

GOVERNANCE & AUDIT COMMITTEE
25 JANUARY 2017
7.30 - 9.15 PM



Bracknell Forest Borough Council:

Councillors Allen (Chairman), Heydon, Leake, McLean, Ms Miller, Mrs Temperton, Thompson and Worrall

Present:

Independent Members:

David St John Jones

22. Appointment of Vice-Chairman

RESOLVED that Councillor Thompson be appointed Vice-Chairman of the Governance & Audit Committee for the year 2017/18.

23. Declarations of Interest

There were no Declarations of Interest received.

24. Minutes - 21 September 2016

RESOLVED that the minutes of the meeting of the Committee on 21 September 2016 be approved as a correct record and signed by the Chairman save for an amendment on page 3, point 5, that the correct name for the new Independent Member was David St John Jones and not David St John.

25. Urgent Items of Business

There were no urgent items of business.

26. Annual Audit Letter 2015/16

The Chairman advised the Committee that no external auditors (from Ernst & Young) were present at the meeting due to sickness and any questions the Committee had as a result of the Annual Audit Letter would be deferred to the next meeting.

RESOLVED that the Annual Audit Letter 2015/16 be noted.

27. Internal Audit Assurance Report

The Committee considered the Internal Audit Assurance Report of the work carried out between April-December 2016 by the internal audit contractors and the in-house team.

The Committee noted that 48 Memos/Reports had been issued in draft and a further 10 Memos/Reports issued were on the client side to be reviewed.

Limited Assurance Opinions had been issued on 15 audits which included Budget Savings, Schools, Construction and Maintenance, Disaster Recovery and Home to School Transport.

A programme of counter fraud training commenced during 2016/17 delivered by a specialist fraud investigator to teams in Adult Social Care, Health and Housing during quarter 2. The next round of training would be delivered to senior managers in Environment, Culture and communities on 9 February 2017.

The Committee noted the work undertaken by the Council's Benefits Team. During the period, 28 cases of overpayments in welfare in excess of £2k had been passed to the DWP for investigation. During the last financial year 76 cases were referred and the Council had so far been notified of 3 prosecutions and 2 administrative penalties.

With regard to Council Tax Single Person Discount (SPD), the Committee noted that a data matching exercise was carried out on all households which matched credit records to those households claiming SPD. As a result of the exercise, SPD was removed from 438 households who were not entitled to the discount which resulted in a reduction of £153k in SPD awards.

With regard to Construction and Maintenance, a limited assurance opinion was given again in 2016/17 due to errors in billing by the reactive maintenance contractor with regard to not billing in a timely manner and delays in quality control checks, as a result of which the provider had now been changed. The limited assurance opinion was also in respect of a lack of supporting documentation and wrong rates being billed by other contractors. A further audit of this area would now be carried out in the last quarter of 2016/17.

The Committee noted the follow up of previously issued limited assurance audit reports, some of which were due to be, or currently were being, re-audited. Five reports had already been re-audited and had resulted in a satisfactory opinion given comprising Council Wide Procurement and 4 schools including Kennel Lane and The Pines.

Key weaknesses identified during audits with a limited assurance opinion to date included an unexplained weakness in the IT system which had allowed one officer to authorise her own expenses. The Committee was advised that the officer had now left the organisation and her action had not been considered to be due to a fraudulent claim or inappropriate expenditure. Audit had been advised that this would be tested on implementation of Agresso version MS5 in June 2017. In the meantime Calvin Orr advised that this appeared to be an isolated case as it had not been possible to replicate self-authorisation of expenses..

A limited assurance opinion had been given on budget savings in relation to the target not being met in the review of ASC care and support packages.

The Committee expressed their concern on the limited assurance opinions given on five school audits during the period. Senior officers from the Education Authority were providing support to the Schools to enable them to address weaknesses in their control environments and the new Director of CYP&L was aware of any ongoing issues and the progress being made.

With regard to Disaster Recovery, the Report stated that the disaster recovery documentation was out of date and no longer relevant. The Committee expressed concern that this was an ongoing issue and reassurance sought previously that improvements would be made had not been received. The Committed was

reassured that disaster recovery testing found that the systems worked but the current documentation did not reflect the correct processes. Councillor Heydon said he would raise the issue at the next Corporate Services DMT and arrange for an officer from ICT to attend the next Committee meeting to update on the progress of the renewal of the documentation.

In regard to Home to School Transport, weaknesses had been identified in controls over Disclosure and Barring Service (DBS) checks on drivers and escorts. The audit had found that one driver's DBS renewal and checks on offences subsequently reported had not been completed on a timely basis by Licensing and Home to School Transport had not been made aware of this. Action was being taken to improve communication. In addition, Home to School Transport had not been advised by the taxi firm that one escort had returned from maternity leave and her DBS had lapsed whilst she was on maternity leave. The Committee was reassured that the taxi firm had since tightened up their procedures.

The Fraud and Error Reduction Incentive Scheme (FERIS) was launched in November 2014 allowing local authorities to opt into the scheme and bid for funding. FERIS was an incentive scheme that offered a financial reward to local authorities that found reductions to Housing Benefit entitlement as a result of claimant error or fraud. From April 2016 to November 2016 the Council had carried out targeted campaigns to 400 households in which approximately 81.3% had resulted in either a reduction or increase to Housing Benefit and approximately 79.3% had resulted in either a reduction or increase to Council Tax Reduction. A percentage break down differentiating between reductions and increases was not currently available but would be produced at the next meeting.

RESOLVED that the Internal Audit Assurance Report be noted..

28. **Treasury Management Report 2017/18 and 2016/17 Mid Year Review**

Calvin Orr presented the Treasury Management Report 2017/18 and 2016/17 Mid Year Review and drew Member's attention to the following:

The Council held £17.091m of investments as at 31 December 2016 and the investment portfolio yield for the first nine months of the year was 0.42% against a benchmark (Local Authority 7-Day Rate) of 0.24%.

The Local Government Act 2003 required the Council to "have regard to" the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. The report outlined the Council's prudential indicators for 2017/18 – 2019/20 and set out the expected treasury operations for this period.

The Bank Rate remained at 0.5% until the action taken by the Bank of England to settle financial markets following the EU Referendum result in June 2016. Interest rates were cut to 0.25% and markets expected a further reduction to 0.10% by December 2016 based on the projections provided by the Bank of England in the November Inflation report. The Committee was advised that the Bank Rate was expected to stay stable through to 2019 and a rise to 1% was not expected for 1-2 years. The current low rate was beneficial to the Council with respect to their expected external borrowing in February 2017.

The Committee noted the Report table which showed the change in forward projections of interest rates and which was based on past UK Base Rates. However,

the Committee was advised that interest rates may be affected by changes to the US Federal Funds Rate.

The Committee reviewed the revised estimates for capital expenditure and the changes since the capital programme was agreed by Full Council and noted that any projected overspends would be addressed before the end of the financial year.

It was **RESOLVED** that:

- 1 The Committee consider and review the Mid-Year Review Report.
- 2 The Committee agree that the Mid-Year Review Report be circulated to all Members of the Council.
- 3 The Committee review the Treasury Management Report for 2017/18 prior to its approval by Council.

29. **Strategic Risk Management Update**

The Committee received the Strategic Risk Management Update to review the Strategic Risk Register. The Register was last reviewed by the Strategic Risk Management Group (SRMG) on 30 November 2016 and by CMT on 11 January 2017. The following changes were agreed at CMT:

- Risk 1 - the score for likelihood was reviewed for the financial and economic risk to consider if this was too high given the actions taken to identify savings, the efficiency plan and the 4 year settlement. CMT agreed that this should be reduced from 5 to 3 to reflect that the actions to date had already mitigated the risk.
- Risk 3 - amended wording to reflect the impact of the Transformation Programme on staff resources.
- Risk 6 - given that separate risk registers were now routinely developed and maintained for major projects and these were monitored by the individual project boards, it was agreed that a separate risk was not required for major projects and hence this risk could be removed.
- Risk 11 - this risk had been reframed to focus on how the national and global economy might impact on the local Bracknell Forest economy with a risk score of 3 for both likelihood and impact.

A summary of the Risk Register was included within the update and the following projects were highlighted and discussed by the Committee:

- *Additional employment opportunities in the new town centre affected the Council's ability to attract and retain staff to deliver services:* The Risk was around potential salaries that would be on offer comparable to low level administrative positions in the Council. In particular it was felt this could impact on Provider support staff commissioned by the Council who may be able to obtain better paid jobs in retail and it was agreed the wording would be amended to reflect this.
- *Council unable to implement major projects and 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 had been removed from the Register.* The Committee felt that the removal of these

projects from the Register could lead to delivery failure or unmet targets going unnoticed. Stuart McKellar, Borough Treasurer assured Members that the projects were being well managed and risks were regularly reviewed by individual project boards but would be added back onto the Register if any disruption to project delivery was perceived..

- The Committee felt that the threat remained of companies relocating from the UK as a result of the Brexit vote leading to a loss of rates and revenue to the Council and a negative impact on the local economy. The Committee expressed that this should have been reflected more strongly in the Report.
- *Binfield Learning Village at Blue Mountain, School's places programme school's backlog maintenance and Coral Reef roof replacement and enhancements to facility* had been removed from the Register. Members expressed their concern that these projects, in particular Coral Reef and the Binfield Learning Village should remain on the Register given the significant investment involved and that the Committee should have continued oversight of them. The Committee was advised that both of these projects were anticipated to be delivered on time and on budget and that the scale of issues was now between £10k and £30k instead of £14m and £30m respectively. However, the Committee felt that whilst Binfield Learning Village had been a bigger risk before construction started, the issue of governance arrangements still remained and Coral Reef remained a risk to the Council during the market testing exercise to commission services from a private contractor.
- *Council unable to deliver the Transformation Programme* had been removed from the Risk Register. Concern was expressed by Members that if this project did not progress as expected then the Council would be unable to deliver the necessary efficiencies and therefore the project should remain on the Register and subject to continued oversight. In particular risks remained around the sale of Easthampstead House and the Northern Retail Quarter which was still in the early stages of development.

The Chairman therefore proposed that the following projects should be put back on the Risk Register:

- Binfield Learning Village at Blue Mountain
- School's places programme school's backlog maintenance
- Coral Reef roof replacement and enhancements to facility
- Council unable to deliver the Transformation Programme

Sally Hendrick agreed to the return of these projects to the Risk Register and to look at including mitigating factors and to discuss the purpose of the Risk Register and how the Committee used it at the next meeting.

30. **Appointment of Local External Auditors**

The Committee considered a report regarding the appointment of Local External Auditors.

At its meeting on 30 March 2016 the Governance and Audit Committee received a report from the Borough Treasurer setting out changes to the process for appointing External Auditors under the Local Audit and Accountability Act 2014, following the closure of the Audit Commission which had previously undertaken this role for local authorities and the NHS. The report set out in detail the context that had led to the

new national arrangements and the Government's delegation of powers to Public Sector Audit Appointments Ltd (PSAA) to appoint External Auditors for a transitional period that ends following audit of the 2017/18 accounts. In July 2016, the Secretary of State for Communities and Local Government officially recognised PSAA as an "appointing person" able to act on behalf of local authorities in auditor appointments. This had happened with the support of the LGA, which had an objective of "establishing a national sector-led body which is able to deliver high quality, economic and efficient external audit arrangements for all authorities that choose to opt into its scheme".

PSAA issued a prospectus in August 2016 and subsequently invitations to all authorities on 27 October 2016 to opt in to its collective arrangements. To date, 215 of the 493 eligible local authorities had formally opted in to PSAA, including 31 Unitary and County Councils.

Members were advised that there would be no upfront cost associated with opting into the scheme as the PSAA would negotiate with the audit companies and a surcharge would be applied to their fees. PSAA currently only contracted with five audit firms for the delivery of public sector external audits and there would be a reduction in costs to Bracknell Forest which would be achieved from the audit companies only having to make one tender bid.

RECOMMENDED to Council that Bracknell Forest joins the Public Sector Auditor Appointments collective procurement arrangement to appoint an External Auditor from the 2018/19 financial year on the grounds that this approach is most likely to achieve best value in a relatively restricted market and avoids the need and cost of the Council itself undertaking a complex and time consuming procurement process and establishing and administering a new independent Auditor Panel.

31. **Establishment of Code of Conduct Panels**

The Committee considered a report which asked them to formalise the establishment of Code of Conduct Panels, to confirm their terms of reference and the appointment of members to sit on them.

The report set out the Terms of Reference and Members were advised that the report did not affect the role and appointment of the Independent Person who did not sit on the Code of Conduct Panel but was present at any hearing to provide advice and guidance to the Panel.

Nominations had been sought from the parish/town councils for two representatives. They had agreed the order in which nominations would be made and that each representative would remain in the pool for two years after which the nominations would rotate to other parish/town councils.

Code of Conduct Panels had no power to suspend or disqualify a councillor or co-opted member, or to withdraw basic or special responsibility allowances. Sanctions available to the Panel included the request for an apology and censure. A full list of available sanctions would be circulated to Members.

Each Panel would comprise any three councillors drawn from the Governance & Audit Committee based on their availability.

RESOLVED that:

- 1 Code of Conduct Panels be set up as required to determine complaints about councillors or co-opted members, and to apply or recommend sanctions if appropriate, with the terms of reference and composition as set out in paragraph 5 of the report.
- 2 The following people be appointed to the pool of co-opted members:

David St John Jones in his capacity as the independent co-opted member of the Governance and Audit committee (independent co-opted member)
Heather Quillish (independent co-opted member)
Khan Juna (independent co-opted member)
Cllr Diana Henfrey (parish/town council representative)
Cllr Bob Shurville (parish/town council representative)
- 3 The Borough Solicitor be delegated authority to make appointments to the pool of independent co-opted members as vacancies arise, in consultation with the Governance & Audit Committee Chairman.

CHAIRMAN