

3.7 STATEMENTS REPORTING REVIEWS OF INTERNAL CONTROLS OR INTERNAL FINANCIAL CONTROLS

3.7.4 Disclosure Requirements

English, Welsh and Northern Irish authorities and Scottish authorities that voluntarily conduct a review of the effectiveness of their system of internal control

3.7.4.3 The following information shall be included in the Annual Governance Statement:

- a) An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
- b) An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide.
- c) A brief description of the key elements of the governance framework, including reference to group activities where the activities are significant.
- d) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of the authority; the executive; the audit committee/overview and scrutiny committee/risk management committee; standards committee, internal audit and other explicit reviews/assurance mechanisms.
- e) An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.
- f) A specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to Delivering Good Governance in Local Government: A Framework; and, where they do not, an explanation of how they deliver the same impact.

Scottish local authorities

3.7.4.8 The following information shall be included in the statement on the system of internal financial control:

- a) An acknowledgement of responsibility for internal financial control.
- b) An indication of the level of assurance that a system of internal financial control can provide.
- c) A brief description of the main features of the system of internal financial control including controls relating to group activities where the activities

are significant.

- d) A brief description of the role of internal audit and the management and reporting arrangements for internal audit.
- e) Details of any other reviews informing the assessment of the effectiveness and operation of internal financial control undertaken during the year.
- f) A concise explanation of any identified significant weaknesses in the system of internal financial control, together with the actions undertaken or planned to address these.

g) A specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to Delivering Good Governance in Local Government: A Framework; and, where they do not, an explanation of how they deliver the same impact.

3.7.4.9 The statement shall be signed, as a minimum, by the chief financial officer (or equivalent) of the authority. Authorities may choose to have the statement signed, in addition, by the chief executive (or equivalent). The following wording may be used but is not mandatory.

Statement on the System of Internal Financial Control

- 1 This statement is given in respect of the Statement of Accounts for the XYZ Council. I/We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
- 2 The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
- 3 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:
 - comprehensive budgeting systems
 - regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts
 - setting targets to measure financial and other performance
 - the preparation of regular financial reports which indicate actual

expenditure against the forecasts
clearly defined capital expenditure guidelines, and
as appropriate, formal project management disciplines.

- 4 [Note: This paragraph relates to internal audit arrangements. The wording will need to be tailored to reflect the particular way in which internal audit services are provided, but the following areas are those which, as a minimum, should be covered:

a brief description of the internal audit arrangements

confirmation that internal audit operates to defined standards – this might also include references to risk analyses and the reporting arrangements to, for example, the audit committee and the chief executive or responsible financial officer

a note of the reporting arrangements undertaken by the chief internal auditor, and

a note that the chief internal auditor provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.]

- 5 My/Our review of the effectiveness of the system of internal financial control is informed by:

the work of managers within the council

the work of the internal auditors as described above, and

the external auditors in their annual audit letter and other reports.

- 6 [This paragraph should provide either details of the action taken, or proposed, to correct significant identified weaknesses in the system of internal financial control, or an explanation of why corrective action is not considered necessary. The wording should be tailored to reflect the circumstances of the case.]

- 7 [This paragraph should provide either a specific statement that the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* or, where they do not, an explanation of how the authority's financial management arrangements deliver the same impact. The wording should be tailored to reflect the circumstances of the case.]

(Signed) _____ (Dated)

(Chief Financial Officer)

3.7.6 Changes since the 2010/11 Code,

3.7.6.1 The 2011/12 Code includes a new requirement to either confirm that the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the *Application Note to Delivering Good Governance in Local Government: A Framework*; or, where they do not, an explanation of how the authority's financial management arrangements deliver the same impact.

Deleted: SORP 2009

Deleted: There are no changes to the requirements in SORP 2009.