

## ITEM NO.

**Report to:** Audit Committee  
**Date:** 13<sup>th</sup> December 2007  
**Report of:** Gordon Fletcher, Audit Manager  
**Subject:** Statement on Internal Control – Follow up

### 1. Purpose of Report

- 1.1. The purpose of this report is to update Members on the progress made on the actions identified in the Council's Statement on Internal Control for 2006/2007, which was reported to the Audit Committee on the 14<sup>th</sup> June 2007.

### 2. Consultation

- 2.1. In preparing this report I have consulted with:  
Director of Finance and Corporate Services  
Head of Financial Management

### 3. Background

- 3.1. The Accounts and Audit Regulations 2003 have introduced a requirement on local authorities to prepare a Statement on Internal Control (SIC) to be included with the annual statement of accounts. Where a Council is in a Group relationship with other entities and undertakes significant activities through the Group, the review of the effectiveness of the system of Internal Control should include its group activities. East Durham Homes is therefore included in this review.
- 3.2. Although the ultimate responsibility for the review process lies with the Council, in practice, it is the Audit Committee (through Audit reports) that will be responsible for obtaining and reviewing the various assurances.

### 4. Position Statement

- 4.1 The following Internal control issues were identified in the Council's SIC for 2006/2007 and the agreed action recorded:-

“That the actions required within the East Durham Homes Service Improvement Plan are effectively monitored to achieve a 2 star rating from the Housing Inspectorate”.

- 4.2. In accordance with Internal Audit's procedures a follow up on the issue above has been recently carried out, where it was established that a report on the improvements made to achieve the 2 star rating was presented and approved by EDH Corporate Committee, on the 6<sup>th</sup> December 2007, through an Internal audit follow up on the SIC for EDH.

### 5. Implications:

#### 5.1. Legal Implications.

Regulation 4 of the Accounts and Audit Regulations (2003) requires audited bodies to conduct a review, at least once a year, of the effectiveness of its system of internal control and publish a SIC each year with the authority's financial statements.

#### 5.2. Financial.

There are no financial implications as the work for this has been included in the Annual Audit Plan for 2006/2007.

#### 5.3. Policy.

There are no policy implications.

#### 5.4. Risk.

That the legal requirement above is not implemented.

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### 5.5. **Communications**

This is to be communicated to the Managers, responsible for action.

### 5.6. **Corporate implications:**

#### 5.6.1. **Corporate Plan and Priorities**

The SIC provides an overall framework for the Council to determine its priorities.

#### 5.6.2. **E. Government**

There are no E. Government implications.

#### 5.6.3. **Procurement.**

There are no Procurement implications.

#### 5.6.4 **Equality and Diversity**

There are no Equality and Diversity implications.

## 6. **Conclusions**

- 6.1. The SIC is an important document for the Council to enable the Audit Committee to give assurances that we have proper governance arrangements and systems in place. The issues identified did show the weak areas that needed to be redressed during the year and actions have been implemented.

## 7. **Recommendations**

- 7.1. That the Audit Committee agrees the progress on the outstanding issue from the SIC.

## 8. **Background Papers**

Audit Committee report on SIC, 14<sup>th</sup> June 2007

Internal Control, Institute of Chartered Accountants in England & Wales, 1999. (Turnbull report)

'Corporate Governance in Local Government', CIPFA/SOLACE, 2001

'Accounts and Audit Regulations', Office of the Deputy Prime Minister, March 2003.

'Guidance on Internal Control and Risk Management in Local Authorities', CIPFA December 2003.