

Report of	Meeting	Date	Item No
Corporate Governance Group	Audit Committee	22/06/06	

STATEMENT ON INTERNAL CONTROL

PURPOSES OF THE REPORT

- 1 To advise the Audit Committee of the statutory and other regulatory obligations now placed on the Council to continuously review its system of internal control and to formally publish a Statement on Internal Control (SIC) alongside its annual financial statements.
- 2 To explain the structure and processes that have been put in place within the Council to enable the SIC to be produced.
- 3 To invite Members to review and approve the draft SIC (shown at Appendix 1) which has been produced in accordance with CIPFA guidelines.
- 4 Thereafter the approved SIC will need to be formally signed-off by the Leader & Chief Executive and be submitted for external audit as part of the 2005/6 financial statements

CORPORATE PRIORITIES

- 5 A sound system of internal control is an essential ingredient of any well managed, high performing organisation. To this extent, internal control has been included as one of the 5 main elements of the Audit Commission's Use of Resources assessment.

RISK ISSUES

- 6 The issues raised and recommendations made in this report involve risk considerations in the following categories:

Strategy		Information	
Reputation	3	Regulatory/Legal	3
Financial		Operational	
People		Other	

- 7 Failure to produce a fully compliant SIC would constitute a regulatory breach. More substantially, any significant internal control issues emanating from the SIC process impact upon the Council's Use of Resources assessment.

BACKGROUND

- 8 Regulation 4 of the Accounts and Audit Regulations (2003) requires Councils to conduct an annual review of the effectiveness of its system of internal control and publish a Statement on Internal Control (SIC) each year alongside their financial statements. CIPFA have produced definitive guidance on the format of the SIC and the processes for compiling it.

- 9 The guidance requires the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) to sign the SIC. They must be satisfied that the document is supported by reliable evidence and accurately reflects the internal control environment. This emphasises that the document is about **all corporate controls** and is not confined to financial issues.
- 10 The SIC is a corporate document and should involve (in addition to the most senior officer and the most senior member as signatories) a variety of people charged with delivering governance:
- the monitoring officer in meeting his/her statutory responsibilities;
 - the responsible financial officer who is responsible for the accounting control systems and the preparation of the statement of accounts;
 - directors assigned with the ownership of risks and the delivery of services;
 - members (e.g. through audit or scrutiny committees); and
 - others responsible for providing assurance (e.g. Internal & External Audit).
- 11 Thus the SIC, as a corporate document, should be owned by all senior officers and members of the authority. A shared approach should be taken to compiling the SIC because any delegation to a single individual or section will dilute the statement's significance and encourage other people to distance themselves from their proper responsibilities.

PROCESS

- 12 At the centre of the framework for the SIC should be a management group who are given ultimate responsibility for reviewing the internal control system, evaluating assurances and the supporting evidence and drafting the SIC itself.
- 13 Compiling a SIC should not be done in a vacuum. Comments, evidence and feedback should come from many places including reports from inspectorates, internal and external audit on specific service areas, or corporate reviews on performance and risk management authority wide.
- 14 Implicitly, the management group should identify any key areas of control weakness or non-compliance and ensure that they are recorded in the body of the SIC.
- 15 The CIPFA guidance also states the need for a review body in the process such as the Audit Committee or Scrutiny role, who should be charged with critically reviewing the SIC and its supporting documentation. It is vital that this review body remains independent from the SIC compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

TIMETABLE

- 16 Many authorities include the SIC document with the approval process of the statement of accounts. The statutory reporting requirement for the SIC, however, is linked to the publication of the authority's financial statements (i.e. its statement of accounts) which is generally 3 months after the deadline for approval.
- 17 The SIC should be approved at a meeting of the authority or delegated committee, but there is no statutory timetable for approval. Where an authority publishes the statement with its financial statements, therefore, it should be satisfied that the SIC is still current in relation to its formal approval. The greater the delay between approval of the SIC and publication with the statement of accounts, the greater the need for the authority to challenge its adequacy at that point in time.

STEPS TAKEN TO COMPILE THE SIC

- 18 In 2004/5 the Chief Executive agreed to the establishment of a management group to oversee the SIC process, consisting of:
- Director of Legal Services (Monitoring Officer)
 - Director of Finance (S151 Officer)
 - Head of Corporate & Policy Services
 - Audit & Risk Manager
- 19 The management group (Corporate Governance Group) undertook a detailed controls self-assessment following the CIPFA guidance. This has now been updated to reflect the current situation (Appendix 2).
- 20 The information contained in this self-assessment document underpins the draft SIC itself, and has been derived from the Corporate Governance Group's cumulative knowledge of the internal control system, but wherever possible reference has been made to independent assurance sources, such as key Audit Commission reports.
- 21 Strategy Group have already reviewed and challenged the first draft of the SIC and have endorsed the version now shown at Appendix 1.

RECOMMENDATIONS

- 22 That Members review and approve the draft SIC (Appendix 1) which has been produced in accordance with CIPFA guidelines.
- 23 That the approved SIC be formally signed off by the Leader and Chief Executive before being submitted for external audit as part of the 2005/6 financial statements.

GARY HALL
DIRECTOR OF FINANCE

Background Papers			
Document	Date	File	Place of Inspection
Accounts & Audit Regulations	2003	FINANCE UNIT	GILLIBRAND ST OFFICES

Report Author	Ext	Date	Doc ID
Garry Barclay	5468	09/05/2006	Aud Comm SIC

CHORLEY BOROUGH COUNCIL

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

Chorley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. The Purpose of the Internal Control System

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively.

The system of internal control has been in place at Chorley Borough Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

3. The Internal Control Environment

Establishing & Monitoring the Achievement of Objectives

- The Council's priorities are derived from consultation on the Borough's Community Strategy and the approved Corporate Strategy clearly sets out the Council's priorities and strategic objectives.
- Long term outcomes and interim performance targets have been established for each strategic objective. These are in turn transferred into individual service business plans and business plan monitoring reports are produced on a quarterly basis. This is supported by a system of individual staff performance and development reviews.

Policy & Decision Making

- The Council has adopted a constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Overview & Scrutiny Committees.

- Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.
- The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and chief officers under their delegated powers (and has specified what is significant expenditure in terms of the definition of a key decision).

Compliance

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
 - Monitoring Officer;
 - Section 151 Officer;
 - Internal Audit;
 - External Audit;
 - Performance management system.
- The Council has designated the Director of Customer, Democratic and Legal Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Risk Management

- The Council has introduced a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational / service levels. The key elements of which are:
 - A member approved Risk Management Policy Statement;
 - A Strategic Risk Register;
 - Service level risk assessments built into the business planning process.

Economy, Efficiency & Effectiveness

- The Council has constantly sought ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised. These now include:
 - Efficiency & Transformation Board;
 - Corporate Procurement Working Group;
 - Overview & Scrutiny Committees;
 - External Audit;
 - Internal Audit.
- The Council recently obtained a score of 3 for the value for money element of the Use of Resources assessment, indicating that the Council is performing well in this area, consistently achieving above minimum requirements.

- The Efficiency & Transformation Board has a particularly important role to play in securing the delivery of value for money services and been established to:
 - Act as the co-ordinating body for the efficiency programme in support of the Council's corporate plans and priorities;
 - Champion efficiency both within the Council and externally with partners, suppliers and customers;
 - Meet government & Council reporting requirements regarding Annual Efficiency Statements;
 - Monitor & review the efficiency programme on an ongoing basis to ensure that it is meeting objectives;
 - Fully integrate efficiency into the 3-year business planning and budgeting cycle.

Financial Management

- The Council has designated the Director of Finance as chief finance officer under Section 151 of the Local Government Act 1972.
- The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's Constitution. The Council has also adopted and implemented the relevant financial codes of practice covering such areas as treasury management and the Prudential Code.
- The Council has in place a five-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Strategy.
- The Council maintains a sound Internal Audit function which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Internal Audit report four times annually to the Audit Committee and are a prime source of assurance to the authority regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.
- The Council has an objective and professional relationship with its external auditors and statutory inspectors.

Performance Management

- The Council's Performance Management Framework is underpinned by the Community Strategy which clearly articulates a shared vision for the Borough. Derived from this is our Corporate Strategy which articulates our corporate vision, priorities, strategic objectives and anticipated outcomes. Individual service unit Business Plans contain key projects which are geared towards achieving overall corporate objectives. This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and unit contribution to corporate goals.
- Separate detailed guidance exists for Business Planning and the Performance Review processes. Performance against targets is monitored by Strategy Group, Executive Cabinet, the Overview & Scrutiny function and the Audit Committee. Where necessary corrective action is identified and implemented.
- The Council uses a bespoke performance management software system, Performance Plus. The system uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of corporate objectives. These reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate.

4. Review of Effectiveness

- Chorley Borough Council has responsibility for conducting, at least annually, a review of the system of internal control. A variety of review mechanisms are in place to facilitate this.

Corporate Governance Group

- To oversee the production of the SIC itself, the Council has established a Corporate Governance Group with the following membership.

Director of Finance (S.151 Officer);
Director of Legal Services (Monitoring Officer);
Head of Corporate & Policy Services;
Audit & Risk Manager.

- Using the detailed guidance provided by CIPFA as the basis, the Group have produced a Schedule of Controls Assurance & Evidence; a process which also aims to identify any significant internal control or compliance issues within the authority. Although the cumulative knowledge and experience of the Group is the prime source of information, reference is made to independent sources of controls assurance wherever possible; including:
 - Comprehensive Performance Assessment (CPA);
 - CPA Progress Assessment Report (Direction of Travel);
 - Audit Commission Use of Resources Assessment;
 - Internal strategic risk assessment ;
 - The Annual Report of Internal Audit.
- The Schedule of Controls Assurance & Evidence is reviewed and challenged by the Council's Strategy Group who agree the form and content of the draft SIC itself, including the significant control issues to be disclosed. The draft SIC and supporting evidence is subsequently submitted to the Audit Committee for approval prior to formal sign-off and publication.
- The Corporate Governance Group's remit has now been extended to include wider governance responsibilities, incorporating the terms of reference of the former Risk Management Board. The aim of the Corporate Governance Group is to monitor developments in the governance and risk management arena and to ensure that the Council's in-house arrangements continue to represent best practice.

Monitoring Officer

- As the Council's Monitoring Officer, The Director of Customer, Democratic & Legal Services has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.

Scrutiny Committee

- The Council has an Overview and Scrutiny Committee and two subsidiary panels which can challenge a decision which has been made by the Executive Cabinet or a statutory committee but not yet implemented, to enable them to consider whether the decision is appropriate.

Audit Committee

- The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the internal control framework and the SIC itself.

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant head of service. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- A significant element of the necessary controls assurance is therefore taken from the work of Internal Audit. Internal Audit provides independent and objective assurance across a wide range of the authority's activities and Internal Audit plans are now constructed around the key business risk issues facing the authority.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).
- The Internal Audit Section is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

- In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

5. Significant Internal Control Issues

- 5.1 The following significant internal control issues published last year have now been addressed.

<i>Establishing & Monitoring the Achievement of Objectives</i>
Further improving the engagement of communities and other stakeholders and working as a key partner in the LSP to develop a new Community Strategy.
Clarifying the Council's vision and ambition in terms of a new Corporate Strategy, which articulates clear priorities, strategic objectives and specific, measurable and sustainable outcomes.
<i>Policy & Decision Making</i>
Introducing a structured member development programme to enable members to more effectively fulfil their roles.
<i>Compliance</i>
Clarifying member and officer responsibilities for governance, including the adoption of new terms of reference for the Audit Committee.
Further developing project management disciplines across the Council, including its application to business planning.

5.2 However further action is required in other areas, including new action resulting from the recent Audit Commission Use of Resources assessment which has "raised the bar" in terms of control expectations. The following significant internal control issues have been identified for 2005/6:

No.	Issue	Action Planned
Compliance		
1	Introducing formalised procedures to identify and comply with legislative change.	<ul style="list-style-type: none"> ▪ Introduce a centralised capture and monitoring mechanism in Legal Services.
2	Introducing, updating and disseminating key constitutional / governance policies and procedures where omissions or weaknesses currently persist.	<ul style="list-style-type: none"> ▪ Introduce arrangements for the perpetual update of key documents on the intranet, incorporating version control and the timely notification of changes to members & officers.
Risk Management		
3	Further developing members and senior officers awareness of governance and risk management issues	<ul style="list-style-type: none"> ▪ Include governance and risk management in new officer & member induction programmes. ▪ Provide training & support in the application of project based risk assessments in service units.
4	Effectively managing the risks associated with partnerships and partnering arrangements.	<ul style="list-style-type: none"> ▪ Identify the Council's key partners and partnering arrangements and ensure that proportionate, structured governance and risk management arrangements are in place.
Economy, Efficiency & Effectiveness		
5	Fully embedding a VFM culture within the Council.	<ul style="list-style-type: none"> ▪ Develop detailed programmes to implement corporate objectives for efficiency and transformation and procurement. ▪ Develop a benchmarking strategy to systematically compare the Council's costs and outputs against higher performing and more efficient organisations.
Performance Management		
6	Embedding the new Corporate Strategy and improving the monitoring of targets & outcomes.	<ul style="list-style-type: none"> ▪ Establish more robust, systematic monitoring through the Performance Plus information system.
7	Improving the accuracy and reliability of performance information.	<ul style="list-style-type: none"> ▪ Introduce a more effective quality control mechanism for BVPI and other performance information.

Cllr. P Goldsworthy
Leader of the Council

D Hall
Chief Executive

G Hall
Director of Finance (Section 151 Officer)

C Hallwood
Acting Director of Legal Services (Monitoring Officer)

**APPENDIX 2
STATEMENT ON INTERNAL CONTROL (SIC)
SCHEDULE OF CONTROLS ASSURANCE & EVIDENCE**

Objective 1: Establishing principal statutory obligations and organisational objectives

Step 1: In support of objective 1 – mechanism established to identify principal statutory obligations			
Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance
1. Responsibilities for statutory obligations are formally established	<ul style="list-style-type: none"> ▪ Constitution (inc. Scheme of Delegation) ▪ Committees terms of reference ▪ Job descriptions ▪ Structure charts in business plans 		CG Group
2. Record held of statutory obligations	<ul style="list-style-type: none"> ▪ Recorded in Legal Services library 		CG Group
3. Effective procedures to identify, evaluate, communicate, implement, comply with, and monitor legislative change, exist and are used	<ul style="list-style-type: none"> ▪ Professional networking / CPD ▪ Examples of projects to deliver statutory change (HRA, RIPA, FOIA, DPA, ASB, Licensing Act, etc) ▪ Committee reports ▪ Trialed “Emplaw” – employment legislation website 	<ul style="list-style-type: none"> ▪ A centralised capture / tracking mechanism is required for new legislation impacting upon the Council. ▪ Need to consider how best to scan for legislative & regulatory changes (e.g. external lawyer briefings) 	CG Group
4. Effective action is taken where areas of non-compliance are found in either mechanism or legislation	<ul style="list-style-type: none"> ▪ Specific internal / external audit reports / recommendations ▪ Monitoring reports via business planning process ▪ Corporate complaints procedure ▪ CRM will also improve logging of / response to complaints 	<ul style="list-style-type: none"> ▪ The centralised capture / tracking mechanism for new legislation should also log and address known compliance issues in existing legislation. 	CG Group

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Step 2: In support of objective 1 – mechanism in place to establish corporate objectives			
Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance
1. Consultation with stakeholders on priorities and objectives	<ul style="list-style-type: none"> ▪ The Council's priorities and strategic objectives are derived from the new Community Strategy. ▪ The Community Strategy was produced following extensive consultation with all key stakeholders. 		CG Group
2. The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).	<ul style="list-style-type: none"> ▪ The Council's vision, priorities and strategic objectives form the basis of its new Corporate Strategy, which has been formally approved. ▪ The new Corporate Strategy states outcomes, measures and targets for each strategic objective. 		CG Group
3. Priorities and objectives are aligned to principal statutory obligations and relate to available funding	<ul style="list-style-type: none"> ▪ The new Corporate Strategy takes account of annual budgets & the medium term financial strategy 		CG Group
4. Objectives are reflected in departmental plans and are clearly matched with associated budgets	<ul style="list-style-type: none"> ▪ Clear guidance has been set for the preparation of service unit business plans ▪ Annual unit business plans are now based on the delivery of key projects, which require links to be shown with corporate priorities and strategic objectives ▪ Unit business plans are set to match available funding and are supported by individual staff performance & development reviews 		CG Group
5. The authority's objectives are clearly communicated to staff and to all stakeholders.	<ul style="list-style-type: none"> ▪ The new Community and Corporate Strategies have been published on the Council's web site and intranet ▪ Further supported by staff corporate briefings 		CG Group

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Step 3: In support of objective 1 – effective corporate governance arrangements are embedded within the authority				
Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance	
1. Code of corporate governance established	<ul style="list-style-type: none"> ▪ CIPFA / SOLACE workshop facilitated by Audit Commission – actions contained in Corporate Improvement Plan 	<ul style="list-style-type: none"> ▪ Local CG Code specifies member and officer responsibilities ▪ Key role for the Audit Committee / new Terms of Reference 	Use of Resources	
2. Review and monitoring arrangements in place	<ul style="list-style-type: none"> ▪ Ditto above 	<ul style="list-style-type: none"> ▪ Ditto above 	CG Group	
3. Committee charged with governance responsibilities	<ul style="list-style-type: none"> ▪ Ditto above 	<ul style="list-style-type: none"> ▪ Ditto above 	Use of Resources	
4. Governance training provided to key officers and all members	<ul style="list-style-type: none"> ▪ New members given induction in standards & some aspects of probity 	<ul style="list-style-type: none"> ▪ Incorporate CG training in the member and senior officer development programmes ▪ More targeted training for the Audit Committee and Chair 	Use of Resources	
5. Staff, public and other stakeholder awareness of corporate governance		<ul style="list-style-type: none"> ▪ Work in tandem with the Audit Commission to raise awareness of CG amongst staff, public & other stakeholders 	Use of Resources	

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Step 4: In support of objective 1 – performance management arrangements are in place				
Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance	
1. Comprehensive and effective performance management systems operate routinely	<ul style="list-style-type: none"> ▪ There is a clearly defined PMF built around the Community / Corporate Strategies, Service Unit Business Plans and Individual performance / development reviews. 		CG Group	
2. Key performance indicators are established and monitored	<ul style="list-style-type: none"> ▪ In addition to BVPI's, performance measures and targets in respect of each strategic objective are clearly set out in the Corporate Strategy. ▪ These are routinely monitored by Strategy Group, O&S Committee and Executive Cabinet 		CG Group	
3. The authority knows how well it is performing against its planned outcomes	<ul style="list-style-type: none"> ▪ The new Corporate Strategy and associated monitoring systems will enable this to happen 		CG Group	
4. Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes		<ul style="list-style-type: none"> ▪ The Council does not routinely benchmark against higher performing organisations 	Use of Resources	
5. The authority continuously improves its performance management	<ul style="list-style-type: none"> ▪ Simplified, more visible Corporate Strategy & Service Business Plans 	<ul style="list-style-type: none"> ▪ Embedding the new corporate strategy ▪ Improved monitoring of targets & outcomes by Strategy Group & O&S ▪ Improved QA on BVPI's required 	Use of Resources	

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Objective 2: Identify principal risks to achievement of objectives

Step 1: In support of objective 2 – the authority has robust systems and processes in place for the identification and management of strategic and operational risk			
Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance
<p>1. There is a written strategy and policy in place or managing risk which:</p> <ul style="list-style-type: none"> • Has been formally approved at political and risk management board (or equivalent) level • Is reviewed on a regular basis • Has been communicated to all relevant staff 	<ul style="list-style-type: none"> ▪ Risk Management Policy Statement (RMPS) & Risk Management Board (RMB) Terms of Reference approved by Executive Cabinet ▪ RMPS & RMB Terms of Reference recently revised to address the developing risk agenda. ▪ Published on intranet. ▪ Included in officer training & awareness sessions. 		CG Group
<p>2. The authority has implemented clear structures and processes for risk management which are successfully implemented and:</p> <ul style="list-style-type: none"> • Management board and elected members see risk management as a priority and support it by personal interest and input • Decision making considers risk • A senior manager has been appointed to “champion” risk management 	<ul style="list-style-type: none"> ▪ Management Team have received RMB minutes. ▪ Member Champion for RM appointed to RMB. ▪ Strategic director chairs RMB. ▪ Audit & Risk Manager has key co-ordinating role for RM (shown in job description). ▪ Overall roles & responsibilities for RM defined in RMPS. ▪ RM section included in all committee reports. ▪ RM systems subject to external audit. ▪ RM now built into service unit business planning process / procedures. 	<ul style="list-style-type: none"> ▪ Member and Officer responsibilities for governance and risk management to be reviewed. ▪ New Audit Committee Terms of Reference ▪ Need to review role & purpose of RMB in context of new responsibilities and reporting arrangements for governance generally 	CG Group

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<ul style="list-style-type: none"> • Roles and responsibilities for risk management have been defined • Risk management systems are subject to independent assessment • Risk management is considered in the annual business planning process 			
<p>3. The authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff</p>	<ul style="list-style-type: none"> ▪ Strategic Risk Register based on AUS/NZ standard ▪ Strategic Risk Register recently re-produced in response to the new Corporate Strategy ▪ Project based approach to unit service planning based on PRINCE2, incorporating risk assessment 		CG Group
<p>4. The authority has well defined procedures for recording and reporting risk</p>	<ul style="list-style-type: none"> ▪ Strategic & service level risk registers used to record and manage key business risks 		CG Group
<p>5. The authority has well-established and clear arrangements for financing risk</p>	<ul style="list-style-type: none"> ▪ A fundamental review of risk financing options, including self-insurance has recently been undertaken. 		CG Group
<p>6. The authority has developed a programme of risk management training for relevant staff</p>	<ul style="list-style-type: none"> ▪ SMG Presentations ▪ Awareness training given to all senior officers. ▪ Executive Cabinet away day on RM. ▪ Service unit business planning procedures & training. ▪ Risk responsibilities incorporated into some job descriptions & appraisals (e.g. Audit & Risk Manager). 	<ul style="list-style-type: none"> ▪ RM to be included in new officer & member induction programmes ▪ Training & support required in the application of project based risk assessments in service units 	CG Group

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<p>7. The corporate risk management board adds value to the RM process by:</p> <ul style="list-style-type: none"> • Advising & supporting Mgmt Team on risk strategies • Identifying areas of overlapping risk • Driving new risk management initiatives • Communicating risk management and sharing good practice • Providing and reviewing risk management training • Regularly reviewing the risk register(s) Coordinating the results for risk reporting 	<ul style="list-style-type: none"> ▪ RMB Terms of Reference. ▪ RMB minutes to Management Team. ▪ RMB project plan covering: development of corporate policies & procedures, risk registers, communication & training, ongoing review. 	<ul style="list-style-type: none"> ▪ Need to review role & purpose of RMB in context of new responsibilities and reporting arrangements for governance generally 	CG Group
<p>8. A corporate risk officer has been appointed with the necessary skills to analyse issues and offer options and advice and:</p> <ul style="list-style-type: none"> • Support decision making and policy formulation • Provides support in the risk identification and analysis process • Provides support in prioritising risk mitigation action • Provides advice and support in determining risk treatments • Inspires confidence in managers 	<ul style="list-style-type: none"> ▪ Audit & Risk Manager. ▪ RM responsibilities in Job Description. ▪ Member of ALARM / regular attendance at meetings. ▪ Key role on RMB. ▪ Member & officer presentations & training. ▪ Facilitation of risk workshops within business planning. ▪ Bought-in specialist consultancy support on an "as needs" basis. 		CG Group

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<p>9. Managers are accountable for managing their risks</p>	<ul style="list-style-type: none"> ▪ Risk ownership now integrated within strategic /service planning and project management. 	<ul style="list-style-type: none"> ▪ 	
<p>10. Risk management is embedded throughout the authority</p>	<ul style="list-style-type: none"> ▪ Now acknowledged by the Audit Commission in key reports 		CG Group
<p>11. Risks in partnership working are fully considered</p>		<ul style="list-style-type: none"> ▪ Corporate approach to partnership RM needs to be developed. ▪ HM Treasury guidance to be used as the basis of the approach. 	Use of Resources
<p>12. Where employed, risk management information systems meet users' needs</p>	<ul style="list-style-type: none"> ▪ No risk management MIS in place due to integration with business planning. 		CG Group

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Objective 3: Identify key controls to manage principal risks

Step 1: In support of objective 3 – the authority has robust system of internal control which includes systems and procedures to mitigate principal risks			
Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance
<p>1. There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff:</p> <ul style="list-style-type: none"> • Authority has adopted CIPFA code on Treasury Management (note: recent legislative requirement by virtue of the prudential code) • Compliance with the Prudential Code 	<ul style="list-style-type: none"> ▪ FPR's revised in 2004 (new CIPFA model) ▪ Approved by Council ▪ On intranet & supported by "Good Practice Guides" by Internal Audit ▪ Compliance reviewed by Internal Audit on ongoing basis (financial systems audit) & reported to Audit Committee ▪ Reported to Executive Cabinet ▪ Reported to Exec Cabinet ▪ Internal Audit review 2005 – minor recommendations made 	<ul style="list-style-type: none"> ▪ Need to introduce a formal procedure for the annual review of basic regulatory documentation 	<p>Use of Resources</p>
<p>2. There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> ▪ Contract Standing Orders in situ 	<ul style="list-style-type: none"> ▪ Need to introduce a formal procedure for the annual review of basic regulatory documentation 	<p>Use of Resources</p>
<p>3. There is a whistleblowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> ▪ Anti Fraud & Corruption Strategy in situ 	<ul style="list-style-type: none"> ▪ Produce a Whistle blowing Policy which is issued to members & staff and made available to third parties on the Council's web-site 	<p>Use of Resources</p>

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<p>4. There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> ▪ Anti-Fraud & Corruption Strategy ▪ Member approved ▪ Full Strategy to Chief Officers ▪ Available on web-site / intranet ▪ Audit Commission leaflets to all members of staff ▪ Internal Investigations Protocol 	<ul style="list-style-type: none"> ▪ Undertake a joint exercise with the Audit Commission to raise member & staff awareness of all the main elements of sound ethical behaviour, including their responsibilities to prevent or report upon suspected cases of fraud or corruption 	<p>Use of Resources</p>
<p>5. There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> ▪ Staff code in Constitution ▪ Members code in Constitution ▪ Constitution formally approved 	<ul style="list-style-type: none"> ▪ Need to introduce a mechanism to assess standards of conduct, including how effectively members are complying with the Code of Conduct, the number and type of complaints received, and take action as appropriate 	<p>Use of Resources</p>
<p>6. A register of interests is maintained, regularly updated and reviewed</p>	<ul style="list-style-type: none"> ▪ Members registers recently reviewed (report to Standards Sub-Committee) 	<ul style="list-style-type: none"> ▪ Need to introduce a register of interests for officers ▪ Conduct periodic reviews of registers of gifts, hospitality and pecuniary interests to ensure that appropriate disclosures are being made 	<p>Use of Resources</p>
<p>7. Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff</p>	<ul style="list-style-type: none"> ▪ Scheme in Constitution ▪ Constitution reviewed annually 	<ul style="list-style-type: none"> ▪ Need to introduce a formal procedure for the annual review of basic regulatory documentation 	<p>Use of Resources</p>
<p>8. A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff</p>	<ul style="list-style-type: none"> ▪ Corporate Procurement Working Group & Action Plan ▪ Corporate Procurement Strategy, formally approved (may 2004) ▪ Effectiveness reviewed by Efficiency Working Group in response to Gershon agenda 	<ul style="list-style-type: none"> ▪ Need to develop comprehensive and effective procurement practices so that VFM from procurement can be demonstrated at both the strategic and transaction cost levels 	<p>Use of Resources</p>

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<p>9. Business/service continuity plans have been drawn up for all critical service areas and the plans:</p> <ul style="list-style-type: none"> • Are subject to regular testing • Are subject to regular review 	<ul style="list-style-type: none"> ▪ BCPs in situ 	<ul style="list-style-type: none"> ▪ More structured, regular review & testing required (Internal Audit review scheduled for 2006/7) 	CG Group
<p>10. Corporate/departmental risk register(s) includes expected key controls to manage principal risks</p>	<ul style="list-style-type: none"> ▪ Strategic & service level risk registers used to record and manage key business risks 		CG Group
<p>11. Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed.</p>		<ul style="list-style-type: none"> ▪ The respective roles of Strategy Group & Audit Committee regarding risk monitoring need to be clarified 	CG Group
<p>12. The authority's internal control framework is subject to regular independent assessment</p>	<ul style="list-style-type: none"> ▪ New process to produce & publish SIC 		CG Group
<p>13. A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff</p>	<ul style="list-style-type: none"> ▪ Framework for the Management of Occupational Health & Safety. ▪ Roll-out / training in progress ▪ Service unit health & safety policies 		CG Group
<p>14. A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders is regularly reviewed</p>	<ul style="list-style-type: none"> ▪ Corporate complaints procedure in situ ▪ Communicated to all staff & stakeholders 		CG Group

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Objective 4: Obtain assurance on the effectiveness of key controls

Step 1: In support of objective 4 – appropriate assurance statements are received from designated internal and external assurance providers:				
Examples of assurance:		Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance
1. The authority has determined appropriate internal and external sources of assurance	<ul style="list-style-type: none"> ▪ CPA / Direction of Travel ▪ Use of Resources / VFM ▪ Audit Commission CG review ▪ AC Annual Audit Letter ▪ CG Group self-assessment ▪ Service risk assessments 			CG Group
2. Appropriate key controls on which assurance is to be given have been identified and agreed	<ul style="list-style-type: none"> ▪ Plethora of constitutional & non-constitutional guidance 			CG Group
3. Departmental assurances are provided	<ul style="list-style-type: none"> ▪ Integrated within the service unit business planning process ▪ Detailed procedural guidance issues to Units ▪ Corporate support directed to specific Units 	<ul style="list-style-type: none"> ▪ Need to include the requirement to monitor compliance with established policies and procedures as a standard objective in senior managers JD's. ▪ Need to introduce service level assurance statements in support of the SIC, which identifies service level control / compliance issues 		Use of Resources

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<p>4. External assurance reports are collated centrally</p> <ul style="list-style-type: none"> • Reports are reviewed by relevant senior management team and reported to appropriate committee • Action plans are prepared and approved as appropriate • Follow up reports on recommendations are requested and reviewed by relevant senior management team and progress is regularly reported to relevant committee 	<ul style="list-style-type: none"> ▪ Key Audit & Inspection reports received by Executive Cabinet & action plans driven by Management Team (e.g. CPA / CIP) ▪ All Audit Commission report recommendations tracked by Internal Audit & results reported to Audit Committee 	<ul style="list-style-type: none"> ▪ Performance Plus to be used to capture and tracking all external assurance reports / recommendations ▪ Reporting via Strategy Group to the Audit Committee 	<p>Use of Resources</p>
<p>5. Internal Audit Arrangements</p>	<ul style="list-style-type: none"> ▪ Reports of Audit & Risk Manager to Audit Committee throughout the year ▪ Annual report of Audit & Risk Manager including opinion on internal control framework 	<ul style="list-style-type: none"> ▪ Performance Plus to be used to capture and tracking all external assurance reports / recommendations ▪ Reporting via Strategy Group to the Audit Committee 	<p>Use of Resources</p>
<p>6. Corporate Governance Arrangements</p>	<ul style="list-style-type: none"> ▪ Recent Audit Commission facilitated corporate governance workshop / results fed into CIP 	<ul style="list-style-type: none"> ▪ Member and Officer responsibilities for governance and risk management to be reviewed. ▪ New Audit Committee Terms of Reference 	<p>Use of Resources</p>
<p>7. Performance monitoring arrangements</p>	<ul style="list-style-type: none"> ▪ Built into Audit Committee terms of reference ▪ Annual & interim Internal Audit reports to Audit Committee including KPI's & outcomes 	<ul style="list-style-type: none"> ▪ Audit Committee remit for monitoring Internal & External Audit performance to be incorporated in new terms of reference 	<p>CG Group</p>

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Objective 5: Evaluate assurances and identify gaps in control/assurances

Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance
<p>Step 1: In support of objective 5 – the authority has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify areas of weakness in controls</p>			
<p>1. Responsibilities for the evaluation of assurances are clearly defined throughout the organisation.</p>	<ul style="list-style-type: none"> ▪ Various committee terms of reference (Audit Committee, O&S, etc) ▪ Various job descriptions 	<ul style="list-style-type: none"> ▪ Performance Plus to be used to capture and tracking all external assurance and key internal audit recommendations ▪ Regular reporting via Strategy Group to the Audit Committee 	<p>Use of Resources</p>
<p>2. Mechanism established for collecting SIC assurances</p> <ul style="list-style-type: none"> • Overall responsibility allocated to SIC senior officer group • Required assurances are agreed and recorded • Central record of all assurances (either evidence file, or showing clear link to where evidence is held) • Clear guidance as to evaluation procedure including assurance over risks, independence and objectivity of assurances • Defined evaluation mechanism • Timetable for completion by statutory deadline • Gap assessment – performed and challenged 	<ul style="list-style-type: none"> ▪ Governance Group established to collate SIC assurances ▪ Detailed schedule of assurances & sources compiled ▪ CIPFA recommended practice followed re review / challenge / approval 		<p>CG Group</p>

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Objective 6: Action plan to address weaknesses and ensure continuous improvement of the system of internal control

Step 1: In support of objective 6 – there is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored			
Examples of assurance:	Actual evidence	Control / compliance issues identified	
1. An action plan is drawn up and approved		<ul style="list-style-type: none"> ▪ Key actions to be fed into business plans. 	
2. All actions are 'SMART': <ul style="list-style-type: none"> • Specific • Measurable • Achievable • Realistic • Time-bound 		<ul style="list-style-type: none"> ▪ Key actions to be fed into business plans. 	
3. Actions communicated and responsibilities assigned		<ul style="list-style-type: none"> ▪ Key actions to be fed into business plans. 	
4. Implementation timescales agreed		<ul style="list-style-type: none"> ▪ Key actions to be fed into business plans. 	
5. Ongoing review of progress and of continuing appropriateness of action		<ul style="list-style-type: none"> ▪ Key actions to be fed into business plans. 	
			Key Source of evidence / assurance
			CG Group
			CG Group
			CG Group
			CG Group
			CG Group

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Objective 7: Statement on Internal Control:

Step 1: In support of objective 7 – a statement on internal control has been drafted in accordance with the statutory requirements and timetable set out in the Accounts and Audit Regulations 2003 and is in accordance with CIPFA guidance			
Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance
1. Responsibility for the compilation of the statement on internal control has been assigned	<ul style="list-style-type: none"> ▪ Report to Strategy Group & Audit Committee 		CG Group
2. There is a statement on internal control production timetable that meets the statutory deadline	<ul style="list-style-type: none"> ▪ Report to Strategy Group & Audit Committee 		CG Group
3. The statement on internal control is reviewed, challenged and approved by the authority	<ul style="list-style-type: none"> ▪ Report to Strategy Group & Audit Committee 		CG Group

Objective 8: Report to cabinet/executive committee

Step 1: In support of objective 8 – An annual report to the authority (or delegated committee) on the Statement on Internal Control is presented, in accordance with the CIPFA pro forma			
Examples of assurance:	Actual evidence	Control / compliance issues identified	Key Source of evidence / assurance
1. Responsibility for reporting is clearly defined	<ul style="list-style-type: none"> ▪ Report to Strategy Group & Audit Committee 		CG Group
2. The signatories to the SIC are defined and are appropriate in accordance with statutory requirements (i.e. Most senior officer and most senior member of the organisation)	<ul style="list-style-type: none"> ▪ Report to Strategy Group & Audit Committee 		CG Group
3. The report is likely to be published in a timely fashion with the statutory accounts	<ul style="list-style-type: none"> ▪ Report to Strategy Group & Audit Committee 		CG Group