

# AUDIT COMMITTEE

19<sup>th</sup> September 2007

## Statement of Internal Control & Corporate Governance

### Report of Corporate Director (Finance & Performance)

#### PURPOSE OF REPORT

To update the Committee on the latest position in respect of signing off the Statement of Internal Control & Corporate Governance (SIC & CG)

**This report is public**

#### RECOMMENDATION

**That the Committee consider the Leader's request to amend the Statement of Internal Control & Corporate Governance, approved at the Committee's last meeting, prior to signing off.**

#### 1.0 Introduction

1.1 At its last meeting, the Committee agreed ( minute 7 refers) that :-

*....the Statement of Internal Control & Corporate Governance for 2006/7 be approved for signing by the Leader of the Council, the Chief Executive, Section 151 Officer, and Monitoring Officer.*

1.2 Regarding the matter of approving the statement, CIPFA Guidance (which is cited as proper practice by the Account & Audit Regulations) says the following:

*4.3 The SIC should be approved at a meeting of the authority or delegated committee. Whilst there is no statutory timetable for this approval, the SIC must be published with the financial statements and so the publication timetable will drive the SIC approval timetable. As the SIC will be read alongside the financial statements, it is important that it is up to date at the time of publication. In considering whether to approve the SIC, the relevant body should seek to satisfy itself that it has obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval it should be signed by the most senior officer and the most senior member of council.*

And;

*4.4 The SIC should include the action plan to address any significant internal control issues.*

- 1.3 In recognition of the fact that the Statement deals with financial control and corporate governance arrangements, the Council's accepted practice is for the two statutory officers, the Section 151 Officer and the Monitoring Officer, to sign the statement in addition to the Leader and Chief Executive.
- 1.4 Since the last meeting, the Chief Executive, the Section 151 Officer, and the Monitoring Officer have all signed the approved Statement.
- 1.5 However, in considering the Statement, the Leader has suggested that the Committee may wish to consider strengthening it by the inclusion of the following paragraph into Section 5:

*Following the Council meeting on 20<sup>th</sup> June 2007 a further process has been introduced to ensure that Members are formally briefed on all the risks and implications involved in the event of a Motion to Council.*

- 1.6 The process referred to above is not a formal requirement within the Constitution although it has been custom and practice for officers to provide advice on Council Motions when considered appropriate. Over the 2006/07 financial year, the following motions were also considered by Council:
  - Sustainable Communities Bill (Feb 2007)
  - Rail transport - loss of services (Feb 2007)
  - Micro renewable Technology (Feb 2007)
  - Traffic Calming near schools(Dec 2006)
  - School Bus Fares Increases(Dec 2006)
  - Privatisation of NHS (Sept 2006)
  - Piccadilly Gardens (Sept 2006)
  - Top Up Fees for Students(Sept 2006)
  - Climate Change Action (July 2006)
- 1.7 Briefing notes were provided on any potential implications for the Council, where considered necessary, and in view of this and the topics considered, the relevant officers involved in the SIC&CG do not consider that there are any significant control issues arising that are not already highlighted in the Statement itself. (The relevant officers include the three Statutory officers who sign the Statement, the Corporate Director (Finance & Performance) and the Internal Audit Manager.)
- 1.8 In addition to the relevant financial year, the Statement on Internal Control & Corporate Governance covers the period up to the date of its signing. The M6 Link motion considered at Council on 20<sup>th</sup> June 2007 is therefore relevant to the statement. The procedures followed for this item were the same as those followed for the other motions during the preceding year and a judgement was made as to whether or not a briefing note to Council was prepared. In this case it was and it is the view of the Chief Executive that this briefing note satisfactorily covered the risks and provided the opportunity for Members to ask questions of officers during the meeting.
- 1.9 In considering the draft SIC&CG on 27th June, Audit Committee did review aspects of risk management (the new policy and strategy were also elsewhere on the agenda), and through the debate, it was clear to officers that the Committee was clear on the current risk management position. It accepted the SIC for approval, however, and therefore it is reasonable to assume that it accepted the risk management comments included in the SIC as reasonable.
- 1.10 Notwithstanding the views expressed by officers on this issue, Members will note that a report elsewhere on this Agenda recommends that the informal process referred to is formalised by inclusion in the Constitution.

1.11 The issue for the Committee to consider in terms of the Statement of Internal Control & Corporate Governance is whether the procedures in place throughout the year in question constituted a significant control weakness worthy of disclosure. The criteria for this are whether the weakness presented the risk of a significant loss on the part of the Council, whether in terms of finance, reputation or unfulfilled objectives, or alternatively that a specific event had actually caused such a loss.

1.12 The Committee should note that the Leader has been invited to attend the meeting.

## **2.0 Options & Options Analysis**

### **2.1 Option 1**

To agree to the Leader's request for the inclusion of the additional paragraph in the Statement prior to formally signing off.

### **2.2 Option 2**

Not to amend the SIC&CG.

## **3.0 Conclusion**

3.1 Previously, the Committee had approved the Statement as attached as **Appendix A** and sought the appropriate signatories to sign the document off. The relevant officers had appended their signatures as requested by the Committee but have not been able to publish the Statement until the Leader has signed it off.

3.2 Committee are therefore asked to consider the Leader's request to amend the Statement as set out in 1.3 of the report.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

None arising from this report

### **FINANCIAL IMPLICATIONS**

None arising from this report

### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments.

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no comments to add.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

### **BACKGROUND PAPERS**

None

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