

## LONDON BOROUGH OF BRENT

### Performance and Finance Select Committee

22<sup>nd</sup> June 2005

#### Report from the Director of Finance

For action	Wards affected: ALL
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**Report Title:      STATEMENT ON INTERNAL CONTROL 2004/05**

Forward Plan ref:

### 1.      **Summary**

- 1.1.    The purpose of this report is to present the draft Statement on Internal Control (SIC) for consideration by Members.

### 2.      **Recommendations**

- 2.1.    The Performance & Finance Select Committee approve the content of Statement on Internal Control which will be issued with the accounts.
- 2.2.    The Performance and Finance Select Committee endorse the process, used to compile the SIC and review of internal controls, for application in future years.

### 3.      **Detail**

#### **Statement on Internal Control**

- 3.1.    One of the responsibilities of the Performance and Finance Select Committee is to review and monitor the operation of internal controls across the Council. In 2003/4 the Council produced its first Statement on Internal Controls (SIC). This is a statutory requirement and was published with the annual statement of accounts. The statement has to be signed off by the Leader of the Council and Chief Executive.
- 3.2.    The procedure used to compile the SIC in 2003/04 was an interim procedure. This was allowed for in the guidance to the legislation due to the short timescales involved. For 2004/05, the procedure for review and drafting of the SIC has to be more robust. Best practice indicates that a committee should oversee the production of the SIC and test its assurances. Given that the document concerns

the internal controls of the Council, it is appropriate for Performance and Finance Select Committee to assume this task.

3.3. A proposed model for the compilation of the SIC and the review of internal controls was approved by the Corporate Management Team in April 2005. Ideally, this model would have been endorsed by this committee prior to the commencement of the exercise. However, this was not possible due to the cancellation of the meeting of 19<sup>th</sup> April. It is recommended that this Committee considers the approach taken and endorses the process for future years.

3.4. The process for compiling the 2004/5 SIC and reviewing the internal controls in place during the year is summarised below:

- During April and May 2005 the Head of Audit and Investigations had individual discussions with the Borough Solicitor, Director of Finance, Director of Policy and Regeneration and the Director of Communications and Consultation. These discussions involved a review of last year's statement and the action plan to account for any changes. A number of changes were made to this year's statement to reflect those discussions.
- Every Corporate and Service Area Director was required to complete a certificate of assurance for their own area of responsibility. Each certificate consisted of a list of expected controls and Directors were asked to consider these and how they met the control. Any weaknesses were highlighted on the front of the certificate. Some Directors sought assurance from their own Management Teams via signature of a certificate upon which the Director could rely. The method by which Director's obtain their assurance has not been prescribed.
- The Strategic Finance Group met on 25<sup>th</sup> May 2005 to consider these certificates. Some amendments were made and further discussions were had with a number of SFG members. Final versions of the Certificates have been signed by each Director.
- During the year the Chief Executive and Leader have considered various matters relating to internal control issues which will inform their view of the effectiveness of the internal control environment. These include, but are not limited to, the work of PWC, the Audit Commission, the Director of Finance, Borough Solicitor and the Head of Audit and Investigations.
- If approved by this committee the SIC will be presented to the Chief Executive and Leader of the Council for signature. Further work may be required following consideration by this committee and this will need to be completed prior to submission of the accounts for 2004/5 to the General Purposes Committee in July 2005.

3.5. The SIC is informed by the work of internal audit. The CIPFA Code of Practice on Internal Audit requires the Head of Audit and Investigations to provide an opinion on the overall adequacy of the Council's internal control environment and disclose any qualifications to that opinion. This opinion forms part of the formal annual report of the Head of Audit and Investigations which will be presented to this committee at

the next meeting. The opinion of the Head of Audit and Investigations in relation to the system of internal control is shown below:

*“I have considered all of the work conducted by internal audit, Deloitte and Touche and investigation staff for the year ended 31<sup>st</sup> March 2005 and work undertaken post year end. This includes oversight of all internal audit reports and fraud investigations and personal conduct of specific projects. In my opinion, the controls in place in those areas reviewed are adequate and effective. Where weaknesses have been identified, these are being addressed by management and followed up by Internal Audit.*

*In addition, I have had oversight of the process by which the Statement on Internal Control has been completed and I am satisfied that the content of the statement is accurate and its completion has complied with the relevant CIPFA guidance. Any issues which I have judged relevant to the preparation of the Statement on Internal Control have been included.”*

3.6. The draft Statement on Internal Control is attached as appendix 1.

#### **4. Financial Implications**

4.1. None.

#### **5. Legal Implications**

5.1. The Accounts and Audit Regulations 2003 require that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

5.2. The Regulations also require that the Council produces a Statement on Internal Control, signed by the Leader and Chief Executive, to be attached with the annual accounts. The legislation permitted the production of an interim Statement on Internal Control for 2003/04. This interim arrangement did not require an ongoing annual review in 2003/04. For 2004/05 the legislation requires the Council to conduct a yearly review and produce a full statement.

#### **6. Diversity Implications**

6.1. The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

#### **7. Staffing/Accommodation Implications**

7.1. None.

## **8. Background Papers**

The CIPFA Code of Practice on Internal Audit.

The Accounts and Audit Regulations 2003.

Statement on Internal Control 2003/2004.

Any person wishing to inspect these documents should contact Committee and Member Services, Room 106, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD. Tel. 020 8937 1353.

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