

## **BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005**

### **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.

### **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 2005 and up to the date of approval of the annual report and accounts.

### **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 2002 to 2006 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.
- 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 objectives. The Overview and Scrutiny Committees have specific responsibility for assessing the action plan and budget proposals.

- The Executive and Corporate Management Team meet on a monthly basis 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 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.
- Decisions are subject to inclusion 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.

### **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 European Commission 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 departmental procedure documentation. 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. These duties are set out in the Council's constitution and the member code of conduct. 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 Brent Financial Services 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. The Risk Management Group is responsible for maintaining a Council wide risk register and developing strategies to identify, evaluate and mitigate key risks. The Council has identified Risk Management as an internal control mechanism which needs more development. This is discussed further in section 5.

### **Economic, effective and efficient use of resources and continuous improvement**

- Individual service managers are responsible for ensuring that they adopt the principles of continuous improvement and the Council has embarked upon a significant training and development programme for its key managers. This programme is designed to ensure a consistent approach to service improvement and the development of core competencies linked to the achievement of the Corporate Strategy.
- The Best Value Strategic Group – a sub group of CMT Co-ordinators a programme of critical support which address both individual service performance and efficiency and key strategic policy issues. This programme is designed to ensure continuous improvement and value for money. The issues arising from this work is 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 Leader of the Council focuses on services which have been identified as areas for improvement. Currently these are the Revenues and Benefits Service, Waste and Recycling and StreetCare, Sports and Leisure, Youth, HR, Property and Children Social Services. 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 provide continuous improvement support to specific service areas and co-ordinate 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 the Council's functions.
- The Chief Financial Officer, the Director of Finance, 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.
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- 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 two and half day sessions in July and October which concentrate on ensuring the linkage between the budget and service priorities.
  - 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 to a monthly meeting of 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 on an annual basis 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.
  - Brent Financial Services collate financial information, monitors implementation of the financial control framework, support service accountants and managers in their financial responsibilities, and give 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 Brent Financial Services, 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 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.
- 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 financial skills audit to identify areas for improvement amongst its finance staff and has implemented a training programme for 250 officers with differing levels of ability. The training programme has been accompanied with a Financial Information Manual and together these are designed to improve ensure that financial discipline and control is maintained across the Council.
- Every committee report is subject to a review by Brent Financial Services to ensure that all financial implications have been considered.
- The Council has established an Efficiency Board to address the Gershon agenda and other value for money considerations.
- 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 Executive Members and Corporate Management Team. The Strategic Finance Group considers the financial risks to the authority on a monthly basis. The Risk Management Group is responsible for maintaining a Council wide risk register and developing strategies to identify, evaluate and mitigate key risks. The Council has identified Risk Management as an internal control mechanism which needs more development. This is discussed further in section 5.

### **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.
- Each Service Area Development Plan includes performance targets and monitoring information and these are constructed around the Corporate Strategy Priorities. Individual Service Units also produce operational plans which are derived from the wider Service Development Plan. The intention is for these plans to link clearly to Corporate Strategy Objectives and in-turn down to individual's 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. All Departmental Management Teams review their own key performance indicators on a monthly basis.

- There are three cross cutting scrutiny panels which review performance information on a six-monthly basis.
- 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. 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.

### **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. The statement has been reviewed by the Performance and Finance Select Committee and approved by the General Purposes Committee. The process which has been used during 2004/5 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.
- Makes key decisions subject to inclusion in the Forward Plan which sets. The Forward Plan Select Committee enables pre-scrutiny of Executive decisions by non-executive members.

- Considers and reviews the key corporate risks on a quarterly basis.
- Considers the Annual Performance Plan.
- Considers the output from Best Value reviews.

### **The Executive**

- Has established a Performance Board to consider the performance of specific Service Areas.
- Has two days away 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 Performance and Finance Select Committee and Standards Committee**

- Performance and Finance Select Committee receives reports on Best Value reviews and monitors the performance of Internal Audit and the Council's External Auditors.
- Receives budget monitoring reports.
- Considers the Annual Performance Plan and quarterly "Vital Signs" document
- Standards Committee receives reports from the Council's Monitoring Officer on issues concerning member conduct and considers reports referred from Ethical Standards Officers for local investigation and/or determination.

### **Overview and Scrutiny**

- Oversees and scrutinises decisions made by the Executive.
- Have task groups who undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.
- Have three cross cutting scrutiny panels to examine detailed performance information on a six monthly basis.

### **Audit and Investigations**

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

- The timing of this Statement of Internal Control coincides with the production of the Internal Audit Annual Review. The statement of assurance by the Head of Audit has been considered as part of the review.
- 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 Performance and Finance Select Committee.

### **External Audit and Inspectorates**

- The Director of Finance 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 December 2004 gives the Council a Good rating. This moves the council from its previous fair rating.

### **Significant Control Issues**

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

<b>Control Issue</b>	<b>Action to be taken</b>	<b>Responsible Officer</b>	<b>Timescale for completion</b>
There have been a number of occasions when procurement procedures may not have been fully complied with.	A review is being undertaken of procurement reports with a view to ascertaining the extent of the problem, if any, and what steps can be taken to improve the level of compliance	Borough Solicitor	December 2005
The Council's Legal Team require receipt of reports for clearance at least 10 days in advance. This rarely happens, with the result that the decision making process could be jeopardised due to inadequate legal input	Discussions will take place with CMT members to agree how to improve the existing report clearance process	Borough Solicitor	December 2005
The Council has now produced a Council wide risk register.	PWC, our external Auditors will be carrying out a review	Director of Finance	July 2005



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<b>Control Issue</b>	<b>Action to be taken</b>	<b>Responsible Officer</b>	<b>Timescale for completion</b>
Managing these risks need to be embedded in management culture and risk management training across the Council is being developed to support this development.	to highlight any weaknesses.		
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 been undertaken.	A programme is to be established to test Disaster Recovery/Business Continuity Plans	Risk Management Group	December 2006
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

**Conclusion**

There has been a review of the system of internal control during 2004/5. We have evaluated the effectiveness of the system of internal control by reference to the general work of the Council, the Executive, the Performance and Finance Select Committee and to specific advice and reports by the Corporate Management Team, Director of Finance, Monitoring Officer, Head of Audit and Investigation, 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. 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.

**Signed.....Date .....**      **Signed.....Date .....**  
**Gareth Daniel, Chief Executive**      **Cllr Ann John, Leader of the Council**