

The Statement of Internal Control

**Evidence of the control environment for 2006/07**

*“The Internal Control Environment*

- a) *Corporate Policies and objectives set and communicated by the Authority*
- b) *Regular monitoring of achievement of the Authority’s policies and objectives”*

1. **Establishing the Authority’s objectives, facilitation of policy and decision making** – alternative structures were considered in a report at the PTA 29 April 2005 when it was decided that the existing committee structure gave the best scope for members to be involved in decision making, was the most efficient use of their time and allowed for the most effective conduct of the Authority’s business and creation and review of policy.
2. **Achievement of the Authority’s policies in the most efficient, effective and cost efficient way** – apart from the internal arrangements listed above all actions are undertaken by the PTE and the Authority receives regular reports at its various working groups from the PTE on all current activities and can and does call for reports on other subjects which it considers relevant. The Chair and other Members have direct responsibilities for all areas of policy and consider these on a regular basis.  
The evidence of the development, review and monitoring of policies and the actions resulting from them is the Working Group papers and those of the Authority shown on the website. This also includes the performance reporting referred to below.
3. **Reporting of performance** – this takes place internally and externally for a wide variety of audiences on a regular basis as determined by Members, Officers and local and national requirements.
4. **Communication** – this takes place through the publication of various types of information. The BVPP supplies the main information but there are also various other documents published by the PTE and others on behalf of the Authority including the Council Tax leaflet, the final accounts, the web site etc.

*“c) Ensuring compliance with established procedures, laws and regulations”*

*“e) The financial management of the Authority, including financial controls and the reporting of financial transactions”*

5. **Procedural notes** – these notes are, and have been for the last few years, revised and re-issued annually. Versions have over the years been consolidated from individual notes on various subjects to a combined procedural note. These are now combined with the financial instructions below.
6. **Financial Instructions** – these have been reviewed and re-issued after discussions with PTE, PTA and LCC. They appeared on the agenda of the governance and assurance meeting held between PTA and LCC on 30 October 2006. They were issued by means of a memo dated 7 November 2006 and were reported to the A&G committee on 29 November 2006.
7. **The Fraud** – The background and all actions taken as a result are set out in the SIC and not specifically reiterated here. See latest report expected to A&G committee on 29 June 2007. Agreement has been reached with the Bank re compensation but the formal agreement is awaiting signing by LCC to finalise details.
8. **Officer Management and Monitoring Meetings** – regular meetings are held to review and take decisions about management and other matters:
  - a. **Weekly meeting between the Clerk, Deputy Clerk, Office Manager and DCFO** – all management matters covering members allowances, PTA agendas etc, staffing matters, and any concern about what is currently happening directly in the PTA, in relation to the PTE and in relation to any external matter arising. No formal minutes are taken but action is expected immediately. *(notes held by Clerk's pa)*
  - b. **Quarterly meetings between CFO, DCFO and Treasury Manager** - This is entitled 'Governance and Assurance' and covers all borrowing and investment policy implementation as well as management and governance matters. Notes are issued after each meeting and formally approved at the following meeting. *(agendas for 2006/07 on file – for details and papers considered see I&B file)*
  - c. **Irregular (ad hoc) meetings** – (CFO/DCFO/Clerk etc as appropriate) These cover matters such as the 3 year financial strategy, staffing arrangements, code of conduct etc. They vary from conversations in an office to meetings of the PTE Board. Depending on the meeting it may or may not have notes taken. There are so many of these meetings that it would be impractical to take notes of them all.

*“d) Risk management being embedded in the activities of the Authority”*

*“f) external reviews carried out by auditors and other agencies to achieve Chartermark, IIP and other accreditations then create a workplan for future improvements”*

9. **Risks and effectiveness** – See agenda and papers for Risk Management Group and risk register set up with RG. The PTA risk register is regularly reviewed. It is separate to the PTE register but is presented to the Risk Management Group along with the PTE register at each (approx two monthly) meeting. The register is reported to each A&G committee. A further review is required to review the scoring of risks for the PTA. This will be carried out in conjunction with Internal Audit to fit in with their programme of work. **(For PTA register see A&G files)**
10. **Internal Audit** - The internal auditor of the Executive has been appointed to act as internal auditor of the Authority. He reports directly to the Clerk to the Authority and is monitored through the Audit Committee of the Executive. He presents a report on all PTA and PTE matters direct to A&G committee at each of their meetings. Such reports are on the A&G file.
11. **External Audit** - They carry out specific reviews covering an interim assessment of the accounting systems, the final accounts, the BVPP and other specific matters they consider appropriate. They are to assist in a further internal comprehensive performance review. All their reports are reported to the A&G committee and as such their reports are on the A&G file.

### **Corporate Governance Generally**

There are many aspects of corporate governance which do not fit in precisely with the five headings of the internal control environment. These are dealt with below but do form an essential part of the overall control environment:

12. **Suite of regulations approved by the full PTA each year.** The appropriate reports appear with the PTA papers and the approved documents are circulated to every Member as part of that year's Year Book: **(year book on file)**
  - a. **Standing orders in relation to meetings** – these were fully reviewed and approved at the annual meeting of the Authority in July 2004 and there have been further minor amendments since plus the addition of a revised explanatory note. There are unlikely to be any major changes without a legislative or political requirement although they are re-considered annually.
  - b. **Standing Orders for Contracts** – The PTA has very few contracts which fall within the scope of such standing orders. The PTA financial regulations contain an adoption of the current Executive standing orders in relation to contracts which are themselves reviewed on a regular basis. Since they are linked to the PTE regulations they require no separate approval.

- c. **Financial Regulations** – last fully re-written in 2003 they are reconsidered and resubmitted to Members every year at the annual meeting in June.

The above are all re-approved at each AGM. Since the Standing Orders relating to meetings only allows changes to take immediate effect when determined at the AGM it is unusual for them to be amended during the year. However, EVERY AGM receives them for consideration and change as necessary. The last approval was 23 June 2006 and the next will be on 22 June 2007.

In addition the last SIC contained statements concerning issues which were to be dealt with during 2006/07:

13. **Codes of conduct** – it was intended to coordinate the Members and Officers (PTA and PTE) codes plus the register of interests and hospitality and to align them, so far as was possible, with the national codes, when issued by the ODPM. These had been expected since 2002 and although consultation papers have been issued no regulations relating to officers have been received. A separate revised code for relating to PTE and PTA officers jointly was therefore approved by Staffing WG April 2006 (see MERLIN or PTA website for the code).
14. **Comprehensive performance review with the Audit Commission** This was completed and reported to A&G committee on 15 September 2006.
15. **A revision to the Service agreement with Leeds City Council** This was completed and signed on 13 September 2006 and reported to the A&G committee on 21 November 2006. A copy is on the governance file.
16. **Further developments of the audit and risk management arrangements** This has included periodic reviews of the internal control system etc taken through Audit committee to the PTE Board and the A&G committee, covering both PTE and PTA.
17. **A restructuring of the working groups of the Authority** was undertaken to create a Governance and Audit Group to specifically maintain an overview on such matters separately to the consideration of the budget and final accounts. This was approved at the annual meeting on 23 June 2006 and all papers for the new committee are held on a separate file(s).

Further actions to be taken in 2007/08 apart from the regular reports to A&G committee covering such matters as final accounts, audit matters etc:

18. **Codes of Conduct.** A new consultation paper had been issued concerning the Members code. When final regulations are received a new code will be drafted for Member approval. The national regulations are still awaited for an officers code. As soon as they are received action will be taken to review the local code to ensure it complies.

19. **Additional regular reviews of Capital and Revenue expenditure.** Discussions are taking place to bring this within the purview of the A&G committee as 'good practice'. The Terms of reference would need amending at the next annual meeting to do this.
20. **Risk register.** The scoring of risks is to be reviewed with the Internal Auditor to ensure it is still appropriate.
21. **The Fraud.** Expectations are that the compensation arrangements will be finalised during 2007/08.
22. **Comprehensive Performance assessment.** A further review has been requested from the External auditor during 2007/08.
  
23. **General list of evidence available in addition to those specified above. These are held as shown below:**
  - a. Metroplan demonstrating corporate objectives and their plan for achievement in current and following year. (Support Services, PTE)
  - b. BVPP (website and Support Services, PTE)
  - c. Internal and External Audit Reports (A&G committee)
  - d. Internal Audit Annual Report (A&G committee)
  - e. PTE Audit Committee agendas, reports and minutes (MERLIN)
  - f. PTA risk register (Jointly considered with PTE bi-monthly – see agendas, papers and minutes on MERLIN, also A&G committee)
  - g. Standards Committee (All papers etc DCFO office)
  - h. Whistleblowing and other staffing policies (jointly with PTE on MERLIN and/or website)
  - i. Finance Strategy – taken to Leaders etc. Reported to Board and CMT. (copies of strategy papers in DCFO office, also website)
  - j. Complaints policy – see web site
  - k. Health and Safety policy jointly with the PTE (regular meetings and minutes to the Board)
  - l. Register of Members interests, gifts and hospitality (book in PTA general office)