

DRAFT
INTERNAL CONTROL STATEMENT
2007-2008

To the Head of Strategic Finance

As Internal Audit Manager of Argyll & Bute Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal control system of the Council for the year ended 31 March 2008.

Respective responsibilities of management and Internal Auditors in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Internal Audit Manager to provide an annual overall assessment of the robustness of the internal control system.

Sound internal controls

The main objectives of the Council's internal control system are:

- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- To safeguard assets;
- To secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its system of internal control.

The work of Internal Audit

Internal Audit is an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The section undertakes an annual programme of work approved by the Audit Committee based on a 3-year strategic audit plan. The strategic audit plan is based on a formal needs assessment process, which is revised on an ongoing basis to reflect evolving risks and changes within the Council.

All Internal Audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and the Audit Committee, and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports, and that appropriate action is taken on audit recommendations. The Internal Auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations, or that management has understood and assumed the risk of not taking action. Significant matters arising from Internal Audit work are reported to the Head of Strategic Finance, the Chief Executive and the Council's Audit Committee.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by Internal Audit during the year to 31 March 2008;
- The assessment of needs completed during the preparation of the 3 year strategic audit plan;
- Reports issued by the Council's external auditors; and
- Internal Audit knowledge of the Council's governance, risk management and performance monitoring arrangements.

Opinion

Except for the following listed matters it is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2008:-

Matters brought forward from previous year(s):-

- The development of asset management including consideration of funding the investment requirements for schools, roads and other assets and further develop the revised approach to capital planning based around business cases and gateway reviews;
- The development of Performance Measurement throughout the Council by means of Pyramid, the Council's Performance Management System;
- There will be ongoing development to achieving full compliance with the Code of Practice – Following the Public Pound; and
- The implementation of Single Status which came into effect from 18 February 2008;

New matters to be considered in 2008 – 2009:-

- Actions to be implemented as a result of the Best Value Review follow up carried out by Grant Thornton.;
- The ongoing development of Business Continuity Planning;
- Monitoring of the NPDO schools contract; and
- Issues arising from Disclosure Scotland Framework.

Alex Colligan
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12 June 2008