

**To the Members of West Dunbartonshire Council , the Chief Executive and the Head of Finance**

As Manager of Audit of West Dunbartonshire Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal financial control system of the Council for the year ended 31 March 2006.

**Group Accounts**

The Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice requires the Authority to consider their interests in all types of entity. For this purpose West Dunbartonshire Council has deemed the following entities appropriate to be included in the Group Accounts:

Dunbartonshire & Argyll & Bute Valuation Joint Board  
Strathclyde Police Joint Board  
Strathclyde Fire Joint Board  
Strathclyde Passenger Transport Executive  
Strathclyde Concessionary Travel  
Argyll, Bute and Dunbartonshires Criminal Justice Social Work Partnership Joint Committee.

This statement for 2005/06, however, is given solely in respect of West Dunbartonshire Council and does not cover those bodies whose activities have now been included in our Group Accounts.

A statement for the group will be provided for 2006/07 when it is intended to place reliance on the individual bodies' Statement of Internal Control, Chief Auditor's Assurance Statements and relevant external reviews.

**Respective responsibilities of management and internal auditors in relation to internal financial control**

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

## **Sound internal controls**

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

- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- To safeguard assets;
- To ensure 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 financial 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 financial control.

## **The work of internal audit**

Internal Audit is an independent assurance function established by the Council 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 a programme of work based on an annual audit plan derived from a risk 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 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.

## **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 2006;
- The assessment of risk completed during reviews of the audit plan;
- Reports issued by the Council's external auditors, Audit Scotland, and other review agencies and
- My knowledge of the Council's governance, risk management and performance monitoring arrangements.

## **Opinion**

It is my opinion, despite the level of Systems Audit work undertaken being less than planned, as reported to the Audit & Performance Review committee, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal financial control system in the year to 31 March 2006, with the exception of the following issues :

## **Risk Management Arrangements**

Although good progress has been made in this area, the Council's risk management arrangements are not yet fully developed although it is recognised that new arrangements are being put in place to address this issue.

## **Control Objectives**

A good deal of effort has been put into documenting the Council's control objectives for main systems, as recommended by Audit Scotland, however this has not been fully actioned. It is now recognised that the task is far greater than first anticipated, but officers should continue working on this as defining the systems, controls and control objectives is fundamental in assessing their associated risks and improving the effectiveness of the system of internal control.

**Signature** *Lorraine Coyffe*  
**Title** *Manager of Audit*  
**Date** *30 June 2006*