

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2006/07

1 SCOPE OF RESPONSIBILITY

Brent 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 Authority 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 SYSTEM OF INTERNAL CONTROL

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 efficiently, effectively and economically.

The system of internal control has been in place within the Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

3 THE INTERNAL CONTROL ENVIRONMENT

The Council's Internal Control Environment is described under six main headings below:

Establishing and monitoring the achievement of the Council's objectives

- The Corporate Strategy 2006 to 2010 and Management Agenda set out long term objectives, plans and a number of key targets. Individual service area objectives are linked to the Corporate Objectives through Service Development Plans for all areas across the Council.
- A new administration was formed on 26th June 2006. This is a joint administration between the Liberal Democrats and the Conservatives. The ten member Executive is drawn from the two parties (Liberal Democrats 6 and Conservatives 4). Following the production of an outline joint policy programme by the administration, a new Corporate Strategy 2006-2010 was produced and agreed by Full Council in November 2006.
- The Best Value Performance Plan sets out improvement targets across a range of statutory and local performance indicators and is produced annually in June. The Council monitors achievement of its objectives through the Corporate Strategy Action Plan, which is updated every six months and reported to the Executive and Corporate Management Team at the annual service planning meeting and also to the Performance and Finance Select Committee. The action plan update is also submitted to Full Council with the budget proposals in order that financial planning can be

considered against agreed corporate objectives. The Overview and Scrutiny Committee have specific responsibility for assessing the action plan and budget proposals. This is undertaken through a cross party Budget Panel who make recommendations to the Executive prior to final agreement of the budget in February.

- The Executive meets monthly and Corporate Management Team meet fortnightly to monitor progress of the Corporate Strategy Objectives and to consider the key risks to achievement of those objectives.
- The Improving Brent Action Plan and CPA Action Plan help the Council to focus on the key drivers towards improving performance.
- The Improvement Board, chaired by the Chief Executive, oversees all improvement initiatives across the Council.

The facilitation of policy and decision making

- The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for Full Council, most are made by the Executive or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual members. In accordance with the Local Government Act 2000 the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process including call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.
- Forthcoming Executive decisions are included in the Forward Plan which sets out all future key decisions which are to be made within the following four month period. The Forward Plan Select Committee enables pre-scrutiny of Executive decisions by non-executive members and deals with any items called in.

Compliance with established policies, procedures, laws and regulations

- The Council has a duty to ensure that it acts in accordance with the Law and various regulations, including Domestic and European legislation and Directives, in the performance of its functions. The Council has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution which includes Corporate Standards and Financial Regulations, the Contract Management and Procurement Guidelines and Codes of Conduct. The Council has updated its Corporate Standards and these are now available via the Council's web pages.
- The Council's elected members have a duty to act within the law in their dealings on behalf of the Council and their constituents and to abide by the Brent Member Code of Conduct. Their duties are set out in the Council's constitution and the Code of Conduct. The Code of Conduct will soon be renewed to take account of the new Model Code of Conduct issued by the Government. The Standards Committee is responsible for promoting and maintaining high standards of conduct by members and for receiving reports from the monitoring officer. The Council has implemented a member training programme which addresses high risk areas, such as planning and licensing.

- Every Committee report is subject to a review by Legal Services and Finance and Corporate Resources to ensure that the Council is acting lawfully and in accordance with the Council budget.
- The Council has a duty to manage its risks effectively. This is achieved through various mechanisms. The key corporate risks are reviewed on a quarterly basis by the Executive and Corporate Management Team. The Strategic Finance Group considers the financial risks to the authority on a monthly basis. Service areas are responsible for maintaining an up to date list of risks and utilise the Council wide risk register for this. Service areas are responsible for the identification, evaluation and mitigation of key risks. The Strategic Risk Management Group chaired by the Director of Housing and Community Care co-ordinates activity across the Council. The Audit Committee is tasked with overseeing the Council's risk management at member level and making recommendations to the Executive for improvements.

Economic, effective and efficient use of resources and continuous improvement

- The Strategic Performance Group – a sub group of CMT - co-ordinates a programme of critical support which addresses both individual service performance, efficiency and key strategic policy issues. This programme is designed to ensure continuous improvement and value for money. The issues arising from this work are monitored every six months and are reported to the Performance and Finance Select Committee and the Executive when appropriate.
- A high level monitoring group chaired by the Chief Executive meets monthly to focus on services which have been identified as areas for improvement. Currently these are Adult Social Care, Children's Social Care, Waste and Recycling and StreetCare, the Revenues and Benefits Service, Cultural Services, resident's satisfaction and achievement of CPA performance targets across the Council. This group provides a corporate response to support specific performance issues.
- The Overview and Scrutiny task groups undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.
- The Policy and Regeneration Unit provides continuous improvement support to specific service areas and co-ordinates the performance activity of the above corporate groupings.

Financial Management of the Council

- The Council has a statutory responsibility under the Accounts and Audit Regulations 2003 for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control which facilitates the effective exercise of the Council's functions.
- The Chief Financial Officer, the Director of Finance and Corporate Resources, has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs and specifically to:
 - Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice

- Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.
- Put in place financial standards across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members.
- The Council has a medium term financial strategy under which it plans its finances over a three year rolling period. The Executive and Corporate Management Team meet regularly during the year to consider the medium term financial strategy including sessions in July and October which concentrate on ensuring the linkage between the budget and service priorities. The Budget Panel scrutinise the overall budget process.
- The Council sets annual revenue and capital budgets and these are monitored throughout the year by various mechanisms. Budget monitoring reports are taken to the Executive on a quarterly basis and to the Performance and Finance Select Committee. The Council's financial position is reported regularly to the Executive and Corporate Management Team. The Strategic Finance Group meets on a monthly basis to review the budget monitoring information and provide summary information to the Corporate Management Team. The Capital Board also meets monthly to review the Capital Programme, including value for money issues. It also monitors the Prudential indicators and ensures the linkage of the Corporate Asset Plan and the Capital Strategy.
- The Council has a set of financial regulations which are reviewed at least annually and form part of the Constitution. All officers are bound by these regulations which set out the rules and procedures governing all financial transactions. Service Unit and Corporate Directors are required to keep accurate financial records, comply with the financial control framework, and take timely action to keep spend within budget.
- Individual service managers have considerable responsibility with respect to finance. These responsibilities include: maintaining a proper system of budgetary control; maximising income and ensuring grant claims are submitted on time; ensuring that adequate financial controls are in place.
- The core finance function in Finance and Corporate Resources collates financial information, monitors implementation of the financial control framework, supports service accountants and managers in their financial responsibilities, and gives assurance to management and members that adequate controls exist to produce sound financial administration.
- Service area accountants collate financial information about their service area, provide financial advice to their managers and committees, provide financial information to core finance in Finance and Corporate Resources, support managers in their financial responsibilities, help to implement the financial control framework and ensure sound financial administrative systems are in place.
- The Audit and Investigations Team provide the Council's Internal Audit function and provide an assurance function to the Council and the Director of Finance and Corporate Resources as to the adequacy of the Council's financial and operational systems.
- The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions.

They also provided an annual judgement on the Council's Use of Resources which highlights strengths and areas for improvements.

- The Council's Accounts are made available for public inspection so that they can be inspected and if appropriate, objections and questions can be raised.
- The Council has undertaken a through review of financial skills courses being delivered across the authority, in light of the Comprehensive Performance Assessment and future direction of the Council. The content of a number of courses were changed and courses have been delivered during 2006/07..
- Every committee report is subject to a review by the core finance function to ensure that all financial implications have been considered.
- The Council operates an Efficiency Board to address the Gershon agenda and other value for money considerations.

Performance management and reporting

- The Council sets out its performance record and targets in an annual Performance Plan. This is reported to Full Council, the Executive and Performance and Finance Select Committee. It is structured to reflect the Corporate Strategy themes.
- This year the Council reviewed its approach to service planning introducing a standard planning framework across the Council. Each Service Area is now required to produce detailed plans which include performance targets, monitoring information and financial performance. These are constructed around the Corporate Strategy Priorities. The intention is for these plans to link clearly to the Corporate Strategy objectives and targets which are monitored through the use of the new Performanceplus IT system introduced in the summer of 2006. Service objectives are in-turn cascaded down to individuals' objectives and performance targets.
- A quarterly "Vital Signs" document is produced which reports on the critical Performance Indicators. This is reported to the Corporate Management Team and the Performance and Finance Select Committee. When areas of concern are identified, Service Directors are required to return to a future meeting to report back on those concerns.
- All Departmental Management Teams review their own key performance indicators on a monthly basis.
- In the Autumn of 2006 a cross party review was undertaken of the Overview and Scrutiny structure which resulted in the adoption of a single Overview and Scrutiny Committee to commission scrutiny activity and the introduction of a new Audit Committee. This has enabled a more integrated approach to scrutiny activities and reduced duplication.
- The Council has implemented a number of staff development programmes designed to develop understanding of performance management techniques, responsive service planning and robust stewardship of resources. During 2006 this included a programme of workshops on the Councils new service planning process and detailed training on the use of the Performanceplus system for reporting of performance data. In addition,

all staff receive an annual appraisal of their individual performance assessed against the objectives and performance targets previously set.

- Performance information is also reported to the Corporate Management Team, Executive and as part of the annual service and budget planning cycle. Performance information is considered as part of the review of progress against our corporate strategy commitments. This process shapes annual growth and savings targets, as well as the medium term financial strategy. The Executive and CMT meetings in July and October are dedicated to reviewing corporate objectives, the results of local consultation, assessing performance and defining spending priorities.

4 REVIEW OF EFFECTIVENESS

Brent Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review should include an ongoing analysis of the operation of the internal control system during the accounting year and up until the accounts are published. The review of effectiveness is informed by the work of internal audit and the Service Area and Corporate Area Directors. These Directors have all signed Statements of Assurance for their areas of responsibility and these have been considered as part of the review. The review has also been informed by comments made by the external auditors and other review agencies and inspectorates.

This Statement has been produced by the Strategic Finance Group following discussions with key officers and oversight by the Head of Audit and Investigations and Director of Finance and Corporate Resources. The statement has been approved by the Audit Committee. The process which has been used during 2006/7 to maintain and review the effectiveness of internal control is described below:

The Council

- Has monitored performance against the Corporate Strategy Objectives by taking an annual report and has set the annual budget in accordance with the Corporate Strategy priorities.
- Receives an annual budget report which summarises the financial position and the transactions for the year.
- Has agreed the Constitution which sets out the decision making structure, delegated authority and financial regulations which underpin the internal control framework. This follows cross party review by the Constitutional Working Group.
- Considers the Annual Performance Plan.

The Executive

- Has established a Performance Board to consider the performance of specific Service Areas.
- Makes key decisions in accordance with the Budget and Policy Framework.
- Has sessions with the Corporate Management Team twice per year to consider the medium term financial strategy and its linkages with the Council's policy priorities.

- Meets monthly with the Corporate Management Team to receive an update on the Council's financial position and monitoring reports from the Strategic Finance Group.

The Audit Committee

- In November 2006 the Council established an Audit Committee. This Committee is tasked with:
- Considering the Head of Internal Audit's annual report and opinion and reports from Internal Audit and the External Auditor's annual letter
- Maintaining an overview of the Council's constitution in respect of Contract Standing Orders and financial regulations.
- Monitoring the effective development and operation of risk management and corporate governance in the Council.
- Reviewing the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

The Standards Committee

- Standards Committee receives reports from the Council's Monitoring Officer on issues concerning member conduct and would consider reports referred from Ethical Standards Officers or the Monitoring Officer which require investigation and/or determination.

The Forward plan Select Committee

- Enables pre-scrutiny of Executive decisions by non-executive members.

Overview and Scrutiny

- Oversees and scrutinises decisions made by the Executive.
- Has task groups who undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.
- Has two cross cutting sub-committees to examine detailed performance information on a six monthly basis, namely the Health Select Committee and the Performance and Finance Committee

The Performance and Finance Select Committee

- The Performance and Finance Select Committee: receives reports on Best Value, budget monitoring and considers the Annual Performance Plan and quarterly "Vital Signs" document;

Audit and Investigations

- Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan.

- Produce and Annual Audit Report including the Head of Audit annual opinion on the Council's internal controls
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Service Directors and copied to the relevant Service or Corporate Area Director. Recommendations for improvement are made in each report. Each significant audit report is followed up after a suitable period and any failure to implement recommendations is noted and reported back to the relevant director and the Audit Committee.

External Audit and Inspectorates

- The Director of Finance and Corporate Resources meets with the Council's External Auditors on a monthly basis and, if appropriate, they raise any concerns they have regarding the internal control environment. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised.
- The outputs from various Inspectorates in relation to the Comprehensive Performance Assessment provide some assurance as to the Internal Control Environment. The latest assessment in April 2006 gave the Council a three star, improving well rating.

5 SIGNIFICANT CONTROL ISSUES

As a result of the review of Internal Controls, a number of areas for improvement have been identified. These are detailed below, together with the actions proposed and the responsible officer.

Control Issue	Action to be taken	Responsible Officer	Timescale for completion
Some Service and Corporate areas have identified Risk Management as a potential control issue. This relates to the embedding of Risk Management across the Council in a consistent manner, including the identification and assessment of risk.	Identified in the 2005/06 SIC and recognised as an ongoing issue. Training has been rolled out by the Procurement and Risk Management Team. The Risk Management Group, which has senior representation from all Directorates is co-ordinating a consistent approach across the Council. New guidance has been issued relating to the identification and management of Corporate Risks, managed at a corporate level and how related service risks are identified and managed.	Corporate Management Team	December 2007
Service Area and Corporate Area Directors have identified a common control issue concerning the testing of Business Continuity Plans. Although, most areas have plans the actual testing of those plans has not always been undertaken.	A report has been taken to the Corporate Management and additional funding has been identified for this area of work. All major IT applications have now been tested for disaster recovery and a programme currently being undertaken to identify priority service areas and to establish resource requirements in the event of building related failures.	Corporate Management Team	December 2007
Service Area and Corporate Area Directors have identified a number of issues specific to their areas. These are shown on individual certificates of assurance.	Action plans will be developed to address all of these control weaknesses and will be monitored at a departmental level	Oversight by Strategic Finance Group	Ongoing

6 CONCLUSION

There has been a review of the system of internal control during 2006/7. We have evaluated the effectiveness of the system of internal control by reference to the general work of the Council, the Executive, the Audit Committee, the Performance and Finance Select Committee and to specific advice and reports by the Corporate Management Team, Director of Finance and Corporate Resources, Monitoring Officer, Head of Audit and Investigations, PriceWaterhouseCoopers and those inspectorates described in section 4 above. We have also sought assurance from Service Area and Corporate Area Directors as to the effectiveness of the principal controls in place in each of their areas via individual certificates of assurance. We have been advised on the current effectiveness of system of internal control and we plan to address the weaknesses described in Section 5 above and ensure that continuous improvement of the system is in place.

Signatures to Follow