



NOTICE OF MEETING

Governance & Audit Committee
Wednesday 29 June 2016, 7.30 pm
Council Chamber, Fourth Floor, Easthampstead House, Bracknell

To: The Governance & Audit Committee

Councillor Allen (Chairman), Councillor King OBE (Vice-Chairman), Councillors Heydon, McLean, Ms Miller, Mrs Temperton, Thompson, Worrall and Mr G S Anderson

cc: Substitute Members of the Committee

Councillors Mrs Hayes MBE, Hill, Leake, McCracken and Mrs McKenzie-Boyle

ALISON SANDERS
Director of Corporate Services

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Published: 21 June 2016



Governance & Audit Committee
Wednesday 29 June 2016, 7.30 pm
Council Chamber, Fourth Floor, Easthampstead House,
Bracknell

AGENDA

Page No

1. **Apologies for Absence**

To receive apologies for absence and to note the attendance of any substitute members.

2. **Declarations of Interest**

Members are requested to declare any disclosable pecuniary or affected interest in respect of any matter to be considered at this meeting.

Any Member with a Disclosable Pecuniary Interest or an affected interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days.

3. **Minutes - 30 March 2016**

To approve as a correct record the minutes of the meetings of the Committee held on 30 March 2016.

5 - 10

4. **Urgent Items of Business**

Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.

5. **External Audit Matters**

To consider a report from the External Auditors setting out the the Audit Progress Report and the Annual Audit and Certification Fees 2016/17.

11 - 28

6. **Internal Audit Annual Assurance Report 2015/16**

To receive a report setting out the Head of Audit's annual audit report.

29 - 56

7. **Annual Governance Statement**

To consider a report setting out the Council's Annual Governance Statement 2015/16 and its associated Action Plan.

57 - 76

8. **Strategic Risk Management Update**

To consider a report setting out the Council's updated Risk

77 - 86

Management Strategy.

9. **Employee Code of Conduct Amendment**

To consider a report seeking an amendment to the Employees Code of Conduct.

87 - 90

Date of Next Meeting

The next scheduled meeting of the Governance and Audit Committee will take place on 21st September 2016 at 7.30pm

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GOVERNANCE & AUDIT COMMITTEE
30 MARCH 2016
7.30 - 10.05 PM



Bracknell Forest Borough Council:

Councillors King OBE (Vice-Chairman), Heydon, Leake, McCracken, McLean, Mrs Temperton, Thompson and Worrall

Present:

Independent Members:

Gordon Anderson JP

Apologies for absence were received from:

Councillors Allen and Ms Miller

30. Apologies for Absence

The Committee noted that Councillors McCracken and Leake were substituting for Councillors Allen and Ms Miller respectively.

31. Declarations of Interest

There were no declarations of interest.

32. Minutes - 27 January 2016

RESOLVED that the minutes of the meeting of the Committee held on 27 January 2016 be approved as a correct record and signed by the Chairman.

33. Urgent Items of Business

There were no items of urgent business.

34. External Audit Plan 2015/16

The Borough Treasurer presented the External Audit Plan for 2015/16 on behalf of Helen Thompson, Ernst and Young, who was unable to attend the meeting.

The Plan set out the proposed audit approach and scope for the 2015/16 audit and covered the work planned to provide the Council with:

- An audit opinion on the financial statements of Bracknell Forest Council; and
- A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

The Audit Plan also outlined the principle financial statement risks facing the Council, as identified in discussion with officers, as

- The risk of management override
- Valuation of property, plant and equipment
- Better care fund (BCF) accounting

- Non-domestic rates (NDR) appeals provision

In connection with securing economy, efficiency and effectiveness, a significant risk had been identified around the Council's ability to deliver the savings required to meet the funding gap in 2016/17 and the years beyond. The Auditors' assessment would focus on reviewing details of the Council's savings plans and the medium term financial strategy.

The Audit Plan set out the timetable for carrying out the audit work and reporting on it. There was no longer a requirement for the Committee to approve the draft accounts by the end of June. The planned fees for the 2015/16 audit showed a decrease from the previous year.

RESOLVED that the External Audit Plan for 2015/16 be noted.

35. Internal Audit Plan 2016-17

The Committee considered a report setting out the underlying principles applied in the Internal Audit planning process and seeking approval of the Internal Audit Plan for 2016/17.

The Audit Plan had been developed in consultation with the Directors and Chief Officers and was risk driven to target resources on those areas of the Council's business that have the greatest influence on achievement of the Council's Medium Term Objectives. Built into the Plan were follow-up audits on those given a limited assurance opinion in the previous 12 months and grants requiring audit sign off as a condition of funding. Expenditure and income streams of the highest value and Directorate risk registers were used to identify areas of greatest risk where audit activity could be concentrated. Also key IT systems with direct financial impact were targeted.

Approximately two-thirds of the 2016/17 general audit reviews would be delivered by Mazars LLP, the Council's main provider since 2012. Although a small proportion of general audits were carried out in-house, the bulk of the remaining work was carried out by in-house audit teams at Wokingham BC, RBWM and Reading BC. IT audit will be delivered by TIAA under a new contract commencing on 1 April 2016.

The Audit Plan contained a breakdown of the audits both Council wide and in each Directorate, amounting to 585 days in total. It was noted that for a number of the audits planned in the Environment, Culture and Communities Directorate, the notation 'Link to Strategic Risk' had been omitted, eg. Easthampstead Park Conference Centre, and this would be corrected. An appendix was attached summarising the risks in the Strategic Risk Register and indicating which individual audits would address each strategic risk. It was confirmed that the Strategic Risk Register was subject to regular review and was due to be reviewed at the next Executive briefing.

A large number of audits had been planned in schools, but it was noted that this did not include any where a change to academy status had taken place as audit did not have access to academy schools. Although the Council had limited control over the schools, since Governing Bodies had the prime responsibility for good governance, it was important for the Council to obtain assurance that adequate financial arrangements, proper procedures and measures of control were in place.

RESOLVED that the Internal Audit Plan for 2016/17 be approved.

36. **Appointment of Local External Auditors**

The Committee considered a report setting out the new arrangements for the appointment of local external auditors.

Since the Audit Commission had been abolished, Public Sector Audit Appointments Ltd (PSAA) had assumed responsibility for appointing auditors to local government, the police and local NHS bodies. For local government bodies, the External Audit contracts had been extended for one year, incorporating the audit of the 2017/18 financial year; Ernst & Young would continue as the Bracknell Forest External Auditor until that time.

The Council would need to appoint its local auditor by 31 December 2017 so that new auditors would be in place by 1 April 2018. There were broadly two ways for the Council to proceed. Firstly, the Council could opt in to a collective procurement arrangement established by the local government sector or secondly, it could undertake its own procurement either opting to do this independently or jointly with other bodies. If the Council undertook its own procurement (either jointly or independently) it would be required to establish an Auditor Panel to advise on the process and oversee the Council's relationship with the Auditor appointed.

The report detailed the options available to the Council. However, whatever option was taken, the same limited number of firms will be the only possible bidders for the work as it was a specialised service with few providers. The option for collective procurement arrangements established by the local government sector offered the greatest potential for economies of scale, securing auditors with the necessary experience to audit the Council's accounts effectively and minimising the governance bureaucracy.

The Committee sought answers to a number of questions about the options. The possibility of the PSAA being appointed as the sector- led body was being explored. Expressions of interest in participating had been requested by 30 April 2016, however, a final decision on whether to commit to these collective arrangements was reserved to full Council. The LGA was recommending this option, although it was noted that the PSAA was effectively owned by the LGA. Members were of the view that other options should continue to be explored, in particular with the other Berkshire Authorities.

RESOLVED that:

- 1 An interest be expressed in participating in the sector-led collective procurement arrangements, without commitment at this stage.
- 2 Other options continue to be reviewed, and a further report be presented to the Committee when more information is available.

37. **Annual Review of the Constitution**

Consideration was given to a report of the Borough Solicitor proposing changes to the Council's Constitution for recommendation to the Council. The Council was under a general duty to keep its Constitution under review and the proposals in the report had been put forward as part of an internal review by officers as well as changes brought about by legislation. The detail was set out in three Appendices to the report and the Committee commented as follows:

Appendix A

Part 2 of the Constitution – Responsibilities for Decisions

New delegations to specified Chief Officers were proposed relating to Completion Notices, Community Protection Notices, Property transactions and Neighbourhood Planning decisions. With regard to the first, the Committee considered the delegation should be clarified by the addition of wording to read:

‘Issue of completion notices with respect to businesses entering the rating list’

With regard to the issuing of Community Protection Notices arising from provisions of the Anti-Social Behaviour, Crime and Policing Act 2014, the Committee was happy with the revised delegation to the Director of Environment, Culture and Communities, subject to an assurance that this was appropriate rather than a delegation to the Chief Executive.

With respect to the new financial limits for property transactions, while it was noted that the preamble provided for the Chief Officer Property to exercise the delegation in conjunction with the Executive Member for Transformation and Finance, this was not explicit. Members took the view that the new limits in Table A were too high, that ‘long leasehold’ should be more clearly defined, and that this section should be re-drafted for consideration at a future meeting.

For the new delegation in relation to the Neighbourhood Planning process, the Committee considered that ‘Approval of publicity by Electoral Services for referendum’ was inappropriately worded and required revision.

Appendix B

Part 4 of the Constitution – The Way in which the Council operates

Revisions were required to Section 11 – Contract Standing Orders as a result of new legislation in 2015, updates to the EU thresholds for certain contracts, and corrections to and clarifications of the wording in certain places. The Committee accepted the principle of the changes put forward but considered the wording of the report where it related to removal of the need for contracts to be under the seal of the Council (except where requested) should be re-drafted. Also, a revised wording was suggested in relation to the extension of contracts not specifically provided for in the contract. With regard to EU thresholds, it was suggested the relevant figure in Euros could usefully be added.

Appendix C

Part 4 of the Constitution – The Way in which the Council operates

This section proposed the introduction of a formal procedure for dealing with Councillor Code of Conduct complaints and an amendment to the Councillor Code of Conduct clarifying the process for the granting of dispensations for members enabling them to take part in Council business where this would otherwise be prohibited. The existing arrangements for dealing with Code of Conduct complaints were introduced in 2012 in the light of the new statutory provisions but were very broadly drawn and contained little detail of how a complaint would be dealt with or investigated, the appropriate time limits, the arrangements for convening a Panel (where required) to consider an investigating officers report and the decision thereon.

The Committee noted that a Member/Officer Working Group had been set up to review the scope and effectiveness of the Standards Framework, with particular emphasis on the current range of sanctions available under the Code of Conduct, to report in due course to the Standards Committee. Questions may arise in relation to the ratification of the decision, including the imposition of sanctions, following a

hearing by the Panel on the investigation of a complaint, a role proposed to be exercised by the Governance and Audit Committee under the new procedure that had been recommended. Members took the view that it would be premature for amendments to the complaints procedure and the Code of Conduct to be made before the Working Party had concluded its deliberations.

RECOMMENDED that, subject to no adverse comments from the Committee on re-circulation of Appendix B to the report revised as suggested above, the changes to the Constitution Part 4 Section 11 – Contract Standing Orders be adopted.

RESOLVED that:

- 1 The changes proposed to the Constitution proposed in Appendix A of the report be re-drafted to take account of the comments above and reported to a future meeting of the Committee.
- 2 The changes to the Constitution proposed in Appendix C await the conclusion of the Member/Officer working Party and be included in a comprehensive report to a future meeting on an update of the Standards Framework.

CHAIRMAN

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**TO: GOVERNANCE AND AUDIT COMMITTEE
29 JUNE 2016**

EXTERNAL AUDIT MATTERS Borough Treasurer

1 PURPOSE OF REPORT

- 1.1 To note the Audit Progress Report.
- 1.2 To note the Annual Audit and Certification Fees 2016/17.

2 RECOMMENDATION(S)

- 2.1 **That the Governance and Audit Committee note the Audit Progress Report and the Annual Audit and Certification Fees 2016/17.**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 To advise the Governance and Audit Committee on progress with the external audit.
- 3.2 To advise the Governance and Audit Committee of the external auditor's fees for 2016/17.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None

5 SUPPORTING INFORMATION

- 5.1 The Council's external auditor, Ernst and Young, has provided the Committee with a report on progress with the audit which is attached.
- 5.2 For the 2016/17 financial year Public Sector Audit Appointments Ltd has set the scale fee for audited bodies. Ernst and Young have confirmed that the indicative fee for the Council will be set at the scale fee (£129,851), subject to the assumptions contained in the attached letter.
- 5.3 Helen Thompson, Director, Ernst and Young will attend the meeting to present both reports and answer questions.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Nothing to add to the report.

Borough Treasurer

- 6.2 Nothing to add to the report.

Equalities Impact Assessment

- 6.3 Not applicable.

Strategic Risk Management Issues

- 6.4 There are no strategic risk management issues arising from this report.

Other Officers

6.5 Not applicable

7 CONSULTATION

Principal Groups Consulted

7.1 Not applicable

Method of Consultation

7.2 Not applicable

Representations Received

7.3 Not applicable

Background Papers

None

Contact for further information

Alan Nash, Borough Treasurer – 01344 352180

alan.nash@bracknell-forest.gov.uk

Bracknell Forest Council

Governance and Audit Committee Progress Report

June 2016



Members of the Governance and Audit Committee
Bracknell Forest Council
Easthampstead House
Town Square
Bracknell
Berkshire
RG12 1AQ

29 June 2016

Dear Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson
Executive Director

For and behalf of Ernst & Young LLP
Enc

Contents

2015/16 audit	2
Other matters of interest	4
Timetable	6

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Governance and Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute..

2015/16 audit

Fee letter

We issued our 2015/16 fee letter to the Council in April 2015.

Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning, we continue to meet key officers regularly to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

Planning and interim visit

Our work to identify the Council's material income and expenditure systems and to walk through these systems was carried out in December 2015. This planning visit was followed by an interim audit in February and March 2016, when we planned our substantive testing strategy and commenced early testing on housing benefits.

There are no matters arising from our initial planning work that we need to bring to your attention at this stage.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

Post statements visit

We have agreed dates for our audit visit, which is planned to start week commencing 4th July 2016, and we have fully discussed the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, was presented to the Governance and Audit Committee in March 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

Value for money

The NAO consulted on a draft Auditor Guidance Note (AGN) in respect of auditors' work on value for money (VFM) arrangements. The guidance has now been issued and sets out the proposed overall approach to work on VFM arrangements which apply to audits from 2015/16 onwards.

A copy of the final AGN, and the supporting information for local government bodies, can be viewed on the NAO website: <http://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

We are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out below.

The overall criterion for 2015/16 is:

- ▶ In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

“The overall criterion is supported by three sub-criteria, designed to help us structure our risk assessment”. There is no requirement for us to conclude or report against the following sub-criteria:

- ▶ informed decision making;
- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

We carried out our initial risk assessment in early 2016 and reported one significant risk, and the associated work we will carry out, to the Governance and Audit Committee in March 2016.

Other matters of interest

Accelerating your financial close arrangements

On 17 February 2015 the Accounts and Audit Regulations 2015 were laid before Parliament, having been made (signed by the Minister) under the Local Audit and Accountability Act 2014 on 12 February 2015.

A key area of the regulations is that from the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July. These changes provide challenges for both the preparers and the auditors of the financial statements.

The good news is that with sound planning, communication and joint working, those deadlines are highly attainable. The majority of councils are on the right trajectory having met the current reporting deadlines consistently for the last few years, the challenge now is upping the speed of that trajectory to achieve the faster deadlines. Below we have included some suggestions which will help achieve this new statutory deadline. We will continue to engage with officers to ensure that the Council is well placed to meet these new statutory deadlines.

As with any project the key to success is in the planning, together with timely engagement and collaboration between the preparers of the financial statements and the auditors of those statements. We appreciate that each client starts from a slightly different base position. Therefore, there is no 'one size fits all' solution. However, there are areas where consideration can be given now:

- revisit the current project timetable;
- an early in-year financial hard close;
- review the format of your accounts;
- review your approach to estimates;
- review your year-end journal process;
- review the operation of your ledger system; and
- consider how fit for purpose is your current financial reporting system?

We will continue to organise regular meetings with the finance team and use this as a mechanism to discuss options for early close and early substantive testing. We will continue to provide the committee with regular updates on our progress in this area. We are also happy to discuss the wider process with you in more detail when we next meet.

Local appointment of auditors

The Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Although the new approach to local audit does not come into play until 2018/19, bodies will need to start putting in place the mechanism required to deliver this. As part of the process, bodies will need to set up auditor panels to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. These will need to be in place by early 2017, with the procurement process taking place in spring 2017 and external auditors being appointed by December 2017.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years.

Sector briefings

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Governance and Audit Committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	April 2015	Complete - the fee letter for 2015/16 was reported to the Committee in April 2015
Risk assessment and setting of scope of audit	December 2015	Audit Plan	March 2016	Complete
Testing of routine processes and controls	February/March 2016	Audit Plan	March 2016	Complete
Year-end audit	July/August 2016	<p>Audit results report to those charged with governance.</p> <p>Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources)</p> <p>Whole of Government Accounts Submission to NAO based on their group audit instructions</p> <p>Audit Completion certificate</p>	September 2016	Work is planned to start during July 2016, to be reported to 21 September Governance and Audit Committee.

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Timothy Wheadon
Chief Executive
Bracknell Forest Council
Easthampstead House
Town Square
Bracknell
RG12 1AQ

21 April 2016

Ref: BFBC/16-17/Fee Letter

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Tim

Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Bracknell Forest Council.

Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- audit of the financial statements;
- value for money conclusion; and
- whole of government accounts.

For Bracknell Forest Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- our accounts opinion and value for money conclusion are unqualified;
- officers meet the agreed timetable of deliverables;
- prompt responses are provided to our draft reports.;
- the Council provides appropriate quality of documentation;

- the overall control environment remains effective and internal controls operate effectively for the key processes identified within our audit strategy; and
- we can rely on the work of internal audit as planned.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	104,726	104,726	139,634
Certification of housing benefit subsidy claim	25,125	25,075	41,580
Total	129,851	129,081	181,214
Non audit work	0	tbc*	29,600

* The final figure for non-audit work in 2015/16 is yet to be confirmed but is expected to be below £10,000.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) is separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £32,462.75.

Audit plan

We expect to issue our audit plan in March 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Borough Treasurer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Governance and Audit Committee.

Audit team

The key members of the audit team for the 2016/17 financial year are subject to confirmation of the Engagement Lead appointment. 2015/16 was the fifth year of appointment for Helen Thompson, which completes the normal cycle under the PSAA appointment rules. We will discuss options with the Council and PSAA and confirm the Engagement Lead appointment as soon as possible. Helen will continue to act as the key contact during the completion of the 2015/16 audit

Helen Thompson
Executive Director

HThompson2@uk.ey.com

Tel: 07974 007332

Malcolm Haines
Manager

MHaines@uk.ey.com

Tel: 07867 152475

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Helen Thompson
Executive Director
For and on behalf of Ernst & Young LLP

cc. Alan Nash, Borough Treasurer
Councillor Nick Allen, Chair of the Governance and Audit Committee

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TO: GOVERNANCE AND AUDIT COMMITTEE
DATE: 29th JUNE 2016

INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2015/16

(Head of Audit and Risk Management)

1. PURPOSE OF REPORT

- 1.1 Under the Public Sector Internal Audit Standards, the Head of Audit is required to deliver an annual internal audit opinion. This is timed to inform review of the Annual Governance Statement (AGS).

2. RECOMMENDATION

- 2.1 **The Governance and Audit Committee note the Head of Audit and Risk Management’s Annual Report setting out the Head of Internal Audit’s Opinion for 2015/16.**

3. REASONS FOR RECOMMENDATION

- 3.1 To support assurances set out in the Annual Governance Statement and ensure compliance with the Public Sector Internal Audit Standards.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Committee could choose not to receive the Head of Audit and Risk Management’s Annual Report setting out the Head of Internal Audit’s Opinion but would then not be aware of the relevant assurances from Internal Audit supporting the Annual Governance Statement and would not be complying with the Public Sector Internal Audit Standards.

5. SUPPORTING INFORMATION

- 5.1 The Council is required under the Accounts and Audit (England) Regulations to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 5.2 The Public Sector Internal Audit Standards applicable to local government require the Head of Internal Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement. This report should include an overall opinion on the adequacy of the control environment, a summary of the work that supports the opinion and a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).
- 5.3 The attached report sets out the Head of Internal Audit’s Opinion for 2015/16 summarising the results and conclusions of Internal Audit’s work for 2015/16 and

Unrestricted

a statement on compliance with PSIAS. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This opinion can, therefore, only provide reasonable and not absolute assurance based on the work undertaken and areas audited.

6. **ADVICE FROM STATUTORY OFFICERS**

6.1 Borough Treasurer

Nothing to add to the report.

6.2 Borough Solicitor

The recommendation of this report should be read alongside the Annual Governance statement which is included elsewhere on the agenda.

6.3 Equalities Impact Assessment

Not applicable.

6.4 Strategic Risk Management Issues

The Head of Internal Audit's Annual Report provides her opinion on the control environment in place at the Council. Internal control is based upon an ongoing process designed to identify and prioritise risks and to evaluate the likelihood of those risks being realised and the impact should they arise. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure altogether.

7 **CONSULTATION**

7.1 Not applicable.

Contact for further information

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Doc. Ref
HOIAO 15/16

ANNUAL REPORT OF THE HEAD OF AUDIT AND RISK MANAGEMENT:

1. BACKGROUND

The Council is required under the Accounts and Audit (Amendment) (England) Regulations to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement.

2. PURPOSE OF THE HEAD OF INTERNAL AUDIT’S ANNUAL REPORT

The Head of Internal Audit’s annual report

- Includes an opinion on the overall adequacy and effectiveness of the organisation’s control environment;
- Discloses any qualifications to that opinion together with the reasons for that qualification;
- Presents a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Draws attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- Compares the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comments on compliance with Public Sector Internal Audit Standards and communicates the results of the internal audit quality assurance programme.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure altogether. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement and opinion can, therefore, only provide reasonable and not absolute assurance. Internal control is based upon an ongoing process designed to identify and prioritise risks and to evaluate the likelihood of those risks being realised and the impact should they arise.

Unrestricted

3. OPINION ON THE CONTROL ENVIRONMENT IN PLACE DURING 2015/16

Based on the work of Internal Audit during the year, the Head of Audit and Risk Management has given the following opinion:

- The Head of Audit and Risk Management is able to provide reasonable assurance that the Authority has sound systems of internal control in place in accordance with proper practices except for those areas of significant weakness as set out in Section 5.3;
- Key systems of control are operating satisfactorily except for the areas referred to in Section 5.3; and
- There are adequate arrangements in place for risk management and corporate governance.

4. CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

Based on the independent external assessment undertaken in March 2016 as set out in Section 6.1, the Head of Audit and Risk Management can confirm that Bracknell Forest internal audit generally conforms with PSIAS requirements with only 4 minor opportunities for improvement identified. The Head of Audit and Risk Management can confirm organisational independence of internal audit activity and absence of impairment to objectivity or independence during 2015/16.

5. INTERNAL CONTROL

5.1 Internal Audit Performance

The resources available for internal audit are finite and not all areas can be covered every year. Therefore internal audit resources are allocated using a risk based approach. The Internal Audit Plan for 2015/16 was considered and approved by the Governance and Audit Committee on 25th March 2015. The delivery of the individual audits in the Internal Audit Plan for 2015/16 was mainly undertaken by Mazars Public Sector Internal Audit Limited. Nineteen reviews and grant claims were audited in house (2014/15:15) and 25 audits (2014/15:23) were undertaken by Reading or Wokingham/Royal Borough of Windsor and Maidenhead Borough Councils Internal Audit teams under an agreement under S113 of the Local Government Act 1972 which permits local authorities to provide staffing resources to other authorities.

Some alterations were made to the original plan during the year in response to information gained during the year. These are clearly shown in Appendix 1. At the time of writing this report, 1 report was in draft awaiting management response, 2 reports were issued for discussion and one audit was still in progress. All other audits had been finalised or certified in the case of grant claims. The outcome for each audit is summarised at Appendix 1.

Unrestricted

5.2 Summary of the Results of 2015/16 Audits

ASSURANCE	FINAL AND DRAFT 2015/16	FINAL AND DRAFT 2014/15
Significant	3	1
Satisfactory	52	55
Limited	15	17
Total for Audits Including an Opinion	70	73
Grant Claim Certifications	12	12
Memos and reports with no opinion	10	4
Total	92	89

Assurance Opinion Classifications

Assurance Level	Definition
Significant	There is a sound system of internal controls to meet the system objectives and testing performed indicates that controls are being consistently applied
Satisfactory	There is basically a sound system of internal controls although there are some minor weaknesses in controls and/or there is evidence that the level of non-compliance may put some minor systems objectives at risk.
Limited	There are some weaknesses in the adequacy of the internal control system which put the systems objectives at risk and/or the level of compliance or non-compliance puts some of the systems objectives at risk.
No Assurance	Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

5.3 Significant Control Weaknesses

In forming its opinion, Internal Audit is required to comment on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During 2015/16, there were no audits where no assurance was given but 15 limited assurance opinions were given in finalised reports. Audits on the following areas resulted in limited assurance opinions. Management have advised that actions are underway to address all recommendations.

Unrestricted

<u>DIRECTORATE</u>	FINALISED AUDITS WITH LIMITED ASSURANCE CONCLUSION
<u>COUNCIL WIDE AUDITS</u>	<p><u>COUNCIL WIDE PROCUREMENT</u> A limited assurance opinion was given as two priority recommendations were raised in respect of appropriate action not being take on expiry of waivers and approval of waivers not being obtained in advance or without supporting evidence for justification. Officers have been reminded of the procedures to be followed.</p>
<u>CORPORATE SERVICES</u>	<p><u>PAYROLL AND PRE EMPLOYMENT CHECKS</u> Testing identified cases of no clear audit trail for amendments made in the new iTrent system and weaknesses in segregation controls when processing amendments within iTrent. Officers have raised with the software provider who is working on a solution for this.</p> <p><u>BUSINESS RATES</u> A limited assurance opinion was given as the audit identified cases where large refunds had been authorised retrospectively by the manager. The software provider has been asked if it is possible to cap authorisation levels for staff who have also been told that large refunds must be authorised on the system by the manager.</p> <p><u>CREDITORS</u> Testing identified an instance where the Agresso IT system had allowed a payment to be made without authorisation. The system is due for an upgrade and officers are intending that review of this issue will be incorporated into the Agresso upgrade to gain assurance that this will not happen again,</p>
<u>CHILDREN, YOUNG PEOPLE AND LEARNING</u>	<p><u>SCHOOLS</u> Limited assurance opinions were given on seven main school audits and one school census audit during 2015/16. Senior officers from the Education Authority are providing support to the Schools to enable them to address weaknesses in their control environments and the schools will be re-audited during 2016/17 where these schools have not become academies. Where schools have become academies, the academy trust will be provided with a copy of the audit report. In light of the number of schools indicating weaknesses in approval and monitoring of expenditure, Internal Audit has assisted with providing training and revised guidance to all schools at Bursar Support sessions. The Data and Barring Service check requirements have also been covered at the Bursars Support sessions.</p> <p><u>Sandy Lane Primary School (main school audit)</u> Already reported to the Governance and Audit Committee in January 2016. Testing of a sample of transactions identified</p>

Unrestricted

DIRECTORATE	FINALISED AUDITS WITH LIMITED ASSURANCE CONCLUSION
	<p>weaknesses in controls over the incurring and monitoring of expenditure and inappropriate expenditure.</p> <p><u>Sandy Lane Primary School (school census audit)</u> Already reported to the Governance and Audit Committee in January 2016. Opinion due to registers not being retained as legally required.</p> <p><u>Sandhurst Secondary School</u> Already reported to the Governance and Audit Committee in January 2016. Testing of a sample of transactions identified weaknesses in controls over the incurring, approval and monitoring of expenditure.</p> <p><u>Jennett's Park Primary School</u> Already reported to the Governance and Audit Committee in January 2016. Testing of a sample of transactions identified weaknesses in controls over the incurring and approval of expenditure.</p> <p><u>St Michael Easthampstead C of E Primary School</u> Already reported to the Governance and Audit Committee in January 2016. Opinion due to inappropriate expenditure incurred on the purchasing card.</p> <p><u>Kennel Lane</u> Already reported to the Governance and Audit Committee in January 2016. Opinion due to absence of financial procedures, neither a DBS nor check to manual barring and vetting list being obtained prior to employment, weaknesses in controls over incurring and approval of expenditure and weaknesses in inventory controls.</p> <p><u>Brakenhale Secondary School (now an academy school)</u> Already reported to the Governance and Audit Committee in January 2016. Testing of a sample of transactions identified weaknesses in controls over the incurring, approval and monitoring of expenditure.</p> <p><u>St Margaret Clitherow (now an academy school)</u> Already reported to the Governance and Audit Committee in January 2016. Opinion given as neither a DBS nor check to manual barring and vetting list was obtained prior to employment.</p> <p><u>The Pines</u> Testing of a sample of transactions identified weaknesses in controls over the incurring and approval of expenditure and Audit established that the accounts for the private fund were</p>

Unrestricted

DIRECTORATE	FINALISED AUDITS WITH LIMITED ASSURANCE CONCLUSION
	<p>not audited for three years.</p> <p><u>College Town Juniors</u> Testing of a sample of transactions identified weaknesses in controls over the incurring, approval and monitoring of expenditure.</p>
<u>ENVIRONMENT, CULTURE AND COMMUNITIES</u>	<p><u>EASTHAMPSTEAD CONFERENCE CENTRE</u> A limited opinion was given due to a payment being made for equipment not received and there being a significant delay before this error was identified and addressed. Managers have advised that procedures for checking goods received have now been amended to ensure that responsibilities for accepting goods are now clear and transparent.</p>

5.4 Follow up of 2014/15 Limited Assurance Opinions

The Internal Audit procedure is for areas given a limited assurance opinion to be re-audited in the following year. The table below sets out the latest audit position on areas given a limited assurance opinion in 2014/15.

DIRECTORATE	AUDITS WITH LIMITED ASSURANCE CONCLUSION	UPDATE AS AT 31/5/2016
COUNCIL WIDE	Payment card industry standards	Now re-audited and a significant assurance opinion was given.
	Council wide procurement	Now re-audited and a limited opinion was given again. See section 5.3.
ADULT SOCIAL CARE, HEALTH AND HOUSING	Heathlands	Now re-audited and a satisfactory opinion was given.
	Direct Payments	Now re-audited and a satisfactory opinion was given.
	Housing rents and deposits	Re-audit on-going.
CORPORATE SERVICES	Network infrastructure	Now re-audited during quarter 3 under the PSN/Network Infrastructure audit and a satisfactory opinion has been given.
	Surveyors services	Audit due to take place in quarter 1 of 2016/17 to allow arrangements with the new reactive maintenance contractor to bed down.
	Debtors	Now re-audited and a satisfactory opinion was given.

Unrestricted

	Creditors	Now re-audited and a limited opinion was given again. See section 5.3.
CHILDREN, YOUNG PEOPLE AND LEARNING- SCHOOL AUDITS	St. Michaels' Easthampstead	Now re-audited and a limited opinion was given again. See section 5.3.
	College Town Junior	Now re-audited and a limited opinion was given again. See section 5.3.
	Holly Spring Junior	Now re-audited and a satisfactory opinion was given
	Crown Wood	Now re-audited and a satisfactory opinion was given
	Warfield	Now re-audited and a satisfactory opinion was given
CHILDREN, YOUNG PEOPLE AND LEARNING- OTHER AUDITS	Pupil Referral Service	Audit recommendations have now been followed up and the weaknesses identified in 2014/15 have been addressed.
	Direct payments	Now re-audited and a satisfactory opinion was given
ENVIRONMENT, CULTURE AND COMMUNITIES	Easthampstead Conference Centre.	Now re-audited and a limited opinion was given again. See section 5.3.

5.4 Follow up of Audit Recommendations

During 2015/16 formal arrangements were introduced for follow up of recommendations raised in reports with a satisfactory assurance opinion and hence with no priority one recommendations. Managers are now required to provide an update on progress to implement recommendations. The outcome of follow up work on 81 reports from 2013/14, 2014/15 and 2015/16 is set out in Appendix 2 and indicates that 85% of recommendations had been implemented.

6. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

6.1 Compliance with Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013. These standards provide a consistent framework for all internal audit services in the public sector across the UK. There is a requirement in the Standards for the Head of Audit and Risk Management to report on conformance with the PSIAS in her annual report based on the outcome of internal and external assessment of compliance.

Internal Assessment

An update is set out below on the actions identified at the 2014/15 self-assessment of compliance with the Standards.

Unrestricted

2014/15 SELF-ASSESSMENT	ACTION REQUIRED	ACTION UPDATE
<p><u>Quality Assessment and Improvement Programme</u> PSIAS introduced a requirement for an external assessment to be conducted at least once every five years. This needed to be completed by 31st March 2018. There was uncertainty about the feasibility of completing this by peer review due to requirements on qualifications, experience and independence.</p>	<p>External assessment to be completed. To defer until requirements clarified.</p>	<p>External assessment has now been completed and the outcome is set out below (see below).</p>
<p><u>Follow Up</u> Given limited resources, follow up of recommendations has been restricted to limited assurance reviews or otherwise undertaken at the next audit review. Since May 2015 procedures have been put in place to re-circulate reports to Chief Officers and Head of Service requesting confirmation that recommendations have been implemented.</p>	<p>The Head of Audit and Risk Management will explore options for monitoring recommendations.</p>	<p>Three cycles of follow up have now been completed. The results of the first 2 cycles were included in the Head of Audit and Risk Management’s interim report to the Governance and Audit Committee in January 2016. The results for the full year are included at Appendix 2 to this report</p>

External Assessment

PSIAS Standard 1312 states that *“External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.....External assessments can be in the form of a full external assessment, or a self-assessment with independent validation.”*

The Standard goes on to say that the assessor must demonstrate *“ competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience.”* The Standard stipulates that the assessor must be independent which is defined as *“not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.”*

The external assessment of Bracknell Forest Council’s internal audit services was carried out in March 2016 by Ian Withers, the Audit & Governance Manager of the London Borough of Croydon. Ian holds a master’s degree in internal audit and

Unrestricted

management (MSc), is a fully qualified member of the Chartered Institute of Public Finance & Accountancy (CPFA) and the Chartered Institute of Internal Auditors (CMIIA and FCIIA). He has more than thirty years' experience of internal audit including eleven years as a local government Head of Internal Audit and previous experience of conducting numerous similar reviews at major public sector organisations.

The assessor found that “the manner in which the internal audit service is planned, executed, managed and reported demonstrates a high level of compliance with the PSIAS. Whilst being part of the finance function, the internal audit service has a high degree of independence, in fulfilling the definition of internal auditing. One area of special mention is the innovative co-sourcing arrangements, bringing together the best aspects of private and public sector knowledge and experience in a cost effective manner whilst providing a high degree of service resilience to unforeseen circumstances”.

Having completed the assessment, the conclusion was as follows:

“Based on the scope of the work carried out, the overall conclusion of this review is that internal audit at Bracknell Forest Council GENERALLY CONFORMS with the Public Sector Internal Audit Standards with a high level of compliance. This is one of four levels established by HM Treasury for use in the public sector. To achieve fully conforms requires 100% attainment and we are not aware of any local authorities achieving this so far in the first external assessment. The outcome of the assessment should be reflected in the Head of Audit & Risk Management’s opinion report for the year 2015/16. Whilst no significant areas of non-compliance have been identified, some minor opportunities for improvement are made in section 3 below.”

The areas for improvement and action being taken are as follows.

2015/16 EXTERNAL-ASSESSMENT	ACTION REQUIRED	ACTION UPDATE
<p><u>1.Audit Charter</u> Review of the Internal Audit Charter found that whilst it fully meets the PSIAS requirements and is on the Council intranet there is the opportunity to improve its communication across the Council. The Charter, is not issued with other key internal audit circulated documents (e.g. Internal Audit Plan)</p>	<p>The Charter will be attached to the Internal Audit Plan for approval and circulation in future.</p>	<p>Given that the Internal Audit Plan had already been approved and circulated, the Charter has been separately circulated to all Directors and Chief Officers. In future the Charter will be attached as an appendix to the reports seeking approval for the Plan and circulating the Plan.</p>

Unrestricted

2015/16 EXTERNAL-ASSESSMENT	ACTION REQUIRED	ACTION UPDATE
<p><u>2. Statement of Independence</u> PSIAS 1100 Organisational Independence states that “The Chief Audit Executive must confirm to the board, at least annually, the organisational independence of the internal audit activity” Review of the reports submitted by the Head of Audit & Risk Management to the Governance and Audit Committee (The Board) found that whilst an overall statement of compliance had been included in the Annual Head of Internal Audit Opinion, there was no specific confirmation of the organisational independence of internal audit</p>	<p>Statement of independence to be provided with overall PSIAS compliance statement each year.</p>	<p>Statement of independence is included in the overall PSIAS compliance statement in Section 4.</p>
<p><u>3. Compliance with Code of Ethics</u> PSIAS Section 6 Code of Ethics states that “Internal auditors in UK public sector organisations must conform to the Code of Ethics”. Although it was confirmed that the Head of Audit & Risk Management and Internal Audit Contract Manager have completed a declaration of conforming to the Code of Ethics, this was not evident for the internal audit providers.</p>	<p>Confirmation to be sought from all providers each year.</p>	<p>All three external providers used during 2015/16 have provided confirmation of compliance with the Code of Ethics.</p>

Unrestricted

2015/16 EXTERNAL-ASSESSMENT	ACTION REQUIRED	ACTION UPDATE
<p>4. Assurance Mapping PSIAS 2050 Coordination states “The Chief Audit Executive should share information and coordinate activities with other internal and external providers of assurance and consultancy services to ensure proper coverage and minimise duplication of efforts”</p> <p>Strong working relationships were found to exist with external audit (Ernst and Young) including sharing of all internal audit reports and other local authorities on the audit of shared services, There are however other internal assurance providers and assurance mapping of the Council may identify even further opportunities for co-ordination. This is included in the Internal Audit Plan for 2016/17.</p>	<p>Mapping of sources of internal and external assurance to be completed.</p>	<p>Assurance mapping included in quarter 2 of the Internal Audit Plan for 2016/17 approved by the Governance and Audit Committee on 30th March 2016.</p>

6.2 Summary of Internal Audit Performance 2015/16

	Client Questionnaires		Draft Report Produced within 15 Days of Exit meeting
	Received	Satisfactory	
2015/16	31	100%	80%
2014/15	35	94%	71%

6.3 Feedback from Client Quality Questionnaires

The overall response from client questionnaires for 2014/15 was positive with no responses returned where the auditee did not find the audit satisfactory.

7. EXTERNAL INSPECTIONS

7.1 Consideration of the Outcome of External Inspections

The Head of Audit and Risk Management considers the outcome of the external inspections and assessments to inform the development and ongoing review of the Internal Audit Plan for the current and future years and assess if there are any issues relating to the control environment which need to be taken into account in drawing up the annual Head of Internal Audit Opinion. The findings of the various assessments considered when finalising the Head of Internal Audit Opinion for 2015/16 are as follows:

7.2 External Auditors' Annual Audit Letter 2014/15

The Annual Audit Letter 2014/15 was presented to the Governance and Audit Committee by the Helen Thompson from Ernst and Young (EY) on 27th January 2016. EY concluded that the statements were free from material error and issuing an unqualified audit opinion for the year ended 31 March 2015. They also issued an unqualified opinion on whether the Council had put in place proper arrangements for securing financial resilience and has proper arrangements in place for challenging how it secures economy, efficiency and effectiveness.

7.3 External Auditors' Grant Certification 2014/15

This report was presented to the Governance and Audit Committee by Helen Thompson from EY on 27th January 2016. EY certified 1 claim (the Housing and Council Tax Benefits Subsidy Claim) for 2014/15. The certification work identified only a small numbers of errors which the Council corrected.

7.4 Care Quality Commission (CQC) Inspections 2015/16

The CQC carried an unannounced focused inspection of Heathlands Residential Home in December 2015 to confirm that Heathlands had implemented the action plan from the previous inspection. This was confirmed and an overall rating of "Good" was given. The CQC undertook an announced inspection of Intermediate Care in January 2016. The overall assessment was "Good".

7.5 OFSTED Inspections

The Head of Audit and Risk Management notes that where Schools have been assessed as requiring improvement, follow up inspections carried out indicate effective action is being taken.

7.6 School Financial Value Standard

The schools financial value standard (SFVS) is a mandatory requirement for local authority (LA) maintained schools in managing their finances and to give assurance that they have secure financial management in place. It is primarily a tool for governing bodies. The standard consists of 25 questions which governing bodies or management committees should formally discuss annually with the head teacher and senior staff. Schools are required to complete the checklist, and arrange for this to be signed by the Chair of Governors and returned to the Authority by 31st March each year. For 2015/16, only one school failed to complete the SFVS and two schools were exempt having moved to academy status during the year.

8. RISK MANAGEMENT

During 2015/16, the Strategic Risk Register was reviewed quarterly by SRMG and twice by the Corporate Management Team (in August 2015 and February 2016) as agreed in the Risk Management Strategy. The Register was subject to Member review at both the Executive Briefing in September 2015 and March 2016 and by the Governance and Audit Committee in September 2015.

Directorate Risk Registers are in place and were generally reviewed and updated quarterly by Departmental Management Teams during 2015/16. These record the significant operational risks for each directorate and inform the update of the Strategic Risk Register. Risk registers are in place for all the major projects at the Council and these are reviewed regularly.

Risk awareness is also being continually raised through the internal audit process, for example during internal audits of project management and by drawing attention to managers' responsibilities for assessing fraud risks and putting controls in place to prevent, deter and detect fraud and focussing on risk management within the contract management process.

9. CORPORATE GOVERNANCE

9.1 Governance Working Group

The Borough Solicitor chairs the Governance Working Group and membership includes the Borough Treasurer and Head of Audit and Risk Management as well as representatives from the service directorates. During 2015/16, the Annual Governance Statement for 2014/15 was produced and action plans to address governance weaknesses were developed.

10. FRAUD AND IRREGULARITY

National Fraud Initiative (NFI)

10.1 The NFI is a biennial data matching exercise first introduced in 1996 and conducted by the Audit Commission to assist in the prevention and detection of fraud and error in public bodies. Bracknell Forest Council is obliged to participate in this. The core mandatory data for submission for the 2014 round was:

- payroll
- pensions
- trade creditors
- housing benefits
- council tax

Unrestricted

- electoral register
- private supported care home residents
- transport passes and permits (including residents' parking, blue badges and concessionary travel)
- insurance claimants
- licences – market trader/operator, taxi driver and personal licences to supply alcohol
- personal budget (direct payments)

Data was submitted to the Audit Commission during 2014 and matches received back during 2015. The majority of work has been completed on the NFI matches issued for investigation. There is still some ongoing work in various areas. As a result of investigating Housing and Council Tax Benefits matches, a reduction of £30,563 in benefits was identified relating to 9 cases including one case categorised as fraud.

- 10.2 In Quarter 4 data was submitted to match Council Tax single person discounts to the Electoral Roll and the matches following this will be received in 2016 for follow up.

Benefits Investigations

- 10.3 On 1st December 2014, the Council's Benefit Fraud Investigation Officers transferred to the Single Fraud Investigation Service (SFIS) within the Department for Work and Pensions (DWP) as part of the national government programme of centralising the investigation of welfare benefit fraud. Under the new arrangements, the Housing Benefits Service now passes cases of overpayments in excess of £2k to SFIS for investigation where fraud is suspected. During the period April 2015 to March 2016 the Benefits Service passed 76 cases across to SFIS.
- 10.4 From 1st April 2014, if a claimant is notified that they have been overpaid Housing Benefit of £250.00 or more, which must have occurred wholly after 1st October 2012, Bracknell Forest Borough Council has been able to impose a set Civil Penalty of £50. The £50 Civil Penalty applies if benefit is overpaid because the claimant negligently gave incorrect information and didn't take reasonable steps to correct their mistake or failed to tell the Council about a change or failed to give them information without a reasonable excuse. Between April 2015 and March 2016 the service applied 409 Civil Penalties. From April 2016 Bracknell Forest Council can now apply penalties in respect of Council Tax.
- 10.5 DWP carries out an exercise matching HM Revenue and Customs Real Time Information (RTI) against data held on six social security benefits; (Income Support, Jobseekers Allowance, Housing Benefit, Employment and Support Allowance, Pension Credit and Carers Allowance) to identify cases where claimants have either failed to declare or have under declared earnings and Non

Unrestricted

- State Pension. The project commenced in October 2014 and has resulted in referrals being issued to local authorities where DWP has information that earnings or Non State Pension have not been correctly declared for the purposes of Housing Benefit or in a small number of cases where information has not been provided by claimants that increases their benefit entitlement.. From April 2015 to March 2016 Bracknell Forest Council received 730 referrals of which approximately 56% of referrals have resulted in either a reduction or increase to Housing Benefit and approximately 52% in a reduction or increase to Council Tax Benefit (Reduction Scheme).
- 10.6 The Fraud and Error Reduction Incentive Scheme (FERIS) was launched on 24 November 2014. Local Authorities could opt into the scheme and bid for funding. FERIS is an incentive scheme that offers a financial reward to local authorities that find reductions to Housing Benefit entitlement as a result of claimant error or fraud. It is for each local authority to decide how best they can identify additional changes to entitlements resulting from fraud and error. Bracknell Forest opted in to FERIS and since April 2015 the Council has carried out targeted campaigns to 687 households resulting in approximately 60% reduction of Housing Benefit and 55% reduction of Council Tax Benefit (Reduction Scheme).
- 10.7 During 2015/16, the Council has also commenced participation in a data matching initiative for detecting Council Tax Benefit (Reduction Scheme) fraud delivered via a partnership consortium between a number of local authorities and Capacity Grid. The Capacity Grid initiative matches Bracknell's Housing Benefit and Council Tax Benefit (Reduction Scheme) data against 25 external data sources and produces a risk score on 93 claims each month. The solution was introduced 26 August 2015. Once the data matches results are provided to Bracknell, the Benefit Service then follows up and establishes the correct entitlement with the claimant. Seven hundred and twenty four Capacity Grid review forms were sent during October 2015 and March 2016 and to date 607 cases have been investigated and closed. These identified overpayments in 80 Housing Benefit, 180 Council Tax Benefit (Reduction Scheme) and 9 Council Tax Benefit cases. (N.B. The localised Council Tax Benefit (Reduction Scheme) (CTBRS) replaced the national Council Tax Benefit scheme in April 2013). There are currently 117 cases awaiting outcomes.

Other Potential Irregularities

- 10.8 In September, Audit were advised that Adult Social Care informed the Police about potential abuse of a client's monies by a relative and an arrest was made.
- 10.9 In October an internal investigation commenced into a misuse of a direct payment in Adult Social Care. The investigation concluded there was no financial irregularity.
- 10.10 In February 2016, Adult Social Care identified potential abuse of position for financial gain by an agency carer and referred this to the Police.
- 10.11 During quarter 3, one case of suspected benefit fraud was referred to DWP for investigation which related to Bracknell Forest school ancillary staff. The individual pleaded guilty at Slough magistrates court and was sentenced to a 12

Unrestricted

month community order with a requirement to undertake 80 hours of unpaid work. This matter was also to be considered under the School's Disciplinary Procedures however in the meantime the individual resigned.

- 10.12 In December 2015, the Borough Treasurer reported an incident of large cash receipts to the National Crime Agency in his capacity as Anti-Money Laundering Officer.
- 10.13 During 2015/16 information was provided to Wokingham Borough Council Fraud Team in respect of external family coordinators for the purposes of an ongoing investigation into potential irregularities in the Home Counties. This case has now been passed across to Thames Valley Police Economic Crime Unit.

Unrestricted

APPENDIX 1

2014/15 AUDIT REPORTS ISSUED DURING 2015/16

* Draft report issued within 15 working days of the exit meeting to discuss audit findings and recommendations

Audit	Start Date	Date Draft Report	Key Indicator Met *	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	1	2	3	
Children, Young People and Learning											
Information Security in Schools Follow Up Central Memo (IT audit)	March 2015	13/7/15	No	N/A- Memo issued with no opinion					2	1	Final
Information Security in Schools Follow Up –Brakenhale (IT audit)	March 2015	9/6/15	No	N/A- Memo issued with no opinion					5		Final
Information Security in Schools Follow Up – Garth Hill (IT audit)	March 2015	9/6/15	No	N/A- Memo issued with no opinion					4	2	Final
Information Security in Schools Follow Up- Holly Spring Junior (IT audit)	March 2015	13/7/15	No	N/A- Memo issued with no opinion					3	2	Final
Information Security in Schools Follow Up- New Scotland Hill (IT audit)	March 2015	9/6/15	No	N/A- Memo issued with no opinion					4	2	Final
Information Security in Schools Follow Up- Winkfield St Mary's (IT audit)	March 2015	13/7/15	No	N/A- Memo issued with no opinion					5	2	Final

Unrestricted

2015/16 AUDIT PLAN

Audit	Start Date	Date Draft Report	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
Grants											
Bus Operators Grant	28/5/15	12/6/15	N/A					N/A – Grant certification			Final
Bus Subsidy Grant	4/8/15	4/9/15	N/A					N/A – Grant certification			Final
Disabled Facilities Grant	1/6/15	4/6/15	N/A					N/A – Grant certification			Final
Troubled Families Grant Phase 1 (May)	1/6/15	1/6/15	N/A					N/A – Grant certification			Final
Troubled Families Grant Phase 2 (May)	26/5/15	29/5/15	N/A					N/A – Grant certification			Final
Pot Hole Grant	17/8/15	4/9/15	N/A					N/A – Grant certification			Final
Local Block Funding and Highways and Integrated Transport	17/8/15	4/9/15	N/A					N/A – Grant certification			Final
Additional highways maintenance grant	17/8/15	4/9/15	N/A					N/A – Grant certification			Final
Troubled Families (September)	19/8/15	30/9/15	N/A					N/A – Grant certification			Final
Sustainable Transport Grant	27/10/15	9/2/16	N/A					N/A – Grant certification			Final
Troubled Families (January)	6/1/16	28/1/16	N/A					N/A – Grant certification			Final
Green Deal	1/3/16	6/4/16	N/A					N/A – Grant certification			Final
Council Wide Audits											
Procurement (Ltd 14/15)	15/6/15	17/8/15	Yes			X		2	7		Final
Procurement cards	1/2/16	9/2/16	Yes		X				4	2	Final
Complaints Procedure	7/10/15	18/11/15	Yes		X				4	2	Final
Officers Expenses											Deferred to 16/17

Unrestricted

Audit	Start Date	Date Draft Report	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
Major projects – Governance arrangements	26/1/16	28/4/16	No	N/A- No opinion given on report which include lessons learnt rather than recommendations							Draft issued
Data Quality Audit	27/7/15	12/8/15	Yes		X				3	1	Final
Grants made to third parties											Cancelled
Print and Design – Shared service usage and monitoring	3/8/15	17/9/15	Yes		X				1	3	Final
IT Audits											
PCI compliance	17/11/14	20/10/15	Yes	X							Final
PSN/Network Infrastructure	22/9/15	10/11/15	Yes		X				1	2	Final
Capita ONE – Education system application audit	2/7/10	26/8/15	No		X				4		Final
Frameworki- application audit											Deferred to 16/17
Operating System											Deferred to 16/17
New CRM System											Deferred to 16/17
New HR/Payroll System	29/2/16	30/3/16	Yes		X				2		Final
New Learning Development System											Deferred to 16/17
Arbitas IT application audit											Deferred to 16/17
Corporate Services											
Cash Management	12/10/15	5/11/15	Yes		X				3	3	Final
Treasury Management											Cancelled
Creditors	11/1/16	9/2/16	Yes			X		1	2	3	Final
Debtors	30/11/15	21/12/15	Yes		X				7	3	Final
Main Accounting inc											Cancelled

Unrestricted

Audit	Start Date	Date Draft Report	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
recs											
Payroll	4/1/16	15/1/16	Yes			X		1		6	Final
Registration Services	1/6/15	18/9/15	No		X				1	2	Final
Electoral Roll	20/7/15	10/9/15	No		X				4	1	Final
Fleet Management including Fuel Cards	26/6/15	17/8/15	No		X				8	1	Final
Home to School Transport	1/2/16	8/3/16	No								Initial draft issued for discussion
Members Allowances & Expenses	17/12/15	11/2/16	No		X				5	4	Final
Construction and Maintenance											Deferred to 2016/17
Council Tax	14/12/15	11/1/16	Yes		X				5		Final
Business Rates	14/12/15	11/1/16	Yes			X		1	2	2	Final
Children, Young People and Learning School Audits											
School Census- Kennel Lane	7/9/15	18/9/15	Yes	X							Final
School Census- Sandy Lane	28/9/15	20/10/15	Yes			X		1	1		Final
School Census- Jennett's Park	15/9/15	20/10/15	Yes		X				1		Final
School Census-St Michael's Easthamstead	21/9/15	20/10/15	Yes		X				1	1	Final
School Census- Crown Wood	1/10/15	20/10/15	Yes		X				1	1	Final
Binfield CE Primary School	19/5/15	23/6/15	Yes		X				10	4	Final
College Town Junior (Ltd 14/15)	25/1/16	4/2/16	Yes			X		1	4	2	Final
Brakenhale Secondary	22/6/15	23/7/15	Yes			X		1	10	3	Final
Cranbourne CE Primary	7/5/15	27/5/15	Yes		X				9	4	Final
Crown Wood	23/11/15	17/12/16	Yes		X				9	2	Final

Unrestricted

51

Audit	Start Date	Date Draft Report	Key Indicator Met	Assurance Level				Recommendations			Status	
				Significant	Satisfactory	Limited	None	Priority				
								1	2	3		
(Ltd14/15)												
Edgbarrow Secondary	8/6/15	26/6/15	Yes		X				8	2	Final	
Holly Spring Junior (Ltd 14/15)	22/4/16	29/4/16	Yes		X				8	1	Final	
Holly Spring Infants	22/4/15	11/5/15	Yes		X				6	1	Final	
Jennett's Park Primary	15/9/15	5/10/15	Yes			X		1	8	1	Final	
Kennel Lane	7/9/15	5/10/15	Yes			X		5	12	2	Final	
St Margaret Cltherow	27/4/15	4/6/15	Yes			X		1	10	2	Final	
St Michael's E'hampstead CE Primary (Ltd14/15)	21/9/15	15/10/15	Yes			X		1	14	2	Final	
The Pines	26/11/15	13/1/16	Yes			X		2	16	1	Final	
Sandhurst Secondary	1/6/15	15/7/15	Yes			X		1	13	2	Final	
Sandy Lane	28/9/15		Yes			X		3	14	2	Final	
Warfield CE Primary (Inc Nursery) (Ltd 14/15)	1/3/16	9/3/16	Yes		X				10	2	Final	
Wooden Hill	23/2/16	9/3/16	Yes		X				7	2	Final	
Imprests in Schools	7/12/15	23/12/15	Yes	N/A – Memo issued					4		Final	
Children, Young People and Learning Cross-Cutting School Audits												
Procurement in Schools follow up											Deferred to 2016/17	
Children, Young People and Learning – Other Audits												
Services to Schools	6/10/15	4/11/15	Yes		X				4		Final	
Pupil referral services excl PRU (Follow up of limited assurance opinion in 2014/15)	14/03/16	1/6/16	N/A	N/A – Memo issued which concluded that all recommendations from the 2014.15 audit had been implemented								Final
SEN											Deferred to 16/17	
School Improvement Programme	2/11/15	25/11/15	Yes		X				7	2	Final	
Fostering	30/3/16	21/4/16	Yes		X				2	4	Final	
Direct Payments (Ltd	16/11/15		Yes		X				1	1	Final	

Unrestricted

Audit	Start Date	Date Draft Report	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
14/15)											
Youth Offending Service	18/5/15	2/7/15	No		X				4	1	Final
Targeted Youth Support	12/5/15	31/7/15	No		X				4	4	Final
The Spot Youth Centre	16/7/15	28/8/15	Yes		X				5	1	Final
Children's Centre -Alders and Chestnuts	13/10/15	17/11/15	Yes		X				3	2	Final
Children's Centres - Oaks & Hollies	13/10/15	17/11/15	Yes		X				3	1	Final
Environment, Culture and Communities											
Bracknell Leisure Centre	9/11/15	25/11/15	Yes		X				19	7	Final
Coral Reef - refunds and complimentary tickets	15/9/15	11/12/15	No	N/A –Memo issued					5	1	Final
Easthampstead Park Conference Centre	28/9/15	3/3/16	No			X			1	8	Final
The Look Out	29/6/15	1/10/15	No		X				6	2	Final
Leisure Cash Spot Checks	Various	Various	Yes	N/A- 5 Memos issued							Final
CIL	15/2/16	15/4/16	No		X				9	6	Final
Highways Network management	23/7/15	8/9/15	Yes		X				6	1	Final
Development Control	1/3/16	25/4/15	No		X				5	3	Final
Main Ringway Contract – Contract Management	1/7/15	11/9/15	Yes		X				3	2	Final
Street Cleansing Contract- Contract Management	28/5/15	16/10/15	Yes		X				4	3	Final
Landscape Contract- Contract Management	10/8/15	16/10/15	Yes		X				5	2	Final
RE3 – to be audited in quarter 1 under the Reading Borough Council Internal Audit Plan on	N/A- Reading Internal Audit Report carried out on behalf of all RE3 partners								1	7	Final – Reading Audit Report
Residents Permit Parking	15/2/16	11/3/16	Yes	No opinion given as audit was based on the pilot scheme				4	5	3	Final

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Audit	Start Date	Date Draft Report	Key Indicator Met	Assurance Level				Recommendations			Status
				Significant	Satisfactory	Limited	None	Priority			
								1	2	3	
Adult Social Care, Housing and Health											
Better Care Fund	7/9/15	18/11/15	Yes		X			2	5	1	Final
Electronic Monitoring and Billing	22/6/15	3/8/15	Yes		X				7	3	Final
Controcc payments	29/2/16	22/3/16	Yes	X							Final
Drug and Alcohol Team	21/7/15	11/8/15	Yes		X				4	2	Final
Heathlands – residential & day services	29/6/15	28/8/15	Yes		X				6	6	Final
Emergency Duty Team	21/8/15	8/3/16	No		X				2	1	Final
Direct payments	11/1/16	24/2/16	Yes		X				5		Final
Contracting	14/9/15	26/10/15	Yes		X				3		Final
Brokerage	7/9/15	10/11/15	Yes		X				13	1	Final
Mental Health including community living	14/3/16	20/5/16	Yes								Initial draft issued for discussion
Housing Benefits and Council Tax Reduction	1/12/15	3/2/16	No		X				4	5	Final
Homelessness											Not due - Qtr 4 audit
Housing Rents and Deposits (Ltd 14/15)	1/3/16										Work in progress
Public Health - Contracting, commissioning, spend against public health funding and contract management	8/6/15	13/8/15	Yes		X				1		Final

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APPENDIX 2

FOLLOW UP OF AUDITS (EXCLUDING LIMITED ASSURANCE REPORTS)

	NUMBER OF AUDITS FOLLOWED UP	RECOMMENDATIONS RAISED BY PRIORITY		RECOMMENDATIONS IMPLEMENTED BY PRIORITY		COMMENTS
		2	3	2	3	
2013/14 Council Wide Audits	2	10	3	10	3	
Corporate Services	1	6	4	6	4	
Environment, Culture and Communities	1	3	3	3	3	
Adult Social Care, Housing and Health	2	6	6	6	6	
IT Audits	4	13	2	12	2	One priority 2 recommendation outstanding
2014/15 Council Wide Audits	4	9	7	9	6	One priority 3 recommendation partially implemented
IT Audits	6	29	4	25	4	Two priority 2 outstanding, one priority 2 partially implemented and one priority 2 recommendation is not yet due
Corporate Services	7	16	9	15	8	One priority 2 and one priority 3 recommendation outstanding
Children, Young People and Learning School Audits	11	66	55	50	49	Nine priority 2 recommendations outstanding, 6 priority 2 recommendations partially

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55

	NUMBER OF AUDITS FOLLOWED UP	RECOMMENDATIONS RAISED BY PRIORITY		RECOMMENDATIONS IMPLEMENTED BY PRIORITY		COMMENTS
		2	3	2	3	
						implemented and one priority 2 no longer applicable. Three priority 3 recommendations outstanding and 3 partially implemented.
Children, Young People and Learning	3	10	5	10	5	
Environment, Culture and Communities	7	28	13	24	13	Two priority 2 recommendations outstanding and 2 partially implemented
Adult Social Care, Housing and Health	7	31	18	31	18	
2015/16 Council Wide Audits	2	7	3	3	1	All other recommendations in progress.
IT Audits	3	6	5	2	5	Four priority 2 recommendations on a CYPL system are ongoing.
Corporate Services	2	9	3	8	2	One priority 2 in progress and 1 priority 3 in progress
Children, Young People and Learning School Audits	4	33	11	28	10	Two priority 2 recommendations in progress, one partially implemented and two outstanding. One priority 3 recommendation in progress.

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	NUMBER OF AUDITS FOLLOWED UP	RECOMMENDATIONS RAISED BY PRIORITY		RECOMMENDATIONS IMPLEMENTED BY PRIORITY		COMMENTS
		2	3	2	3	
Children, Young People and Learning	7	25	11	18	9	Two priority 2 recommendations partially implemented, one ongoing and 1 outstanding. Seven priority 2 and 4 priority 3 recommendations in progress.
Environment, Culture and Communities	5	24	10	12	5	Six priority 2 recommendations were not accepted and hence not implemented, four priority two recommendations were in progress and two were outstanding. One priority 3 was not accepted, two were in progress and two were outstanding,
Adult Social Care, Housing and Health	3	12	5	9	5	Three priority 2 recommendations in progress
Total	81	345	180	283	161	

**TO: GOVERNANCE AND AUDIT COMMITTEE
29 JUNE 2016**

**ANNUAL GOVERNANCE STATEMENT- 2015/16
Director of Corporate Services – Legal**

1 PURPOSE OF REPORT

- 1.1 To present the Committee with the Annual Governance Statement for 2015/16, update the Committee on progress against the Action Plan agreed in June 2015 and to make recommendations for further actions arising from the contents of this report.

2 RECOMMENDATIONS

- 2.1 **That the draft Annual Governance Statement (“AGS”) shown as Appendix 1 to this report be approved.**
- 2.2 **Note the progress made on the Action Plan for 2015/16**
- 2.3 **That the Action Plan for 2016/17 shown as Appendix 3 to this report be approved.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To ensure the Council complies with the statutory requirements to produce an Annual Governance Statement (“AGS”)

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 It is a statutory requirement for the Council to approve an AGS and Action Plan and therefore no alternative options have been considered.

5 SUPPORTING INFORMATION

- 5.1 In England, the preparation and publication of an AGS is necessary to meet the statutory obligation set out in Regulation 4(3) of the Accounts and Audit Regulations 2011. This requires authorities to prepare a statement in accordance with “proper practices” and the guidance in the Framework recommending an AGS constitutes “proper practice”. The AGS will be signed by the Chief Executive and the Leader of the Council.
- 5.2 The CIPFA/SOLACE publication “Delivering Good Governance in Local Government: Framework 2007” recommends that authorities produce an AGS to report publicly on the key elements of the governance framework the authority has in place, to review the effectiveness of the governance framework and the steps which will be taken over the next year to enhance governance arrangements. The AGS and Action Plan were prepared in accordance with the revised CIPFA/SOLACE Guidance Note 2012 and subsequent addendum. These provide that the AGS should include a brief description of the key elements of the governance framework the authority has in place.
- 5.3 The Action Plan attached to last year’s AGS identified a number of areas for improvement, in particular in relation to communicating with and raising staff awareness of information management policies, taking a proactive approach to counter-fraud, and updating the Council’s website to comply with the requirements of the Coalition Governments’ revised Data Transparency Code. Considerable progress was made

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during 2015/16 on implementing those actions (see Appendix 2). Where these issues are still ongoing they have been included again in the Action Plan for 2016/17 attached to the AGS (Appendix 3).

- 5.4 The primary sources of assurance for the AGS, as advised in CIPFA/SOLACE guidance, are the Compliance Assessments completed by
- the Assistant Chief Executive and each Director on compliance with internal controls and governance arrangements across their departments;
 - the Monitoring Officer in respect of legal and regulatory functions;
 - the Borough Treasurer in respect of financial controls; and
 - the Borough Treasurer and Head of Audit and Risk Management in respect of risk management.
- 5.5 The draft AGS attached at Appendix 1 is based on the declarations in the compliance assessments. An Action Plan has been drawn up to address the issues highlighted in the 2015/16 AGS and this is attached at Appendix 3.

6 **ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

Borough Solicitor

- 6.1 The Borough Solicitor is the author of this report.

Borough Treasurer

- 6.2 The Annual Governance Statement is a statutory requirement under the Accounts and Audit Regulations 2011 and will be incorporated within the Council's annual Statement of Accounts.

Equalities Impact Assessment

- 6.3 Not applicable.

Strategic Risk Management Issues

- 6.4 Risk management is a key part of good governance, as outlined paragraph 3.3 of the draft AGS in Appendix 1.

Other Officers

- 6.5 None.

7 **CONSULTATION**

7.1 Principal Groups Consulted

The Corporate Governance Working Group (including Councillor Cliff Thompson).

7.2 Method of Consultation

Meeting.

7.2 Representations Received

Suggested amendments included in this report.

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Contact for further information
Sanjay Prashar – 01344 355679

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ANNUAL GOVERNANCE STATEMENT 2015/16

1 Scope of Responsibility

- 1.1 Bracknell Forest Borough Council (“The Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council 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.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This Statement explains how the Council has complied with the code and also meets the requirements of regulation 6 (1)) of the Accounts and Audit Regulations 2015 in relation to the preparation of a statement on internal control

2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled. It underpins its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the appropriate delivery of services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable assurance 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.
- 2.3 The governance framework has been in place at Bracknell Forest Council for the year ended 31 March 2016 and up to the date of approval of the 2015/16 statement of accounts.

3 The Governance Framework

The CIPFA/SOLACE Framework and 2012 Addendum - Delivering Good Governance in Local Government suggest that this Annual Governance Statement should include a brief description of the key elements of the governance framework that the Council has in place. Further detail is set out in the Council’s Code of Governance that is publically available.

3.1 Bracknell Forest Council's Vision and delivery of Strategic Themes

- 3.1.1 During 2015/16 the Council developed a new Council plan for 2015 -2019. which articulates a new narrative for the organisation to meet the challenges we face. The Plan sets out six overarching strategic themes which now form the vision for the Council.. The strategic themes are each underpinned by measures of success and performance indicators. The main ways the strategic themes are communicated are via the Council's public website, intranet, Town and Country magazine (the Council's news paper for residents) and Chief Executive Briefings.
- 3.1.2 The Council Plan was developed after extensive consultation with the community, residents, employees, strategic partners and local businesses in order for the priorities to be consistent with their needs and aspirations.
- 3.1.3 Measures of success and key actions are cascaded internally through service plans, team business plans and individual performance development reviews. Delivery is monitored through:
- Quarterly Service Reports reviewed by the Executive Members, Chief Executive and the Corporate Management Team.
 - Quarterly Corporate Performance Overview Report considered by the Executive.
 - Quarterly reports for Corporate Services and the Chief Executive's Office together with the quarterly Corporate Performance Overview Report are then considered by the Overview and Scrutiny Commission. Quarterly Service Reports for the other directorates are reviewed by the relevant Overview and Scrutiny Panel for their area.

All these reports are available on the Council's website and intranet. The Council's performance reporting process measures quality of service for users, ensuring services are delivered in accordance with objectives and represent the best value for money.

- 3.1.4 Partnership groups have agreed joint targets that they monitor quarterly; for example, the Community Safety Partnership. Adult Social Care also produces an Annual Report referred to as the Local Account. Major partnership projects are monitored on a regular basis by the Corporate Management Team, the Executive and the Health and Wellbeing Board.
- 3.1.5 The Council needs to be confident that it has accurate, complete and timely performance information in order to plan and manage services to the public; ensure good decision-making and to effectively provide feedback and report on the quality of Council services to service users, residents, partners and Government. To ensure this, the Council has a Data Quality Statement, which is reviewed annually. The Data Quality Statement provides details on how the Council aims to achieve a consistently high level of data quality. Good quality data is the responsibility of every member of staff who collects, calculates, inputs or uses performance data during the course of their work. The various roles are outlined within the statement.

3.2 Roles and Responsibilities

- 3.2.1 The Constitution of the Council establishes the roles and responsibilities of the Executive, the full Council and its committees and sub-committees along with Overview and Scrutiny arrangements, the role and functions of Champions and officer functions (set out in the Scheme of Delegation). As well as Procedure Rules, it contains Standing Orders and Financial Regulations that define clearly how decisions are taken and where authority lies for the decision. It includes Members and Employee Codes of Conduct and Protocols for

Member/officer relations. The Council's Constitution is regularly reviewed and updated with substantive changes highlighted to all staff and Members. The Constitution is available on the public website.

- 3.2.2 The Monitoring Officer advises the Governance and Audit Committee on proposals to update the Council's Constitution (including arrangements between officers and Members), its Executive Arrangements/decision making and Procedure Rules to ensure that they are fit for purpose and the Committee subsequently make recommendations on those matters to full Council.
- 3.2.3 The work of the Executive is supported by the Overview and Scrutiny Commission and four Overview and Scrutiny Panels. They are comprised of non-Executive Members and review and scrutinise both Executive and non-Executive decisions. In addition to scrutinising such decisions working groups of the Panel conduct in-depth investigations into particular topic areas which result in reports setting out detailed recommendations.
- 3.2.4 The Council's financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010). Further, the Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010).
- 3.2.5 Effective arrangements are in place for the discharge of the Monitoring Officer function, Head of Paid Service and Section 151 Officer. The Borough Treasurer (Section 151 Officer) is a member of Corporate Management Team and the Borough Solicitor has access to Corporate Management Team in his role as Monitoring Officer.
- 3.2.6 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the external and internal auditors and the Council's risk management arrangements. It undertakes the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*. The Internal Audit Plan for 2015/16 was approved by the Committee on 25th March 2015. During 2015/16 the Committee received summary reports on progress on the delivery of the Internal Audit Plan and key outcomes on completed work.

3.2.7

3.3 Risk Management

- 3.3.1 The Council has a strong risk management function. Decisions made by the Council are subject to risk assessments which are made in accordance with the organisation's risk management processes. The revised Risk Management Strategy was approved by the Governance and Audit Committee on 24th June 2015 and includes the Council's priorities for developing risk management arrangements.
- 3.3.1 3.3.2 The Strategic Risk Management Group (SRMG) chaired by the Borough Treasurer meets quarterly and oversees all aspects of risk management at the Council including health and safety, business continuity and information security risks. During 2015/16 the Strategic Risk Register was updated and considered by SRMG on a quarterly basis and reviewed and approved twice by the Corporate Management Team, and the Executive and once by Governance and Audit Committee. Actions to address strategic risks were monitored during 2015/16 and key changes and developments on strategic risks were summarised in the quarterly Corporate Performance Overview Report.
- 3.3.3 There is a process for recording and monitoring significant operational risks through directorate risk registers which were reviewed quarterly during 2015/16 and used to

inform the Strategic Risk Register. The Strategic Risk Register includes an over-arching risk on major projects and in addition separate risk registers are in place for all major projects.

- 3.3.4 Members are engaged in the risk management process through the Executive's and Governance and Audit Committee's review of the Strategic Risk Register and Member review of the Corporate Performance Overview.

3.4 Policies and Procedures

- 3.4.1 The Council's Anti-Fraud and Corruption Policy is consistent with Financial Regulations and has been communicated to all staff.
- 3.4.2 A corporate complaints procedure and whistle-blowing policy are maintained and kept under review, providing an opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to Corporate Management Team and to the Executive.
- 3.4.3 The Council takes information security very seriously. The Information Management Group consists of senior officers from across the Council and ensures that the Council has in place a co-ordinated and coherent framework for managing information. During 2014/15 it continued to implement the Information Management Strategy, monitor information security incidents that occurred, communicate policies to staff and provide training. During the year, internal audit carried out a further review of information security arrangements in schools.

3.5 Change Management

The Council ensures effective management of change. It conducts Equality Impact Assessments when appropriate and has put in place a Privacy Impact Assessment Procedure for all new projects involving personal information. The Council has a robust process in place to ensure office moves between buildings are carried out with minimal disruption to service users.

3.6 Assurance on compliance

- 3.6.1 Assurance on compliance with internal controls, internal policies and procedures and that expenditure is lawful is sought through internal audit reviews and the work of external audit.
- 3.6.2 All decisions made by the Council are made in light of advice from the Borough Treasurer and Borough Solicitor.

3.7 Developing the capacity and capability of Members and officers to be effective

- 3.7.1 The Council has a comprehensive induction and training process in place for both Members and officers joining the Council. During 2015/16 all new officers received personalised inductions and a comprehensive councillor induction programme was delivered for the twelve new elected councillors and the returning councillors. In addition, both Members and officers attend external training courses where training needs cannot be met internally.

- 3.7.2 The Council has a Members Development Programme which takes the form of internal training workshops and Member briefing seminars on specific topics. Members are offered offered 360° feedback. In January the Council achieved re-accreditation of the the Charter Plus Standard for Member Development. The charter provides a robust framework which ensures Members are supported during their time on the Council. Member development is now an embedded part of the Council's culture.
- 3.7.3 A broad internal training programme of courses is run each year for officers as well as specific professional training and this is supplemented by regular lunchtime manager briefing sessions.
- 3.7.4 Compliance with Continuing Professional Development requirements of staff is monitored by individual officers; the Council provides sufficient resources to fund this. As part of the performance appraisal process, each officer is required to complete their own Personal Development Plan which forms the basis for the Council's internal training course programme.
- 3.7.5 The Council has in place an ongoing Development Programme and Diversity training for its Members, senior and middle level managers.

3.8 Communication and engagement

- 3.8.1 The Council establishes clear channels of communication with all sections of the community, other stakeholders and local partners, ensuring accountability and encouraging open consultation.
- 3.8.2 During 2015/16 the Council continued to implement its Partnership Community Engagement Strategy and a number of consultations sought the views of the community. In line with the Community Engagement Strategy to ensure access and quality of consultations, the Council utilises a corporate consultation portal.
- 3.8.3 The Council enhances the accountability for service delivery and effectiveness of other public service providers as it is a key member of the Bracknell Forest Partnership which brings together agencies that deliver public services including, inter alia, Parish Councils, Police, Fire and Rescue Service, and the Clinical Commissioning Group and with businesses and people that represent voluntary organisations and the community..
- 3.8.4 The Council has approved Public Participation Schemes for the Overview and Scrutiny Commission, and its Panels and the Health and Well Being Board. The schemes aim to enhance public engagement and give residents a further opportunity to inform Councillors about the things that concern them.
- 3.8.5 To increase transparency, make information more readily accessible to the citizen and to hold service providers to account the Council has an additional website which holds information that it publishes. This includes the sets of information required by The Code of Recommended Practice for Local Authorities on Data Transparency (updated 2015).

4 Review of Effectiveness

- 4.1 Bracknell Forest Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 During 2015/16, the review of effectiveness of the governance framework was evaluated and informed by the following key elements:

Internal Audit

4.3 Internal Audit provides an independent and objective opinion to the organisation on the control environment by objectively examining, evaluating and reporting on its adequacy.

4.4 The Head of Audit and Risk Management develops the Annual Internal Audit Plan which is then delivered by an external contractor and by Reading and Wokingham Borough Council's internal audit teams under an agreement made under Section 113 of the Local Government Act 1972.

4.5 Based on the work of Internal Audit during the year 2015/16, the Head of Audit and Risk Management gave the following opinion:-

- from the internal audit work carried out during the year, the Head of Audit and Risk Management is able to provide reasonable assurance that for most areas the Authority has sound systems of internal control in place in accordance with proper practices but some areas with significant weaknesses were identified where a limited assurance opinion has been given;
- key systems of control are operating satisfactorily except for the areas of limited assurance; and
- there are adequate arrangements in place for risk management and corporate governance

4.6 Where limited assurances have been concluded, the Head of Audit and Risk Management reports the detailed findings to the Governance and Audit Committee and follow-up audits are carried out to ensure that actions have been implemented. In addition, the Chief Executive meets with the Head of Audit and Risk Management on a quarterly basis and the Corporate Management Team receive six monthly progress reports on Internal Audit.

The Governance and Audit Committee

4.7 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the internal auditors and the Council's risk management arrangements. During 2015/16, the Committee received summary reports on progress on the delivery of the Internal Audit Plan and key outcomes on completed work. The Internal Audit Plan for 2016/17 was approved by the Committee on 30th March 2016..

The Governance Working Group

4.8 The Corporate Management Team has established a Governance Working Group, chaired by the Borough Solicitor. The Group oversees the consultation of the actions identified in the Annual Governance Statement Action Plan

The Constitution

4.9 The Constitution is subject to regular review. The Monitoring Officer advises the Governance and Audit Committee which reports to full Council. In 2015/16 the Council approved changes to its Contract Standing Orders to simplify processes and achieve compliance with new Procurement legislation.

Annual Compliance Assessment

- 4.10 Compliance Assessments review the adequacy of governance arrangements. Each Director provides assurances about their directorate along with the Assistant Chief Executive in relation to the Chief Executives department. The Borough Treasurer provides assurances in relation to financial services and risk management. This includes advising whether the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to Delivering Good Governance in Local Government: Framework. Compliance Assessments are also completed by the Head of Audit and Risk Management who provides assurances in relation to risk management and the Borough Solicitor in relation to legal and regulation.

External Audit

- 4.11 On 23rd^h September 2015 the Council's external auditors issued an unqualified audit report on the Council's accounts for 2014/15.

The Annual Audit Letter for 2014/15 was presented to Governance and Audit Committee on 27th January 2016..

The Key Findings set out in the Audit letter were:-

- the Council has proper arrangements in place both for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness. It was noted that the overall medium term funding position was becoming clearer but remained a work in progress.
- no areas of concern were identified as regards whole of government accounts.no areas of concern were identified as regards the Annual Governance for 2014/15.

5. The Ethical Culture

- 5.1 The Council has approved and published on the Council's web-site a set of values which underpin the work of the Council.
- 5.2 As required by the Localism Act 2011, the Council has adopted a Code of Conduct for Members. The Council has also put in place other protocols relating to the way in which Members should conduct themselves in carrying out their work as Councillors, notably the Planning Protocol for Members and the Member and Officer Protocol. The Council has an approved Code of Conduct for Employees together with a number of policies and procedures which regulate how Council officers should discharge their duties. Observance of such policies and procedures by Council employees is ensured through management overview and, if necessary, the disciplinary process.
- 5.3 The Council has retained a Standards Committee with a strong independent representation to consider complaints that Members may have contravened the Council's Code of Conduct for Members. The Standards Committee is constituted as an advisory committee reporting to the Governance and Audit Committee. Although three meetings of the Committee were scheduled for the 2015/16 municipal year only one meeting took place. This was because there was no business for the Committee to transact apart from consideration in February 2016 of its own Annual Report and a Monitoring Officer report proposing a review of the Standards Framework entailing the adoption of a detailed procedure for dealing with Councillor Code of Conduct complaints as well as the scope of available sanctions. There were two complaints against Borough Councillors during the year, one of which was dealt with by way of an apology to the Monitoring Officer whilst the

other has been referred for determination by the Standards Committee. There have been no complaints against Parish/Town Councillors during the year.

- 5.4 The Monitoring Officer has undertaken a series of training sessions for Councillors setting out the ethos and processes underpinning the Code of Conduct. A Standards Framework working group has been formed to take forward the review of the Standards Framework initially proposed in the Monitoring Officer report to Standards Committee in February 2016. The outcome will be reflected in the 2016/17 Annual Governance Statement

6. NHS Pension Scheme

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring deductions from salary, employer's contributions and payments to the scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with timescales detailed in the Regulations.

7 Review of the effectiveness of the governance framework

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance Working Group and Governance and Audit Committee on 24th June 2015 and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

8 Significant Governance Issues

8.1 Actions taken during 2015/16 to improve governance.

- 8.1.1 The Council has progressed implementation of most of the actions identified in the 2014/15 Annual Governance Statement and 2015/16 Action Plan. These actions are set out in Appendix 2 to this report

8.2 Actions identified during the review of effectiveness to be taken during 2016/17

8.2.1 On- going Actions from Previous Action Plans

Actions relating to Information Management and Security awareness, Counter-fraud and Business Continuity are of on going significance and are therefore included within the 2016/17 Action Plan to ensure that they are embedded within organisational culture.

8.2.2 Review Standards Framework

A review of the Standards Framework is proposed to ensure that ethical governance requirements and compliance with those requirements continues to form a key plank of the Council's governance arrangements

8.3.3 Review Scheme of Delegation

Amend and simplify delegations relating to property transactions

Signed:

Cllr P.D. Bettison
Leader of the Council

T.R. Wheadon
Chief Executive

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ANNUAL GOVERNANCE STATEMENT 2015-16 ACTION PLAN - UPDATE

Item	Governance Point Raised In Annual Governance Statement	Proposed Action	Owner	Comments/ Implementation Deadline	Update
1.	<u>Implement on-going actions from previous Action Plans</u>	<p>To communicate and raise staff awareness of information management policies and implement a programme of refresher training on information security/data protection for staff and members.</p> <p>Continue to take a proactive approach to counter fraud and whistle blowing, promoting the Council's policies and focussing internal audit activity on areas of high risk.</p>	<p>Information Management Group/CO:HR</p> <p>Head of Audit and Risk Management/ Borough Treasurer/ Borough Solicitor</p>	<p>31 March 2016</p> <p>31 March 2016</p>	<p>Ongoing programme of communication and training throughout 2015/16</p> <p>During 2015/16 DWF were engaged to review fraud risks, update the Anti Fraud and Corruption Policy and develop an Anti Bribery Policy and a fraud response plan This work is currently ongoing. Effectiveness of management assessment of fraud risks and implementation of fraud controls is now generally included in audit</p>

Item	Governance Point Raised In Annual Governance Statement	Proposed Action	Owner	Comments/ Implementation Deadline	Update
		<p>Keep Corporate Business Continuity Management Plan updated and communicate this cross Council and include testing of Disaster Recovery plan.</p>	<p>Borough Treasurer/and Emergency Planning Manager and CO: Information Services</p>	<p>31 March 2016</p>	<p>reviews and the on-line fraud awareness training is promoted during audits.</p> <p>The corporate BC plan (dated August 2014) requires review every 3yrs or following an incident or significant organisational change. It is next due for review in 2017.</p> <p>All ICT services/systems have been assessed by the business as to criticality. Those identified as critical will be subject to full DR testing. Following the implement of new</p>

Item	Governance Point Raised In Annual Governance Statement	Proposed Action	Owner	Comments/ Implementation Deadline	Update
					back-up technology it has been agreed that the first system to be tested will be the ONE system, which supports the Education function. Testing scheduled for 1-5 th August 2016.
2.	<p><u>Implement the requirements of the revised Data Transparency Code</u></p> <p>DCLG have issued a new Data Transparency Code (2015)</p>	Continue to update the Council's website to comply with requirements.	Borough Solicitor	January 2016	Report presented to Corporate Management Team in June 2015 confirming requirements of new Code. Concluded no immediate changes required to data published
3.	<p><u>Review CIPFA guidance on Audit Committee</u></p>	Present report to Governance and Audit Committee.	Borough Treasurer	June 2015	Report drawing attention to the CIPFA Guidance for Audit Committees and highlighting its key components was taken to the

Item	Governance Point Raised In Annual Governance Statement	Proposed Action	Owner	Comments/ Implementation Deadline	Update
					Governance and Audit Committee on 24 th June 2015. In addition, CIPFA updates for chairs of audit committees issued during 2015/16 were forwarded to the Chair and Vice Chair of the Governance and Audit Committee,
4	<u>Review Members' Code of Conduct</u>	Review Code of Conduct and ensure any changes are agreed by the Council and that training is provided for members	Borough Solicitor	March 2016	Currently being reviewed by Standards Framework Working Group
5	<u>Raised In AGS - Members' induction</u>	Delivery of Members' induction programme to newly elected members including appropriate refresh topics for returning Councillors	Director of Corporate Services	March 2016 Programme started on 11 May 2015 with some sessions still to be scheduled	Three training sessions were conducted in 2015/16 for Borough and Town/Parish Councillors

DRAFT ANNUAL GOVERNANCE STATEMENT 2016-17 ACTION PLAN

Item	Governance Point Raised In Annual Governance Statement	Proposed Action	Owner	Comments/ Implementation Deadline
1.	<u>Implement on-going actions from previous Action Plans</u>	<p>To communicate and raise staff awareness of information management policies and implement a programme of refresher training on information security/data protection for staff and members.</p> <p>Continue to take a proactive approach to counter fraud and whistle blowing, promoting the Council's policies and focussing internal audit activity on areas of high risk.</p> <p>Keep Corporate Business Continuity Management Plan updated and communicate this cross Council and include testing of Disaster Recovery plan.</p> <p>Implement the requirements of the Data Transparency Code 2015 by continuing to update the Council's website whilst also having regard to the outcome of the 2016 DCLG consultation exercise on the existing Code.</p>	<p>Information Management Group/CO:HR</p> <p>Head of Audit and Risk Management/ Borough Treasurer/ Borough Solicitor</p> <p>Borough Treasurer and Emergency Planning Officer</p> <p>Borough Solicitor</p>	<p>31 March 2017</p> <p>31 March 2017</p> <p>31March 2017</p> <p>January 2017</p>
2.	<u>Review Standards Framework</u>	Review of Standards Framework by Standards Framework Working Group to include procedure for dealing with complaints, role of standards committee and sanctions	Borough Solicitor	December 2016
3.	<u>Review Scheme of Delegation</u>	To review delegations relating to Property transactions and other delegations	Borough Solicitor	January 2017

DRAFT

TO: GOVERNANCE AND AUDIT COMMITTEE
29th JUNE 2016

STRATEGIC RISK MANAGEMENT UPDATE Borough Treasurer

1 PURPOSE OF REPORT

1.1 This report presents the updated Strategic Risk Register for review.

2 RECOMMENDATIONS

2.1 **To review and provide feedback on the Strategic Risk Register attached at Appendix 1.**

3 REASONS FOR RECOMMENDATION

3.1 To inform the Governance and Audit Committee of the current key corporate risks to the achievement of the Council's objectives.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 There is no alternative.

5 SUPPORTING INFORMATION

Strategic Risk Register

5.1 In accordance with the Risk Management Strategy the Strategic Risk Register has been reviewed quarterly by the Strategic Risk Management Group (SRMG) and twice a year by the Corporate Management Team (CMT). The Summarised Register as at Appendix 1 was last reviewed by SRMG on 2Nd June 2016 and by CMT on 8th June. The following changes were made following the most recent SRMG and CMT reviews:

- To add in the date when the risk was added to the Register at the request of Members
- Decrease in the likelihood and impact for risk 6d, Coral Reef now that the project is going forward.

5.2 The risk matrices as at June 2016 and September 2015 are attached at Appendix 2 to indicate the comparative risk scores and changes to the Risk Register since this was last presented to the Governance and Audit Committee.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 Nothing to add.

Borough Treasurer

6.2 The Register provides a strategic overview of the risks facing the Council now and in the future. As such, it helps to inform decisions about the appropriate level of reserves and balances when setting the annual budget.

Equalities Impact Assessment

6.3 Not applicable

Strategic Risk Management Issues

6.4 A robust Strategic Risk Register that is a complete and up to date record of the significant corporate risks is essential for effective risk management, enabling the Council to prioritise resources to identify and implement actions to address the threats to the achievement of the Council's objectives and make informed decisions.

Other Officers

6.5 Not applicable.

7 CONSULTATION

Principal Groups Consulted

7.1 SRMG, CMT and strategic risk owners.

Method of Consultation

7.2 The Strategic Risk Register was reviewed by the Strategic Risk Management Group on 2nd June and by CMT on 8th June 2016.

Representations Received

7.3 Not applicable.

Background Papers

Risk Management Strategy

Sally Hendrick (Head of Audit and Risk Management) 01344 352092

Sally.hendrick@bracknell-forest.gov.uk

SUMMARISED STRATEGIC RISK REGISTER JUNE 2016

Ref	Date Added	Risk	Potential Impact	Current Residual Risk Score			Risk Owner(s)	Strategic Themes
				Like'hd	Impact	Total		
1	Qtr 4 2007/08	Maintaining satisfactory service standards within a balanced budget.	Strategic objectives and statutory duties not met Increased insurance claims/ legal costs/penalties.	5	4	20	Borough Treasurer	All themes
2	Qtr 4 2007/08	Council unable to predict and plan for future changes in demands for services arising from demographic changes and national policy initiatives.	Failure to meet demand Statutory duties not met	3	3	9	Director CYPL/ Director ASCHH	3,4,5 and 6
3	Qtr 4 2007/08	Loss of key senior staff. Managing services with reduced capacity.	Negative impact on the effectiveness of services Difficulties in retaining high calibre staff.	4	3	12	Director of Corporate Services	All themes
4	Qtr 3 2008/09	IT infrastructure or systems unavailable due to IT failure, non-compliance with PSN/PCI requirements, insufficient IT staff resources of the required calibre to deliver services/projects, an incident preventing the functioning of IT or IT suppliers being unable to deliver/maintain systems.	Disruption to services. Failure to meet statutory duties Removal of access to external databases and systems e.g. DWP	3	4	12	Director of Corporate Services	All themes
5	Qtr 3 2012/13	Council unable to comply with data protection/security requirements to secure data resulting in inappropriate disclosure, loss or theft of sensitive data.	Fines/penalties Disruption to services. Failure to meet statutory duties Removal of access to external databases and systems e.g. DWP	3	3	9	Director of Corporate Services	All themes

Unrestricted

Ref	Date Added	Risk	Potential Impact	Current Residual Risk Score			Risk Owner(s)	Strategic Themes
				Like'hd	Impact	Total		
6		Council unable to implement major project.	Cost overruns/ pressure on the capital budget Late delivery Core objectives of projects not being achieved. Statutory responsibilities not met	4	3	12	See below	See below
6a	Qtr 1 2011/12	School's places programme including the Binfield Learning Village at Blue Mountain and school's backlog maintenance.	See above	4	3	12	CMT/ Director CYPL	3
6b	Qtr1 2011/12	Implementation of the responsibilities under the proposed new Health and Social Care Act and Care Act.	See above	1	2	2	Director ASCHH	4
6c	Qtr 1 2012/13	Transition to Universal Credit.	See above	3	3	9	Director ASCHH	4
6d	Qtr 4 2014/15	Coral Reef roof replacement and enhancements to facility	See above	3 (4)	3 (4)	(9) 16	Director of ECC.	4
7	Qtr 3 2008/09	Business Continuity Plans and procedures inadequate or not clearly communicated and understood.	Failure to respond effectively to a business continuity incident Disruption to services. Failure to meet statutory duties	3	3	9	Borough Treasurer	All themes
8	Qtr 4 2007/08	Factors outside the control of the Council may result in the injury, death or sexual exploitation of a vulnerable child or adult in the community. Weaknesses in Council procedures may contribute to the failure to safeguard a vulnerable child or adult.	Loss or reputation Fines/penalties Insurance claims	3	4	12	Director CYPL Director ASCHH	3 and 4

Unrestricted

Ref	Date Added	Risk	Potential Impact	Current Residual Risk Score			Risk Owner(s)	Strategic Themes
				Like'hd	Impact	Total		
9	Qtr1 2010/11	Council unable to maintain buildings/highways in accordance with health and safety and other legislative standards. .	Injury, loss or damage. Increased liability claims. Potential non-delivery of housing Negative impact on service delivery, productivity and reputation.	3	3	9	Director of ECC.	1
10	Qtr 4 2007/08	Council unable to work effectively with key partners or involve residents in the development of our services.	Community needs not met Negative impact on community cohesion which could lead to extremism. Increased risk of failure of voluntary sector umbrella support	2	2	4	Director of Corporate Services Assistant Chief Executive	All themes
11	Qtr 2 2015/16	Failure of economic activity in the Borough.	Economic prosperity not sustained	1	2	2	Assistant Chief Executive	2
12	Qtr 4 2009/10	Council unable to implement legislative changes. Legal challenge on decisions relating to levels of service provision.	Litigation Prosecution Financial penalties/cost Loss of reputation	2	3	6	Director of Corporate Services	All themes
13	Qtr 2 2011/12	Delays in the Town Centre Regeneration project led by Bracknell Regeneration Partnership (BRP) working in partnership with Bracknell Forest Council. Failure of the Council to monitor and control their respective elements of the project.	Increased costs for the Council. Delays to regeneration of the town centre Loss or reputation Core benefit of the regeneration not realised.	1	4	4	Assistant Chief Executive	2 and 5
14	Qtr 4	Council unable to deliver the	Conflicting pressures between	2	4	8	Chief	All

Unrestricted

Ref	Date Added	Risk	Potential Impact	Current Residual Risk Score			Risk Owner(s)	Strategic Themes
				Like'hd	Impact	Total		
	2015/16	transformation programme.	elements of the programme Core objectives/benefits not achieved. Statutory responsibilities not met				Executive	themes
15	Qtr 4 2015/16	Council unable to prevent a cyber attack and/or unable to respond effectively to an attack to enable services to be sustained.	Disruption to services. Failure to meet statutory duties	3	4	12	Director of Corporate Services	All themes

RISK MATRIX JUNE 2016

LIKELIHOOD

5				1. Finance	
4			2. Demand 3. Staffing 5. Info Sec 6. Other Major Projects		
3			5. Info Sec 7. Bus Continuity 9. Infrastructure/Assets 10. Partnership 12. Litigation	4. ICT 8. Safeguarding 14 Transformation 15 Cyber attack	
2		12. Economic dev.		13. Town Centre	
1					
	1	2	3	4	5

IMPACT

Likelihood:

- 5 Very High
- 4 High
- 3 Significant
- 2 Low
- 1 Almost Imp

Impact:

- 5 Catastrophic
- 4 Critical
- 3 Major
- 2 Marginal
- 1 Negligible

RISK MATRIX AUGUST 2015

LIKELIHOOD

5				1. Finance	
4			3. Staffing 2. Demand 5. Info Sec 6. Other Major Projects	4. ICT	
3			7. Bus Continuity 10. Partnership	8. Safeguarding	
2		12. Economic dev.	9. Infrastructure/Assets 12. Litigation	13. Town Centre	
1					
	1	2	3	4	5

IMPACT

Likelihood:

- 5 Very High
- 4 High
- 3 Significant
- 2 Low
- 1 Almost Imp

Impact:

- 5 Catastrophic
- 4 Critical
- 3 Major
- 2 Marginal
- 1 Negligible

Unrestricted

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TO:

**GOVERNANCE AND AUDIT COMMITTEE 29 JUNE 2016
COUNCIL 13 JULY 2016**

**EMPLOYEES CODE OF CONDUCT AMENDMENT
Director of Corporate Services – Legal/Human Resources**

1 PURPOSE OF DECISION

- 1.1 This report seeks the endorsement of the Council to an amendment to the Employees Code of Conduct (“the Code”) introducing a requirement for all Council employees to declare the existence of criminal charges, cautions and convictions to their directorate lead for HR or the Chief Officer :HR

2 RECOMMENDATION

- 2.1 **That the provision outlined in paragraph 5.5 is added to the Employees Code of Conduct**
- 2.2 **As a consequence to the proposed changes above, an additional offence (of failing to disclose) as detailed in 5.8 is added to the Disciplinary Procedure as an instance of potential serious misconduct.**
- 2.3 **That recommendation 2.1 and 2.2 have retrospective effect from 1July 2015 (ie from the point at which DBS rechecks ceased to be undertaken)**

3 REASONS FOR RECOMMENDATION

- 3.1 The recommendation follows a decision by Corporate Management Team in July 2015 to review and amend the practice of carrying out three yearly Disclosure and Barring Service (“DBS”) rechecks in respect of posts where there is no statutory duty to do so. However, as a result, the proposal of a requirement on all employees to disclose any new charges, cautions or convictions is expected to mitigate any risks thereby arising from discontinuing DBS rechecks on staff who previously were subject to these.
- 3.2 The requirement for disclosure allows the Council to consider at an early stage the potential impact on the employee’s role and provides an opportunity to safeguard the Council’s reputation.

4 ALTERNATIVE OPTION CONSIDERED

- 4.1 Do nothing to mitigate the identified risk. However, whilst this is an option it is not advisable. The likelihood (based on past experience) of an officer being charged cautioned or convicted is low but the impact could be very high. Therefore the recommendations contained within this report seek to mitigate this risk.
- 4.2 Whilst it is recommended that that the requirement to disclose is applied retrospectively, the alternative would be to enforce the new policy from the date it is agreed by Employment Committee. This does increase the risk slightly.

5 SUPPORTING INFORMATION

- 5.1 Currently, DBS checks are carried out on prescribed categories of employees whose duties require contact with young people and vulnerable adults either directly or via access to sensitive personal data. The checks take place upon an individual commencing employment with the Council and where s/he moves to a new and different role within the organisation.
- 5.2 The Council's position on which posts required DBS checks was reviewed by Corporate Management Team in July 2015 at which point they considered their current approach to rechecks.
- 5.3 Whilst there is no statutory requirement to re-check in the majority of cases, it does exist for some non-employment cases ie taxi licensing and fostering/adoption and there is no suggestion that the rechecks should stop for those areas. There is no expiry date on a DBS Disclosure if the person remains in the same type of employment with the same employer. Increasingly Councils are redefining their position on rechecking because the landscape has changed over the last few years and the CQC and Ofsted no longer require it. The majority of the Berkshire Authorities do not perform automatic rechecks. There is a budgetary saving resulting from not undertaking rechecks which has been included in the 2016/17 budget.
- 5.4 In deciding whether to continue with re-checks one of the issues for consideration by CMT was the Council's appetite for risk; it was clear that the risk to vulnerable adults and children would be very low were rechecks to be discontinued. It is true to say that there is an excellent network of information sources available to the Council which have, in the past, readily identified any occasion when an employee has fallen foul of the law. These include the local press, local police contacts, work colleagues, social networks, the Magistrates Court system etc. Therefore if an employee did commit any offence, particularly one which might prove problematic to their continued employment in a Regulated Activity, it is clear the Council could find out very quickly and be able to act accordingly.
- During the time the Council has performed regular rechecks, there is no record of there having been any employee whose employment has been terminated due to new offences being detected through this process. This must inevitably lead to the conclusion that whilst the current approach is extremely risk-averse, it is committing the Council to significant expense at a time of restricted budgets with little evidence that it makes any material impact.
- 5.5 However CMT did agree that in order to mitigate any potential risks the Employee Code of Conduct should be amended to require employees to declare any criminal charges, cautions and convictions imposed upon them subsequent to their appointment. It is considered that whilst the original DSB recheck procedure applied specifically to those staff previously subject to pre employment checks, the recommendation should extend to all Council employees as it would be difficult to legally justify limiting the application of any provisions within the Employee Code to discrete categories of staff.
- 5.6 Cautions are issued at police stations for less serious offences where an offender admits guilt. The inclusion of cautions is consistent with the system of DBS checks where they are also referenced as part of an individual's criminal record.

- 5.7 It is recommended that employees should also be required to disclose the fact that they have been charged with an offence at a time when they are employed by the Council. Such a requirement provides safeguards for the Council in situations where the Crown Prosecution Service has concluded that it has sufficient evidence to prosecute the employee. In these circumstances the requirement for disclosure would provide a safeguard for the Council against the employee placing individuals or Council systems at risk. Examples would include employees charged with offences of a violent or exploitative nature who are employed by the Council in a caring capacity or those charged with financial offences that have access to Council financial systems. It must be emphasised here that disclosure in such circumstances would not lead to automatic censure. Indeed in some cases it may be entirely appropriate that the Council takes no further action, disciplinary or otherwise. The rationale behind the proposal is to create a framework which places the obligation on the employee to disclose, enabling the Chief Officer to undertake a risk assessment (with HR/Legal advice where appropriate) to determine whether or not the individual can continue in their role pending the conclusion of criminal proceedings. An appropriate response in such cases could include moving the individual temporarily to another role, suspension or in exceptional cases disciplinary action.

The suggested wording is as follows:

Reporting of Criminal Charges and Convictions

Where an employee is charged by the Police for any offence or convicted in a court of law or issued with a caution on any matter that occurs during or outside of their work then they must report this immediately to their directorate HR lead or the Chief Officer:HR.

A charge, conviction or caution for any offence may result in disciplinary proceedings being taken against the employee where, in the opinion of the Council, it;

- ***affects, or is likely to affect, the suitability of the employee for the position in which he/she is employed, or***
- ***brings the Council into disrepute, or***
- ***could, in the opinion of the Council, otherwise seriously undermine the trust and confidence that the Council has in the employee.***

NB. There is no requirement for an employee to report to the directorate lead for HR or Chief Officer HR where they have received a fixed penalty notice for any offence, eg speeding offences, parking offences etc.

- 5.8 In order to underpin this approach, it is intended this is added to the list of Serious Misconduct outlined in the Council's Disciplinary Procedure specifying "the failure to disclose to the directorate lead for HR or the Chief Officer:HR any charge, caution or conviction (not including fixed penalty notices) which affects or is likely to affect the employee's suitability for the position in which they are employed" as recommended in 2.2

- 5.9 Such a provision is both necessary and proportionate in order to give the proposals the necessary degree of authority to ensure that employees adhere to the requirement. Proportionality will be achieved by virtue of employees having the safeguards inherent in the Council's HR processes and in Employment law.
- 5.10 Where an employee fails to make a disclosure the disciplinary procedure would only be engaged where the criteria set out in paragraph 5.8 above is satisfied and the appropriate advice has been sought and received.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The Borough Solicitor is the author of this report.

Borough Treasurer

- 6.2 Nothing to add to the report.

Other Officers

- 6.3 The Chief Officer: Human Resources comments are included in the report.

Equalities Impact Assessment

- 6.4 Not relevant

Strategic Risk Management Issues

- 6.5 Implementation of the proposal will serve to mitigate any risk arising from the fact that the Council no longer undertakes DBS rechecks except in those limited cases where there is a statutory requirement to do so.

7 CONSULTATION

Principal Group Consulted

- 7.1 The recommendation in this report will be considered by by the Local Joint Committee and both the Employment Committee and Governance and Audit Committee

Method of Consultation

- 7.2 Through this report.

Background Papers

None

Contact For Further Information

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