is being closely monitored by the Audit Committee. Following this feedback it is reported that 30 (11%) of the agreed actions now remain outstanding.

A new system of reporting on outstanding actions has been agreed with the Corporate Governance Group for 2007/08. Managers responsible for completing an action will be written to within one month of the target date. The Manager will be required to self certify if they have completed the action. If not, they may offer a revised target date for completion. Responses will be recorded into a database maintained by SWAP and regular reports produced for consideration and monitoring by both the Corporate Governance Group and the Audit Committee. This will provide a more 'real time' progress report on agreed actions. Quarterly, SWAP will review a sample of completed actions to verify compliance.

The key financial systems (Managed Audits) did not identify any serious concerns, and although there were 30 agreed actions resulting from them, these were mainly of an administrative nature. The systems review of Payroll resulted in a further 16 control weaknesses and an action plan has been agreed to address these. As mentioned above, the Head of Financial Services has been provided with a summary of the actions arising from the key financial systems and will be monitoring them through to completion. Further assurance can be gained from the recently completed operational review of Financial Management, where only minor weaknesses have been identified and full assurance provided.

Managers Operational Statements - For those areas not covered by an Internal Audit Review, the Head of Financial Services has sought the assurance of the relevant Service Manager as to the adequacy of the internal control environment. A signed Operational Statement has been returned for each service offering further assurance that necessary controls are operating as intended.

6. GROUP AUDITOR'S OPINION

The initial finding that 26% of agreed actions were not implemented to mitigate identified risks gave me cause for some concern. This together with the reduced levels of assurance offered in the Operational Audits for 2006/07, which have resulted in a further 246 agreed actions, added to that concern. Overall therefore I am able to only offer 'Partial' assurance that internal controls were in place and working well for those services reviewed.

It must be stressed however, that key financial systems have been found to be operating effectively and that Financial Management processes were afforded full assurance. It must also be recognised that the Corporate Governance Group has taken immediate action to address the outstanding actions and the response from Heads of Service has shown a significant reduction in the number of outstanding actions. The process for monitoring actions in 2007/08 will be improved by the reporting to and monitoring by both the Corporate Governance Group and Audit Committee, together with other proposals outlined in the SIC. There is, in my opinion, strong evidence and a commitment to ensuring that this situation will improve in the coming year.

Ian Baker
Group Auditor
June 2007