



**Performance and Finance Select  
Committee**

18<sup>th</sup> January 2005

**Report from the Director of Finance  
and Corporate Resources**

For Information

Wards Affected:  
ALL

**Report Title:** Annual Review of Corporate Governance and action plan update (to year end 31/12/2005) and mid year update on the Statement on Internal Control

## **1 Summary**

- 1.1 The purpose of this report is to provide a monitoring report on the Corporate Governance Framework for the period January 2005 to December 2005 and an update on the corporate governance action plan. The report also provides a mid year update on the Council's Statement on Internal Control.

## **2 Recommendations**

- 2.1 Members note the report and endorse the action plan attached at appendix 1.

## **3 Detail**

- 3.1 The Council adopted a Local Code of Corporate Governance into its constitution at its meeting in May 2004<sup>1</sup>. This followed a recommendation from the Executive on 8<sup>th</sup> December 2003<sup>2</sup>. The Executive also approved the Corporate Governance Action plan and recommended that its implementation be monitored by the Performance and Finance Select Committee. The Corporate Governance framework and action plan are non-statutory items but represent best practice in governance. The first annual review of Corporate Governance was presented to this committee at its meeting in January 2005<sup>3</sup>.
- 3.2 The Council's Statement on Internal Control (SIC) for the financial year 2004/5 was produced with the annual accounts. The production of this statement is a statutory requirement of the Accounts and Audit Regulations 2003<sup>4</sup>. It is recognised best practice to conduct a mid-year review of the SIC with regard to any action plan items addressing areas for improvement. This report contains the results of the mid-year review.

- 3.3 There are numerous common themes within the SIC and the Corporate Governance Framework, with the former being an integral part of the latter. It is, therefore, considered appropriate to combine reporting on both issues to avoid duplication. A detailed report on the SIC was submitted to members of this committee on 22<sup>nd</sup> June 2005<sup>5</sup>.
- 3.4 There are also a number of Corporate Governance and Internal Control themes which appear in the Corporate and Use of Resources CPA assessments. Members will be aware that the Use of Resources assessment has recently been completed by the Council's external auditors. Officers are conscious that the duplication of themes in the Corporate Governance Framework, SIC and Use of Resources block can be confusing and, where appropriate, these have been highlighted for clarity.

### **The Corporate Governance Framework**

- 3.5 In the autumn of 2001, CIPFA and SOLACE issued a document entitled "Corporate Governance in Local Government, A Keystone for Community Governance - Framework"<sup>6</sup>. The document was produced by a working party consisting of representatives from CIPFA, Improvement and Development Agency ('IDEA'), the Audit Commission, Local Government Association ('LGA') and local authorities.
- 3.6 The document was issued as good practice guidance and was endorsed by the then Minister for Local Government in the following terms:
- "...if local authorities are to do this successfully (implement the Government's modernising agenda) they will need good corporate governance"*.
- 3.7 A detailed report on the Corporate Governance Framework was issued to the Executive in December 2003 and to full Council in May 2004. In summary, the framework has 36 elements across 5 dimensions. In order to assess the Council's initial position with regard to compliance with the elements of the framework, a meeting was held in September 2002 involving relevant senior officers. This identified some areas for improvement and these were added to the framework as action plan items. The action plan was subsequently presented to CMT in May 2003<sup>7</sup>. The action plan set out each element of compliance, together with an assessment of the current position and suggested actions. The full framework and action plan items (including where none were required) were reported to this committee in January 2005. Due to the size of the framework, Members requested an abridged version, excluding completed elements (requiring no action), to be reported to future meetings. Appendix 1 to this report contains the abridged version of the framework and action plan and includes an assessment of actions completed during 2005 and any proposed actions for 2006.
- 3.8 In addition to reporting against the action plan, this report reviews how well the Council has complied with the principles of corporate governance and its own code. In May 2003, the Corporate Management Team agreed that the following officers would be responsible for a yearly review of the five dimensions of the Corporate Governance Framework as shown in the table below:

<b>Dimension</b>	<b>Responsible Officer</b>
Community Focus	Director of Communications and Consultation
Service Delivery	Director of Policy and Regeneration
Structures and Processes	Borough Solicitor
Risk Management and Internal Control	Director of Finance
Standards of Conduct	Head of HR and Diversity (Officers) Borough Solicitor (Members)

***Table 1: Responsible Officers for Review of Compliance***

- 3.9 This report has been drafted following consultation with the above-mentioned officers and represents an amalgamated assessment of the Council's current Corporate Governance arrangements.
- 3.10 The action plan items set out for 2005 are shown in appendix 1. All key actions were completed within the relevant timescale or are on target for completion. One of the main areas for improvement was in the area of developing the process for the annual review of the Statement on Internal Control. This was fully addressed and a new process ratified by this committee. Some further refinement of the process will be undertaken in 2006.
- 3.11 In addition to the completion of the action plan items, there has significant activity during 2005 which has further strengthened the Council's Corporate Governance arrangements. This activity, in no particular order, is summarised below:

### ***Community Focus***

- 3.12 The information requirements of the Corporate Governance Framework are being met and in some cases exceeded. For the first time during 2005 a summary of the accounts was published in the Brent Magazine. This will be further enhanced next year with the publication of a joint statement of performance and accounting information.
- 3.13 The publication of the Brent Magazine has increased from 6 times per year to 10-12 times per year.
- 3.14 The Ward Working pilot has continued during the year and demonstrates a commitment to involving the community in local decision making and increasing the accountability of officers.
- 3.15 The Council continues to set and develop vision for the Local Community and provide leadership in the areas of regeneration, gun crime, community cohesion and diversity celebrations. Particular examples being the redevelopment of the Wembley and South Kilburn areas, the West London Alliance Community Cohesion pathfinder project, the Brent in 2work project.

### ***Service Delivery Arrangements***

- 3.16 The overall CPA improvement and general service improvements must, by definition, reflect an improvement in the service delivery aspects of Corporate

Governance. The Council is now rated a three star authority that is improving well, with five of six service blocks rated at level three (good) or above.

3.17 Some specific mechanisms which have helped this process include the high level member group considering performance information, the vital signs document, the service specific improvement boards and the improvement fund.

3.18 Specific service improvements include:

- Joint services for older people have recently been judged as 'serving most people well' with 'promising prospects for improvement'.
- The Benefits Service is now rated as 'good' up from 'poor' in less than two years.
- Sickness absence has been reduced to an average of 7.3 days over the past three years.
- Council Tax collection is at 93.4%, the highest level ever achieved in Brent
- Recycling and composting figure now stands at 21% of waste collected.
- 88.2% of planning applications are determined within 8 weeks.
- 76% of care leavers are in education, training or employment at age 19.
- 98% of child protection cases are reviewed within statutory time limits.
- The Local Government Ombudsman complimented the Council on a sustained improvement in complaints handling with, for the fourth year running, no formal reports issued against the Council. The Council now has one of the lowest number of Ombudsman cases in London.
- Pupil attendance at primary and secondary schools has improved to 94% and 93% respectively against a national trend of decreased attendance.
- The Use of Resources assessment has improved to a strong 3.

3.19 The Improving Brent Action plan has drawn out the key actions required to bring about service improvement in priority areas and makes clear to stakeholders, particularly staff, the range of tangible service improvements required between 2004 and 2006. The Action Plan is also linked through to Service Development Plans, individual target setting and staff development within the performance management framework.

### ***Structure and Processes***

3.20 The Constitution sets out the decision making and management structure for the Council and is reviewed every six months.

3.21 There has been continued improvement in the scrutiny process. A number of scrutiny task groups have been established and an overview and scrutiny web page has been developed. The web page details all of the task groups and their terms of reference.

3.22 The operation of the Forward Plan Select Ccommittee, chaired by the leader of the majority opposition group, has further enhanced the scrutiny process.

3.23 The Chairs of Scrutiny and Overview report back to each meeting of the Full Council on work undertaken during the year and issues arising.

### ***Risk Management and Internal Control***

- 3.24 There have been a number of significant improvements in this area as detailed in the action plan. Risk management arrangements are significantly more robust as is the process for completing the Statement on Internal Control (SIC).

### ***Standards of Conduct***

- 3.25 A new employee code of conduct and whistleblowing code have been issued during 2005. Both should enhance the governance arrangements concerning officer conduct. The Whistleblowing Code was reviewed by the Standards Committee in November 2005.
- 3.26 The Monitoring Officer report to the Standards Committee in November 2005 shows that the number of referrals to the Standards Board in the period to July 2005 remained relatively low. The Standards Committee webpage has been developed and now includes the Members register of interests.
- 3.27 The Standards Committee has agreed an extensive work programme for 2006 and the Council has hosted a number of networking events for Standards Committee members across the West London Alliance.

### **Mid Year Review of the Statement on Internal Control (SIC)**

- 3.28 The SIC is an integral part of the Council's overall Corporate Governance arrangements. It features within the Risk Management and Internal Control section. The Corporate Governance framework pre-dates the statutory requirement to produce an annual statement on internal control (SIC). The requirement is set out in the Accounts and Audit Regulations 2003 and has been in force since the production of the 2003/4 accounts. The Council produced a SIC with its published accounts for 2003/4 and 2004/5.
- 3.29 The 2004/5 SIC was reported to this committee at its meeting on 18<sup>th</sup> July 2005. Members made a number of comments on the content of the SIC and the statement was adjusted to reflect those comments prior to submission to the Leader and Chief Executive for signature.
- 3.30 Members will recall that the SIC was based on a number of sources of assurance, including certificates of assurance from each Corporate and Service Area Director. The published SIC set out some corporate areas for improvement. These are shown in table 2 below together with a summary of the current position. They will be subject to full review as part of the 2005/6 SIC process.

<b>Control Issue</b>	<b>Action to be taken</b>	<b>Responsible Officer</b>	<b>Timescale for completion</b>	<b>Summary of Current Position at December 2005</b>
A lack of understanding of the Council's procurement rules by some officers has, on occasion, led to delays in the tendering process caused by additional reports to members being required.	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 review has commenced and is ongoing, timescale for completion is now March 2006.  The Director of Finance issued contract guidance in March 2005 A procurement strategy was agreed by CMT in November and the Executive in December 2005.
The Council's Legal Team require receipt of reports for clearance at least 10 days in advance. This, on occasions does not happen, 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	Chief Executive	December 2005	Discussions have taken place at CMT and the position remains that the Borough Solicitor and Director of Finance have ability to remove any agenda item if reports have not been cleared.
The Council has now produced a Council wide risk register. Managing these risks need to be embedded in management culture and risk management training across the Council is being developed to support this development.	PWC, our external Auditors will be carrying out a review to highlight any weaknesses.	Director of Finance	July 2005	The Risk Management Strategy has been agreed and a new system purchased which includes the ability to input and monitor partnership risks. Officers are in the process of migrating the risks from the previous system. Guidance has been issued by the Head of Risk Management and Procurement and the requirement is for Risk Management to be a regular part of Departmental Management Team discussion. On-line training is available for managers and Members. PWC have completed their review of arrangements as part of the Use of Resources assessment and all areas for improvement have been included in the Service Development Plan for Finance and Corporate Resources.
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 2005	A high level review of Business Continuity Planning has been initiated by the Chief Executive. The review will report back to CMT early in the new year.
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	See Table 2 below for detail.

**Table 2: Corporate control issues identified in the SIC (table reproduced from the 2004/5 Statement on Internal Control)**

3.31 In addition to these corporate areas, each service and corporate director identified areas for improvement in their own service area. These are summarised in table 3 below with a summary of the current position.

<b>Service Area and Control Issue</b>	<b>Action to be taken</b>	<b>Responsible Officer</b>	<b>Timescale for completion</b>	<b>Summary of Current Position at December 2005</b>
<b>Financial Services</b> 1.Lack of Testing of Business Continuity Plans  2.Embedding Risk Management Across the organisation  3.Lack of clarity on delegation of HR responsibilities in relation to Recruitment	1. Picked up as Corporate issue  2. Picked up as Corporate Issue  3. Responsibilities being reviewed as part of new F&CR structure	Director of Finance	March 2006	1. See table 1  2. See table 1  3. Review ongoing
<b>Policy and Regeneration</b> 1.New Deal For Communities	1. Ongoing discussion with Legal re position of SK NDC as independent /autonomous entity (or not)	Director of Policy and Regeneration	March 2006	1. Work is now being undertaken with the NDC which will provide a comprehensive set of measurable performance indicators. Once this is completed and performance tracked this will provide the basis for consideration of any agreement over the NDCs change of status.
<b>Corporate Services</b> 1.Overall concern with risk management at corporate and service area level  2.Contract monitoring identified as a weakness in Core Property	1.Picked up as corporate issue  2.Strengthen contract monitoring arrangements	Director of Finance	March 2006	1. See table 1  2. Procurement team are advising on monitoring arrangements
<b>Human Resources and Diversity</b> 1.HR Strategy  2.Disaster recovery and BCP  3.Compliance with HR procedures	1.Revised HR Strategy to be produced  2.Picked up as Corporate Issue  3.Relevant training and Briefings	Director of HR and Diversity	September 2005  Ongoing	1.New Strategy produced  2. See table 1  3. Recruitment and Selection training run 4-6 weekly to ensure all managers are provided with adequate training. Also briefings and training provided on application of all new key policies and procedures
<b>Communications and Consultation</b> 4.Not meeting trading targets of £2m	1.Regular review and monitoring of income	Director of Communications and Consultation	March 2006	4.Regular DMT review of trading income against profile. Income now on target to hit budget

Service Area and Control Issue	Action to be taken	Responsible Officer	Timescale for completion	Summary of Current Position at December 2005
<b>Environment</b> 1. Democratic Process  2. Risk Management  3. Testing of Business Continuity Plans  4. Financial Management  5. Human Resources  6. Procurement  7. Health and Safety  8. Partnership	1. Review existing delegations to SUDs Review management scheme within each Unit  2. Improve the systematic management and review of risks. Ensure systematic review of risks on new risk register database for completion of SOPs  3. Review & test Business Continuity and Disaster Recovery Plans  4. Review Processes to ensure compliance with Financial Regulations and where applicable, training needs to be identified. Revise JDs to include clear financial responsibility. Review procedures to ensure separation of key financial processes Improve asset registers and security at Vale Farm Road Safety centre  5. Revise JDs and delegation for HR functions  6. Review procedures to ensure that medium and high value contract are let in accordance with the requirements of Financial Regulations, Contract Standing Orders and the Contract Procurement and Management Guidelines. Relevant staff have been trained to monitor contract effectively.  7. Formalise responsibility for H&S in StreetCare. Training in Risk Assessment. Complete risk assessments and assign volunteers  8. Finalise TS Consortium Agreement with Harrow	ADs/SUDs	Feb 2006  June 2006  Jan 2006  June 2006  Jan 2006 onwards  Early 2006  Mar 2006  By March 2006	1. Delegations reviewed and updated and model management scheme circulated  2. Participation in Risk Management Group to evaluate and implement new software  3. Picked up as Corporate Issue see table 1  4. Completed in all service units. Transportation restructuring shortly to be consulted with staff and unions includes a new post of Head of Transportation Finance with dedicated finance officer support. JDs are clear about financial responsibility. StreetCare JDs revised. Review of separation of duties complete in Transportation and Environmental Health. Review of Road safety function in the context of Unit restructuring complete.  5. Transportation restructuring provides for HR support to be undertaken within Service Development and Support Team. StreetCare managers all received 3 day training in disciplinary processes  6. Training programme for all staff with relevant responsibilities has been developed in cooperation with Procurement and Risk Management and Legal. Transportation – all responsible officers re-issued with requirements of contract procurement. All medium and high value contracts procured with corporate team  7. Dedicated officer assigned to co-ordinating health and safety matters in Streetcare. Action Plan completed November 2005 and risk assessments now being prepared. Volunteers being recruited to act as First Aiders, Fire Wardens and Health and Safety Representatives.  8. No progress, attempting to reach agreement with Harrow



Service Area and Control Issue	Action to be taken	Responsible Officer	Timescale for completion	Summary of Current Position at December 2005
<b>Education</b> 1.Risk Management  2.Disaster Recovery and BCP  3.Authority for HR Functions not clearly specified in all JDs  4.Compliance with IT standards not monitored  5.Monitoring of partnership arrangements  6.Schools have significant delegated powers over budget, management and other areas and it is not always possible to be aware of the effectiveness of their systems.	1.Need more regular review and reassessment  2.Need to review to ensure regular updating (through DMT) Service Unit Heads  3.Ensure authorities are clearly set out  4.Improved monitoring  5.Revise and strengthen Connexions Contract  6.New KPMG/DfES self assessment for financial management in schools should help to address this.	DMT  DMT  Unit heads  Head of Strategic Planning  Director of Children and Families  Director of Children and Families	Autumn 2005  Summer 2005  Summer 2005  Ongoing  March 2006  September 2006	1. Standard item on CFD DMT agenda  2.Picked up as corporate issue see table 1  3.Incomplete, unit heads reminded July 2005  4.Children and Families IT strategy group established, first meeting October 2005  5.Complete, new contract in place . New 2 year contract effective from August 2006 to be tendered for now  6.Pilot carried out. Training for schools and governors in January 2006. Brent Scheme of Delegation to be amended from 1 <sup>st</sup> April 2006 to make completion compulsory for all schools by September 2006
<b>Housing</b> 1.Risk Management           2.Business Continuity Planning	1.Further embed risk management within the day to day functioning of the service, to include the recording of regular review of existing risks, identification and recording of new risks during the year, periodic reviews by DMT.  2.Picked up as Corporate Issue	Director of Housing and Customer Services	Ongoing	1. Risk Management was considered by the Housing and Customer Services DMT in May 2005, at which new arrangements were put in place for monitoring risks. This was also an agenda item at the Departmental Leadership Group meeting in the summer. See also table 1 above.  2. See table 1 above

Service Area and Control Issue	Action to be taken	Responsible Officer	Timescale for completion	Summary of Current Position at December 2005
<b>Social Services</b> 1.Lack of clarity on delegation of financial responsibilities  2.Risk Management not fully incorporated approach to service delivery  3.Lack of general written Financial Procedures  4.Some HR procedures less well understood	1.Further guidance is planned on financial delegated powers.  2.Raise the profile of risk management during 2005/06. This will include a seminar on risk management and clearer guidance on how to complete the risk management section of the service plan.  3.It is planned to review the ISO9000 compliant procedures from Older Peoples' Services with a view to amending them and rolling them out for the whole department  4.An HR training programme for managers is being designed. Monthly HR briefings	Assistant Director of Finance and Resources	December 2005  March 2006  July 2006  Autumn / Spring 2006.	1.Incomplete  2.Profile has been raised. Seminar yet to be arranged. Guidance to be issued in respect of business planning  3.Due July 2006  4.New procedures on Capability, grievance, sickness and managing poor performance have been issued and launched with a development programme for all managers. HR co-ordinators trained and briefed.

**Table 3: Individual Service control issues identified in the Directors' Certificates of Assurance**

3.32 It will be noted that the control issues identified above pre-dated the structural changes relating to Children and Families, Housing and Customer Services and Finance and Corporate Resources. Where appropriate, new responsible officers have been allocated according to the location of the control issue within the new structure.

## **4 Conclusions**

- 4.1 The Council's Corporate Governance arrangements are sound and it has complied with its own code during the period under review.
- 4.2 Some further developmental work is required in those areas identified in appendix 1 under the heading "Action Plan for 2006 and Responsible Officer".
- 4.3 Control weaknesses identified as part of the annual review of internal controls for 2004/5 are being addressed in accordance with the action plans developed both corporately and within individual areas.

## **5 Financial Implications**

- 5.1 None

## **6 Staffing Implications**

- 6.1 None

## **7 Legal Implications**

- 7.1 None

## **8 Diversity Implications**

- 8.1 Many of the Corporate Governance requirements are designed to ensure that the Council meets its diversity obligations. These are detailed within the report and action plan.

## **9 Background Papers**

1. Proposed Revision to Brent's Constitution. Report from Borough Solicitor to the Council 17<sup>th</sup> May 2004
2. Corporate Governance Framework. Report from Director of Finance to the Executive 8<sup>th</sup> December 2003
3. Annual Review of Corporate Governance and Action Plan Update. Report from Director of Finance to the Performance and Finance Select Committee 11<sup>th</sup> January 2005
4. Accounts and Audit Regulations 2003
5. Statement on Internal Control. Report from Director of Finance to the Performance and Finance Select Committee 22<sup>nd</sup> June 2005.
6. Corporate Governance in Local Government: A keystone for Community Governance – Framework and guidance note. CIPFA/SOLACE 2001
7. Report to the Corporate Management Team – 29<sup>th</sup> May 2003

Any person wishing to inspect these documents should contact Simon Lane, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD. Tel. 020 8937 1353.

**Simon Lane**  
**Head of Audit and Investigations**