

GOVERNANCE COMMITTEE AGENDA



THIS MEETING IS OPEN TO THE PUBLIC

Date: Wednesday 20th March 2013

Time: 7.15pm

Venue: Committee Room 1, Causeway House, Bocking End, Braintree, CM7 9HB

Membership:

Councillor S Canning	Councillor D M Reid
Councillor M C M Lager (Chairman)	Councillor D E A Rice
Councillor D J Louis	Councillor V Santomauro
Councillor J M Money	Councillor C M Thompson

Members are requested to attend this meeting, to transact the following business:-

PUBLIC SESSION

1. **Apologies for Absence.**
2. **Declarations of Interests.** To declare the existence of any interests relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice (where necessary) before the meeting.
3. **Minutes.** To approve the minutes of the meeting of the Governance Committee held on 16th January 2013. (Copy previously circulated)
4. **Question Time.** (See paragraph below)

Monitoring and Finance

5. **Project Management.** To receive a presentation from the Business Improvements Manager on the Councils performance and project management system.
6. **Key Financial Indicators.** To consider the attached report (page 1).

Audit and Governance

7. **Internal Audit Activity Report 5th March 2013** - including Reportable Recommendations Update. To consider the attached report (page 9).
8. **External Audit Fee Letter.** To consider the attached report (page 15).
9. **Anti-Fraud Strategy and Protecting the public Purse 2012.** To consider the attached report. (page 22)

Committee Operation

10. **Governance Committee Self Assessment.** To consider the attached report (page 37).
11. **Governance Committee Annual Report 2012/2013.** To consider the attached report (page 42).
12. **Forward Look 2013/2014.** To consider the attached report (page 46).
13. **Fraud and Error Controls.** To consider the attached report (page 50).
14. **Urgent Business.** To consider any matter, which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified), as a matter of urgency.
15. To agree the exclusion of the public and press for the consideration of the following items for the reasons set out in Paragraphs 2, 3 and 7 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

PRIVATE SESSION

16. **Strategic Internal Audit Plan 2013/17 and Risk Analysis.**
17. **Urgent Business.** To consider any matter, which in the opinion of the Chairman should be considered in private by reason of special circumstances (to be specified), as a matter of urgency.

Alastair Peace
Member Services Manager

QUESTION TIME

Immediately after the Minutes of the previous meeting have been approved there will be a period of up to 30 minutes when members of the public can speak. Members of the public wishing to speak should contact the Council's Member Services Section on 01376 552525 or e-mail alison.webb@braintree.gov.uk prior to the meeting. Members of the public can remain to observe the whole of the public part of the meeting.

If you require any further information relating to this Agenda, or wish to forward your apologies for absence, please contact Alison Webb on (01376) 552525 Ext. 2614 or e-mail alison.webb@braintree.gov.uk.

The last page of this Agenda is numbered 51.

Key Financial Indicators – 28 February 2013		Agenda No: 6
<p>Corporate Priority: Deliver excellent, cost effective and valued services</p> <p>Report presented by: Trevor Wilson, Head of Finance</p> <p>Report prepared by: Trevor Wilson, Head of Finance</p>		
<p>Background Papers: Agenda item 10 Audit Panel 21st September 2006</p>		Public Report: Yes
<p>Options: To accept or request further clarification on the financial performance indicators recorded as at 28 February 2013.</p>		Key Decision: No
<p>Executive Summary: The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 28 February 2013.</p> <p>Commentary:</p> <p>a) The General Fund revenue account shows a positive variance against profile of £1,087,000 for the period. The anticipated outturn for the year is a positive variance of £884,000, predicted at the Quarter 3 review. The predicted variance is a combination of an underspend of expenditure of £587,000 (net of £99,000 estimated provisions for contingent liabilities) and a net over achievement of income of £297,000. Whilst these positions result from a number of predicted positive and negative variations across a range of services the two main reasons for the improved position are: the new leisure management contract will deliver savings of £526,000 in this year and income received from the sale of recycling materials will be £175,000 higher than anticipated.</p> <p>b) Salaries are over budget by £97,000 after offsetting the efficiency factor of £337,960. This position is broadly in line with the predicted outturn for the year at Quarter 3 which indicates a potential under achievement against the efficiency factor of £101,000.</p> <p>c) Expenditure on capital projects is marginally higher than the profiled budget, by £22,000. This is mainly due to small variations on a number of schemes which are issues over timing of spend.</p> <p>d) Collection of this year's Council Tax for the period is 98.17%, which is an improvement of 0.34% over the same period last year.</p> <p>e) National Non-Domestic Rates (NNDR) collection is 98.55% for the period, which is marginally better than the percentage for last year.</p> <p>f) Write-offs of Council Tax total £97,000 (1,168 accounts) in the year to 28 February, of which £79,000 (883 accounts) was in respect of prior year accounts.</p> <p>g) Write-offs of NNDR on 181 accounts totalled £536,000; 148 accounts with a total of £447,000 were in respect of amounts for previous financial years.</p> <p>h) The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £2.034 million, of which £0.857million was in respect of Housing Benefit overpayments. The target for 2012/13 is to reduce the debt outstanding, excluding Housing Benefit overpayments and the Museum Trust debt, to £575,000 or</p>		

less by 31 March 2013.

- i) Sundry debts, with a total value of less than £14 across 70 accounts, were written-off in February. The sundry debts written off in the year to the end of February had a total value of £41,000 (535 accounts).
- j) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.55%, with new investments placed during February achieving an average of 0.51%. Whilst investment returns secured to date are lower than the return of 0.7% assumed in the budget the actual amount of interest receivable is expected to be higher than budget due the actual level of cash balances available for investment being higher than originally estimated.
- k) Repayments of principal and interest totalling £3,104,582 of the investments at risk in Icelandic Banks have been received to-date, with a further sum of ISK 42,936,596 (£224,422 equivalent based on the Central Bank of Iceland FX rate at the end February 2013) held in an escrow account in Iceland due to currency control restrictions. Further repayments are expected in respect of the investments with Landsbanki and Kaupthing, Singer & Friedlander; a tenth distribution from the latter is expected in May/June 2013.
- l) Detail of the Council's investment portfolio as at 28 February 2013 is provided at Appendix B.

Decision:

Members are asked to accept the report of the Key Financial Indicators as at 28 February 2013

Purpose of Decision:

To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.

Corporate Implications

Financial:	Contained in the report.
Legal:	None
Equalities/Diversity	None
Customer Impact:	No direct impact but process of monitoring financial performance provides assurance of this element of the Council's governance arrangements.
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	Regular consideration of a suite of Financial Health Indicators is recommended good practice

Officer Contact:	Trevor Wilson
Designation:	Head of Finance
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Key Financial Indicators at 28th February 2013
APPENDIX A

	Full Year Budget	Actual as at 28 Feb 2013	Profile to 28 Feb 2013	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	16,159	13,479	14,567	-1,087	-7.5%
Capital Programme (Excl. capital salaries incl. below)	6,007	3,813	3,791	22	0.6%
General Fund - Salaries	13,625	12,533	12,436	97	0.8%

	Full Year Target	Actual as at 28 Feb 2013	Actual as at 28 Feb 2012	Variance
Council Tax collection in year - %	98.50%	98.17%	97.83%	0.34%
Council Tax collection - collectable for year - £m		£73.64	£72.23	£1.41
Write-offs in year (April to Feb.) - £'000		£18	£17	£1
Write-offs in year - (April to Feb.) - number		285	362	-77
Write-offs all years (April to Feb.) - £'000		£97	£118	-£21
Write-offs all years - (April to Feb.) - number		1168	1553	-385
Business Rates collection in year - %	98.50%	98.55%	98.54%	0.01%
Business Rates collectable for year - £m		£39.76	£37.41	£2.35
Write-offs in year (April to Feb.) - £'000		£89	£50	£39
Write-offs in year - (April to Feb.) - number		33	46	-13
Write-offs all years (April to Feb.) - £'000		£536	£559	-£23
Write-offs all years - (April to Feb.) - number		181	187	-6
Creditors - payment of invoices within 30 days of receipt	98.5%	99.0%	98.5%	0.50%

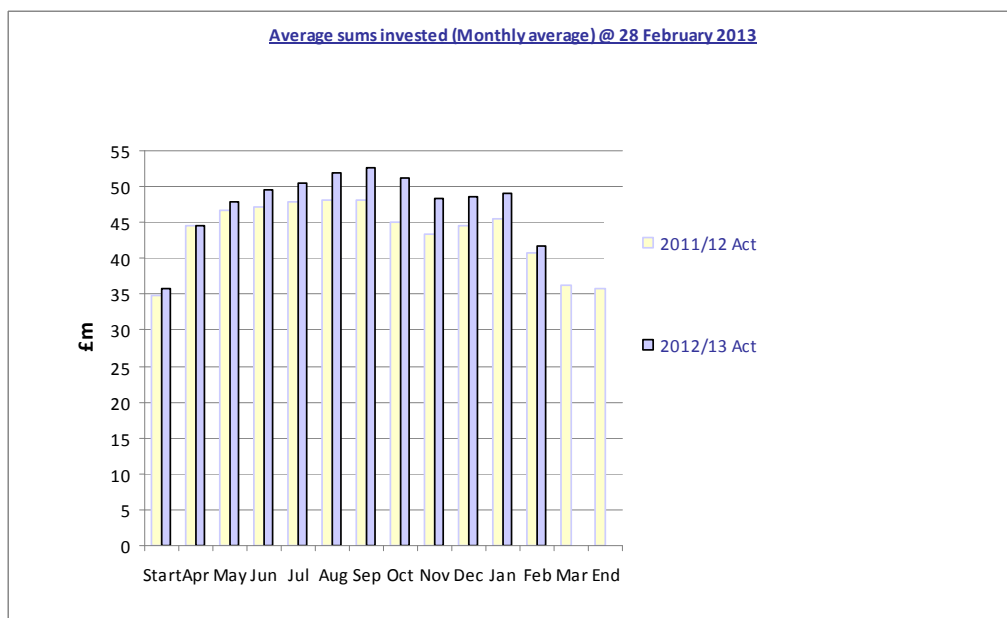
Debtors - Balance Outstanding	31-Mar-10	31-Mar-11	31-Mar-12	28-Feb-13	Variance Mar. to Feb
	£'000	£'000	£'000	£'000	%
Service Level Agreement charges - principally Greenfields CH	237	34	59	8	-86.4
Capital Projects - currently - development site, east of High Street, Halstead	13	6	2	4	100.0
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	23	39	35	5	-85.7
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	-	16	6	4	-33.3
Development	50	29	57	28	-50.9
Finance	226	196	373	317	-15.0
Leisure	261	157	90	184	104.4
Operations	939	726	869	532	-38.8
Housing	122	106	147	95	-35.4
Sub-Total - excluding Hsg. Benefits	1,871	1,309	1,638	1,177	-28.1
Housing Benefits	665	730	606	857	41.4
Total	2,536	2,039	2,244	2,034	-9.4
Amount of Debt Outstanding at Year End excluding Housing Benefits, Museum Trust, charging orders in place and invoices raised in respect of the following year.	674	593	580	650	
Target for 2012/13 is for Debt Outstanding (excluding Housing Benefits, Museum Trust and invoices raised in Mar 13 re 2013/14) to be £0.575million by 31 March 2013				575	75
Profile by Recovery Stage:					
Invoice	1,544	1,088	1,543	1,304	
Reminder	375	223	135	147	
Final Notice	85	86	133	127	
Pre-legal	155	139	120	108	
Bailiff	330	444	270	304	
Tracing Agent	5	17	1	2	
Charging Order	42	42	42	42	
Total	2,536	2,039	2,244	2,034	
Write-offs in month - value - £'000	£25	£1.0	£0.0	£0.0	
Write-offs in month - number	116	2	0	70	
Write offs in year - Apr. to Feb. - value - £000	£130	£27	£53	£41	
Write-offs in month - Apr. to Feb. - number	549	380	464	535	

Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2012/13 is a net amount of £337,960. The overspend on salaries of £97,000, recorded above, is after offsetting £337,960 (i.e. full year budget) of the target.

Treasury Management Monitor
February 2013

Cash Balances



The **average sum invested in month** was **£41.6m**, and the **average for the year to date** was **£48.8m**.

Return on Investments

The return on investment is a combination of existing contractual investments made in previous years/ periods and re-investment of maturing investments.

<u>Interest secured:</u>	<u>Average balance</u>	<u>Return</u>	<u>Interest</u>
Investments prior to start of the year	£1,545,205	0.55%	£8,541
Investments made in-year to date	£43,945,672	0.55%	£240,898
Total Secured To Date	£45,490,877	0.55%	£249,439

Market Interest Rates

LIBID rates for the year to date

<u>Period rate</u>	<u>Average %</u>	<u>Min %</u>	<u>Max %</u>
7-Day	0.49	0.30	0.65
1-Mth	0.46	0.40	0.61
3-Mth	0.63	0.44	1.00
6-Mth	0.84	0.54	1.33
12-Mth	1.23	0.80	1.84

Source: Arlingclose/ Bloomberg

Investment Activity during the Month

Counterparty	£m	Duration	Rate	Comment
UK Debt Management Office	1.00	5	0.25%	
UK Debt Management Office	2.00	12	0.25%	
ANZ Banking Corp	2.50	120	0.41%	

Investment criteria currently applied:

Updated Investment Strategy approved at Council on 20 February 2013:

UK and Non-UK Banks and building societies with a long-term rating of at least A- (strong) – 15% or £5m whichever is higher, duration limit 364 day *

AAA rated Money Market Funds: Aggregate limit £15m subject to 10% of cash balances per fund (rounded up to nearest £m) and < 0.5% of assets under management*

Co-operative Bank restricted to maximum £5m placed overnight or to next working day

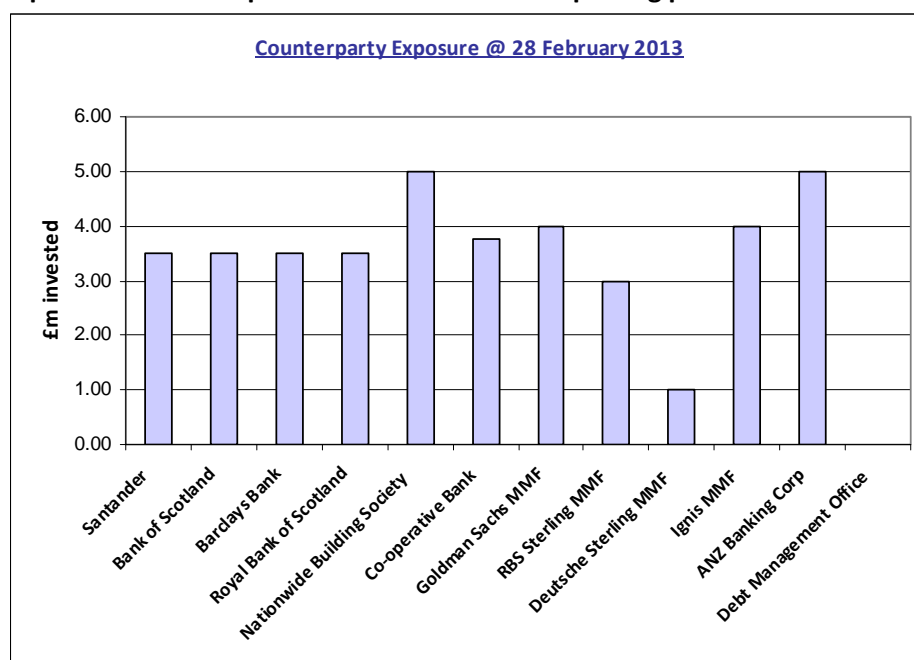
Other Local Authorities/ Debt Management Office Account (UK Government)

Certain classes of Non-specified investments*

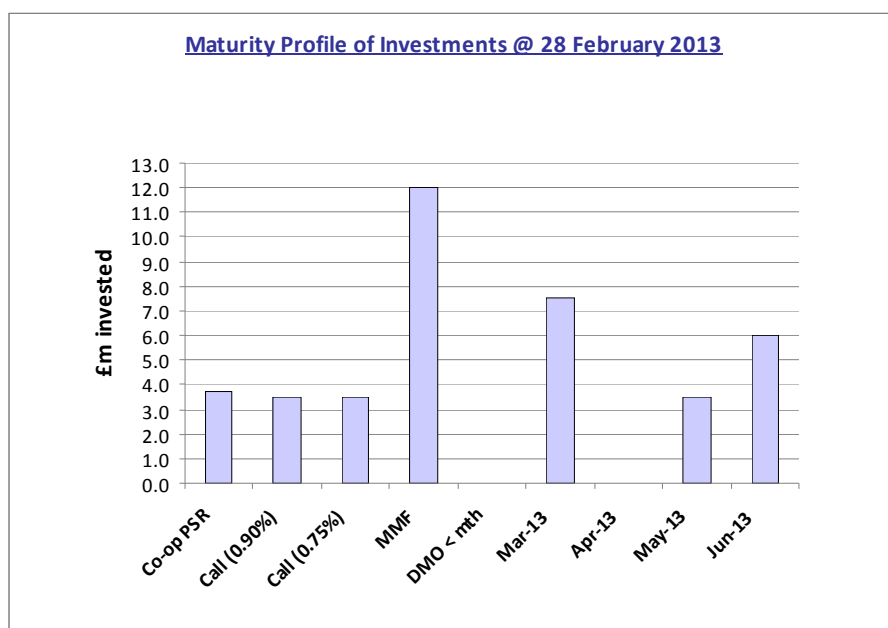
* Subject to advice issued by Arlingclose Ltd

Counterparty Exposure and Maturity Profile

Exposure to counterparties at the end of the reporting period was as follows:



An objective is to maintain a reasonable spread of maturities to manage both liquidity requirements and interest rate exposure. The following chart shows the **profile of investment maturities at the period end**:



Further details of the investment portfolio at the end of the reporting period are provided on the attached schedule.

Money Market Funds

The Council is actively using four money market funds (MMF). The principal objectives of the Funds are preservation of capital and very high liquidity, followed by competitive returns. The Funds all operate within strict criteria to maintain the highest triple A rating.

The **aggregate amount invested at the end of the month was £12.0 million** (this amount is included in the investments shown above). Current details available of the four funds (the previous reporting period figures are in brackets) are:

Fund:	Ignis	Deutsche	Goldman Sachs	RBS
Amount invested	£4m (£4m)	£1m (£4m)	£4m (£4m)	£3m (£3m)
AUM	£13,377.2m (£13,855.9m)	£6,414.0m (£6,593.3m)	£5,948.0m (£6,128.5m)	£5,229.5m (£5,853.4m)
1 day yield %	0.45 (0.45)	0.30 (0.31)	0.37 (0.38)	0.33 (0.33)
7 day yield %	0.45 (0.45)	0.31 (0.31)	0.37 (0.38)	0.33 (0.33)
30 day yield %	0.45 (0.46)	0.31 (0.31)	0.37 (0.39)	0.33 (0.34)
WAM days	51 (47)	49 (50)	54 (48)	47 (43)

AUM – Assets under management

WAM – weighted average maturity of the Fund

Geographic exposure of funds invested via Money Market Funds

Country	% exposure	Country	% Exposure	Country	% Exposure
UK	15.00 (15.29)	Sweden	6.78 (7.82)	United States	15.79 (11.13)
France	15.01 (17.80)	Japan	7.51 (6.09)	Finland	2.65 (1.84)
Germany	16.82 (16.51)	Norway	0.96 (2.59)	Sub-Total	93.58 (92.91)
Netherlands	10.79 (11.54)	Spain	2.27 (2.30)	Others	6.42 (7.09)

Investment at Risk – Summary Update

Bank	Principal	Comment
Kaupthing, Singer, & Friedlander	£1m	A ninth dividend was paid on 31 October of 3p in the £ giving a total payment to the Council of £30,865.60 (including £865.60 interest). Total recovered is now £781,929 (including interest), which is equivalent of 76p in the £. The Administrator has indicated that a tenth dividend is likely to be declared around May/ June time. The estimated total recovery to unsecured creditors has been updated from to a range of between 84p and 86.5p in the £.
Landsbanki	£3m	Distributions to be made in a basket of currencies – amounts to be paid/ converted at the prevailing FX rate via the Co-operative Bank. A first dividend payment was received in February 2012 which was converted to £917,531. A second distribution – made wholly in GBP - of £385,120 was received in May 2012. An updated estimate of the total recovery is 100%, subject to FX implications. An amount of 4,345,735 Icelandic Krona (ISK) was paid with the first distribution and which is currently held in an Icelandic bank interest bearing escrow account pending release under Icelandic currency controls. This amount has an equivalent sterling value of £22,714 at 28 February 2013, based on the Central Bank of Iceland FX selling rate of 191.32. A third distribution was made on 9 October in a basket of currencies which converted to a total of £183,431. Total actually received to date is £1,486,082. Options remain under review in relation to gaining release of the ISK denominated funds.
GLITNIR	£1m	A single payment in full settlement was made in March 2012, comprising a basket of currencies. The majority was converted to a sterling equivalent amount of £836,571. A balance of 38,590,861 Icelandic Krona (ISK) has been paid into an Icelandic bank interest bearing escrow account. This amount has an equivalent sterling value of £201,708 at 28 February 2013. Options remain under review in relation to gaining release of the ISK denominated funds.
Total	£5m	Total amount recovered to date is £3,104,582 including interest, with a further £224,422 (sterling equivalent), held in Icelandic escrow accounts.

Costs of £3,284.66 have been recharged to the Council for its share of legal costs incurred during 2012. This increases the cumulative costs incurred to date to £28,915.35. Costs have been met from the treasury management reserve.

Borrowings

The Council's debt remains at £6m – made up of two market loans of £3m each, which contain options for the lender (and Council if lender exercises their option). The next call option date is in March 2013.

Budgetary Position

It is currently projected that investment income will be £259,000, which is £35,000 higher than the original budget of £224,000. Whilst the rate of return is lower: 0.55% compared to 0.70%, the estimated cash balances available for investment are expected to be significantly higher: £46.5 million compared to £31.9 million.

The interest cost of borrowing is expected to remain in line with budget - £282,000 at an average interest rate of 4.7%.

INVESTMENT PORTFOLIO AS AT 28 FEBRUARY 2013
APPENDIX B

	Ref	£m	% rate	Type	Placed	Maturity	Maturity Profile £m				
							Liquid	Mar-13	Apr-13	May-13	Jun-13
UK Banks		17.76									
Santander Group											
Santander UK PLC	1127	3.50	0.75%	Instant	Variable	Instant	3.50				
Lloyds TSB Group											
Bank of Scotland PLC	2400	0.00	0.75%	Instant	Variable	Instant	0.00				
Bank of Scotland PLC	3135	3.50	1.35%	Fixed	14-Nov-12	14-May-13				3.50	
Barclays Bank PLC											
Barclays Bank PLC	3111	3.50	0.42%	Fixed	4-Jan-13	4-Mar-13		3.50			
RBS Group											
Royal Bank of Scotland PLC	2355	3.50	0.90%	Instant	Variable	Instant	3.50				
Co-operative Bank PLC											
Co-operative Bank PLC	3026	3.76	0.56%	Instant	Variable	Instant	3.76				
UK Building Societies		5.00									
Nationwide Building Society											
Nationwide Building Society	3028	3.50	0.60%	Fixed	21-Dec-12	21-Jun-13					3.50
Nationwide Building Society	3159	1.50	0.44%	Fixed	30-Nov-12	1-Mar-13		1.50			
Other Local Authorities		0.00									
UK Debt Management Office		0.00									
Non UK Institutions		5.00									
Australia & New Zealand Banking Corp											
Australia & New Zealand Banking Corp	3141	2.50	0.40%	Fixed	5-Dec-12	1-Mar-13		2.50			
Australia & New Zealand Banking Corp	3142	2.50	0.41%	Fixed	27-Feb-13	27-Jun-13					2.50
Money Market Funds		12.00									
Goldman Sachs	2651	4.00	Variable	Instant	16-Nov-09	Instant	4.00				
Deutsche Sterling	2856	1.00	Variable	Instant	4-Aug-10	Instant	1.00				
Ignis Liquidity	2857	4.00	Variable	Instant	4-Aug-10	Instant	4.00				
RBS Sterling	2844	3.00	Variable	Instant	21-Jul-10	Instant	3.00				
		39.76					22.76	7.50	0.00	3.50	6.00

Internal Audit – Activity Report for the period to 5th March 2013

Agenda No: 7

Portfolio Area: Corporate Priority – We deliver excellent, cost effective and valued services

Report presented by: Lesley Day, Audit Insurance & Risk Manager

Report prepared by: Lesley Day, Audit Insurance & Risk Manager

Background Papers: Internal Audit Assignments

Public Report: Yes

Options: N/a

Key Decision: No

Executive Summary:

To provide Members with details of and outcomes from the audit assignments completed during the period 21st December 2012 to 5th March 2013. This includes for each assignment:

- the key controls covered
- number of recommended action points and their priority
- audit opinion
- brief details of the high priority recommendations (if applicable)

An update on the Reportable recommendations is also attached.

Decision: To accept the activity report for the period 21st December 2012 to 5th March 2013

Purpose of Decision: To advise Members of the audit assignments completed for the period 21st December 2012 to 5th March 2013

Corporate Implications

Financial: N/a

Legal: N/a

Equalities/Diversity N/a

Customer Impact: N/a

Environment and Climate Change: N/a

Consultation/Community Engagement: N/a

Risks: N/a

Officer Contact: Lesley Day

Designation: Audit, Insurance & Risk Manager

Ext. No. 2821

E-mail: lesley.day@braintree.gov.uk

**INTERNAL AUDIT
COMPLETED ASSIGNMENTS to 5th March 2013**

Type	Topic	Days Taken	Recommendations			Key Controls Covered	High Priority recommendations	Agreed Implementation date	Audit Opinion
			L	M	H				
Core system - review	Cash and Bank	7			1	<ol style="list-style-type: none"> 1. Cash and other cashable orders are held securely. 2. All remittances received are properly recorded. 3. All cash income is properly accounted for and banked in full. 4. Payments are properly authorised. 5. Cash balances are accurate and agree to recorded cash transactions. 6. There is adequate segregation in the cash receipting, recording and authorising process. 7. Fraud & Corruption checklist 8. Information security management 	Implement a process of checking receipts issued for the Discovery Centre casual bookings to expected hire charges and cash banked	December 2012	We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan.
Core system - review	NDR	7.5			2	<ol style="list-style-type: none"> 1. The NNDR billing list is accurate and amendments are up to date. 2. Relief and allowances claimed by ratepayers are valid. 3. Annual billing and amendments are properly calculated. 4. Credit control and arrears recovery processes are adequate. 5. Refunds of overpayments are valid and properly authorised. 6. Write off of debt is properly authorised. 7. Amounts due are properly recorded. 	<ol style="list-style-type: none"> 1. Make best use of limited resources by concentrating on visiting empty properties exempt from unoccupied rates in preference to properties where charges are raised. Identify and visit properties for signs of genuine occupation where periods of occupation appear to be manipulated. 2. Ensure that discretionary relief is awarded in compliance with Scheme authorised by Members in February 2009. Record on s/sheet or application form reasons for 	March 2013	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.

				8. There is adequate segregation in the NNDR billing and cash receipting functions. 9. Fraud & Corruption checklist 10. Information Security Management	percentage awarded. Review wording on application form to ensure clarity.					
Core system - full	Housing Benefits	17.5	<table><tr><td></td><td>1</td><td>1</td></tr></table>		1	1	1. All benefit claims are captured and recorded in the system for processing. 2. Benefit awarded is supported by a valid claim. 3. Benefit awarded is correctly calculated. 4. Payments are made only in respect of awarded benefits. 5. Expenditure and payments are properly recorded. 6. Overpaid benefit is properly recorded. 7. There is adequate segregation in the assessment and payment process. 8. Fraud & Corruption checklist 9. Information Security Management	HB invoice write off requests are authorised by the Benefits Manager and actioned by a second officer.	May 2013	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
	1	1								
Income Stream	Commercial Properties	5	0	Income received in respect of property and commercial assets is accurate			We are satisfied that reliance can be placed on the key controls			
Corporate	Members Balances	.5	0	Review of councillors council tax accounts to ensure that all accounts are up to date prior to the setting of the Council Tax for 2013/2014			All members entitled to vote in respect of the setting of the Council Tax for 2013/2014			
Corporate	National Fraud Initiative	10	n/a	1. Review of each of the 1,034 data match results for this authority matching Council Tax records to Electoral Registration records for Single Person Discount and rising 18s			For information			

				<div>2. Recording all outcomes on the National Fraud Initiative website</div> <div>3. Additional income to council tax accounts of £22,931.51 per financial year as a result of changes applied to single person discounts</div>						
Core system - review	Council Tax	8.5	<table><tr><td></td><td>1</td><td>1</td></tr></table>		1	1	<div>1. The Council Tax billing list is accurate and amendments are up to date.</div> <div>2. Relief and allowances claimed by ratepayers are valid.</div> <div>3. Annual billing and amendments are properly calculated.</div> <div>4. Credit control and arrears recovery processes are adequate.</div> <div>5. Refunds of overpayments are valid and properly authorised.</div> <div>6. Write-offs of debt are properly authorised.</div> <div>7. Council Tax benefits are properly recorded.</div> <div>8. Amounts due are properly corded.</div> <div>9. There is adequate segregation in the Council Tax billing and cash receipting functions.</div> <div>10. Fraud & Corruption checklist</div> <div>11. Information Security Management – as NNDR system</div>	If the Inspector is unable to check status of property or no canvass is returned despite reminders remove relief or discount.	April 2013	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
	1	1								
Corporate	Mi-Community	10.5	0	<div>1. Review of the processes for applications under the scheme ensuring they have examined used set criteria</div> <div>2. Application forms completed in all cases</div>			We are satisfied that reliance can be placed on the key controls			

				3. Applications reviewed by the appropriate officers 4. Approval of the grant applications by the correct officers 5. Approval of the grants by the Locality Working Group 6. Legal agreements signed by the applicant and the council 7. Grant money paid directly to the name stated on the application 8. When approved appropriate review processes in place to ensure that grant money is spent in accordance with the legal agreement			
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H=High A significant weakness which if not addressed, has the potential to undermine the financial and operational management due to risk of serious error, irregularity or inefficiency
M=Medium Where improvements in control are needed to further reduce the risk of undetected errors or irregularities occurring
L=Low To strengthen the overall control environment by building upon existing controls in place or to improve to comply with best practice guidance

Reportable Recommendations - Update

Area of review	Reported recommendations	Due Date	Status
Payroll	Ensure changes are not made to the Establishment unless authorised in accordance with corporate processes, i.e. job evaluation, restructure, recruitment form.	October 2012	Implemented
	Ensure no changes are made to the system prior to receipt of relevant authorised Resource Link form. (Starter, leaver, change)	Immediate	Implemented
	Record qualification checks performed in respect of new starters. Maintain comprehensive personal files.	October 2012	Implemented
	Ensure any instruction to pay at a higher grade is made by an authorised officer prior to issue of confirmation letter.	October 2012	Implemented
	Calculate SMP in accordance with guidelines issued by HMRC with regard to Childcare Vouchers under a salary sacrifice scheme.	Immediate	Implemented
	Clarify calculation methods of plus rates such as stand by, call out, market rates etc. to enable increase in line with pay award if applicable (Equal pay audit result), and authorisation route. (HR or Service). Ensure increases to call out fees are properly authorised prior to payment.	Immediate	Implemented
	Update the leaver process to include sending the list of returnable items to the relevant manager for action. Issue monthly leaver reports in a timely manner.	October	Implemented
	Continue to investigate report design to enable essential monitoring to take place.	Immediate	Implemented

	Ensure all employees starting between 29 March and 3 September are identified and requested to undertake IT Security module on Vision.	November 2012	Implemented
	Agree screen accesses required and arrange consultancy time for menu set up.	October 2012	Implemented
	Agree audit trail requirements in conjunction with Internal Audit and set up within system.	December 2012	Implemented
Sundry Debtors	Credit notes raised should be passed to System Control on a daily basis with all supporting paperwork.	November 2012	Implemented
	Fees and charges to be reviewed annually and submitted for authorisation by Members via Accountancy SU. Calculations of charges to be retained to demonstrate costs are covered.	December 2012	Implemented
	Following increase of periodic charges produce updated list and check rates with second officer.	February 2013	Implemented
	Agree content of Data Protection course to enable roll out training to all staff via Vision e-learning.	December 2012	Outstanding
Property & Commercial Rents	Undertake an annual reconciliation of asset database rental values to invoices raised values.	January 2013	Pending
Cash and Bank	Implement a process of checking receipts issued for the Discovery Centre casual bookings to expected hire charges and cash banked	December 2012	Implemented

External Auditors - Planning Letter 2013/2014		Agenda No: 8
Portfolio Area: Corporate Priority – We deliver excellent, cost effective and valued services		
Report presented by: PKF		
Report prepared by: PKF		
Background Papers:		Public Report: Yes
Options: N/a		Key Decision: No
Executive Summary:		
The attached Planning Letter 2013/2014 has been received from PKF which includes the proposed audit fees, proposed work and planned outputs.		
Decision:		
Members are asked to note the Planning Letter 2013/2014.		
Purpose of Decision:		
To advise Members of the Planning Letter 2013/2014.		

Corporate Implications	
Financial:	N/a
Legal:	N/a
Equalities/Diversity	N/a
Customer Impact:	N/a
Environment and Climate Change:	N/a
Consultation/Community Engagement:	N/a
Risks:	N/a
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Risk Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

Planning Letter 2013/14

REPORT TO GOVERNANCE COMMITTEE

Braintree District Council

MARCH 2013



Proposed audit fees

INTRODUCTION

We are required to report to you our proposed fees and programme of work for the 2013/14 financial year.

The fee is based on the work required under the Audit Commission's *Code of Audit Practice* and our assessment of audit resource required to complete this work, taking into account the strength of your control environment, coverage of internal audit work and previous audit experience.

The audit fee covers the audit of the financial statements and the value for money conclusion.

PROPOSED FEES

A summary of the proposed fee, and how it compares to the current published Audit Commission draft Scale fee for 2013/14 and the current proposed fees for 2012/13, is shown below:

AUDIT AREA	PROPOSED FEE 2013/14 (£)	CURRENT PROPOSED 2012/13 FEE (£)
Code audit fee		
• Scale fee	78,774	78,774
• Variation to scale fee	0	0
Total Code audit fee	78,774	78,774
Certification fee		
• Scale fee	19,555	23,200
• Variation to scale fee	0	0
Total certification fee	19,555	23,200
Total proposed fees	98,329	101,974

BILLING

Your Code audit fee will be billed in four equal, quarterly instalments of £19,693.50 commencing in June 2013. Fees for the certification of grant claims and returns are billed on completion of the certificate for each claim or return.

AUDIT COMMISSION SCALE FEE

In December 2012 the Audit Commission published a consultation document setting out the work programme for Local Government audited bodies during 2013/14, with the associated scales of audit fees. The Commission plans to publish the final work programme and scales of fees for 2013/14 in April 2013.

The Commission has not planned to make any changes to the work programme for Local Government for 2013/14 and so the scale audit fees proposed for Code audit work have been set at the same level as the fees applicable for 2012/13.

The Audit Commission's regime for the certification of grant claims and returns is currently under review and although a draft scale fee for this work has been published, as included in the table above, this could be subject to amendment once the final certification arrangements are confirmed.

The Commission has committed to undertaking an annual review of the work programme and fees and so will be revisiting scale fees for future years in due course.

VARIATION TO PUBLISHED SCALE FEE

We have not proposed variation to the Code audit scale fee for 2013/14 of £78,774 is in line with the scale fee. The proposed fee for certification work for 2013/14 of £19,555 is in line with the scale fee. This has reduced further from 2012/13 as there will be no requirement to certify a National Non Domestic Rates Return in 2013/14.

QUESTIONS AND OBJECTIONS

Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

NON-CODE ASSURANCE AND ADVISORY WORK

We have not proposed undertaking any non-Code work.

CHANGES TO PROPOSED WORK AND FEES

If we need to propose any amendments to the audit fee during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Head of Finance and seek approval from the Audit Commission for a proposed variation of fee. If necessary we will also prepare a report outlining the reasons why the fee needs to change, for discussion with the Committee.

Proposed work

INTRODUCTION

A separate Audit Plan will be issued once we have completed our detailed risk assessment and the audit of the 2012/13 financial statements. This will detail the significant financial statements risks and value for money risks that we have identified, our planned audit procedures to respond to those risks and any associated changes in fee.

In this Planning Letter we outline the proposed work programme.

FINANCIAL STATEMENTS

Our audit strategy proposes that we obtain assurances over the financial statements using a combination of testing the effectiveness of the Council's internal controls, testing a sample of transactions and balances in the financial statements, and undertaking analytical procedures.

We will seek to rely on the work of any management expert used to prepare items in the financial statements, such as land and property valuations provided and pensions actuaries for valuation of the Council's share of the pension fund assets and liabilities.

To date, we have noted the following that may impact on our proposed approach to the audit of the financial statements for 2013/14:

- Impact of localisation of business rates and council tax on the Collection Fund.

VALUE FOR MONEY

We are required to assess the Council's arrangements to:

- secure financial resilience: the organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- challenge how it secures economy, efficiency and effectiveness: the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have noted the following that may impact on our value for money audit:

Medium term financial strategy

Government continues to reduce funding for local government over the Spending Review period, and combined with additional pressures arising from demographic and other changes, will have a significant impact on councils.

Changes to the arrangements for funding council tax support and the business rate retention scheme also brings added uncertainty to the medium term financial strategy.

Planned outputs

REPORTS AND OPINIONS

We plan to issue the following reports and opinions over the course of the audit:

- Audit Plan (January 2014)
- if appropriate, report on significant deficiencies in internal controls (May 2014)
- Annual Governance Report (September 2014)
- auditor's report with opinion on the financial statements and value for money conclusion (September 2014)
- assurance statement on the Whole of Government Accounts return (September 2014)
- Annual Audit Letter (October 2014)
- grant claims and returns certification report (January 2015).

Audit team

KEY MEMBERS OF THE AUDIT TEAM

Engagement Lead – Lisa Clampin

email: lisa.clampin@uk.pkf.com Tel: 01473 320716

Lisa will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Engagement Manager – Alison Langridge

email: alison.langridge@uk.pkf.com Tel: 01473 320752

Alison will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

Team Leader – Sam Mason

email: sam.mason@uk.pkf.com Tel: 01473 320795

Sam will lead the delivery of the financial statements audit.

CLIENT SATISFACTION

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Lisa Clampin in the first instance. Alternatively, you may wish to contact our Managing Partner, Martin Goodchild. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

Counter Fraud Strategy		Agenda No: 9
Portfolio Area:	Corporate Priority – We deliver excellent, cost effective and valued services	
Report presented by:	Lesley Day, Audit Insurance & Risk Manager	
Report prepared by:	Lesley Day, Audit Insurance & Risk Manager	
Background Papers:	Public Report Yes	
Protecting the Public Purse 2012 published by the Audit Commission in November 2012 Published Policies and procedures		
Options: N/a	Key Decision: No	
Executive Summary:		
As a result of the Audit Commission’s publication – ‘Protecting the Public Purse 2012’ a Counter Fraud Strategy has been produced which brings together all our current policies and procedures.		
This Strategy has been established to promote and facilitate the development of controls that will promote and aid the prevention and detection of theft, fraud, corruption or bribery against Braintree District Council. This strategy will add value by consistently promoting efficient, economic and effective organisational behaviour.		
The Strategy covers Members, staff, contractors, suppliers and partners together with Housing Benefit and Council Tax Benefit / Local Council Tax Support Fraud.		
Decision: Members are asked to approve the Counter Fraud Strategy.		
Purpose of Decision:		
To ensure that the Authority has an approved Counter Fraud Strategy.		

Corporate Implications	
Financial:	N/a
Legal:	N/a
Equalities/Diversity	N/a
Customer Impact:	N/a
Environment and Climate Change:	N/a
Consultation/Community Engagement:	N/a
Risks:	N/a
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Risk Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

Braintree District Council

Counter-Fraud Strategy

March 2013

Introduction

This strategy has been established to promote and facilitate the development of controls that will promote and aid the prevention and detection of theft, fraud, corruption or bribery against Braintree District Council. This strategy will add value by consistently promoting efficient, economic and effective organisational behaviour.

To deliver the Council's ambitions we need to maximise the financial resources available to us. In order to do this we must reduce fraud, theft, corruption and bribery to an absolute minimum. The Council recognises its responsibility to protect public funds and we will endeavour to implement secure systems and promote high standards of conduct. We will investigate and seek the strongest possible sanctions against those who seek to defraud or steal from the Council. This includes our own Members, officers, contracting partners and external individuals and organisations the Council does business with.

For a counter-fraud culture to be come established within any organisation, all staff must buy into the reasons why combating fraud is important. They need to understand where the boundaries are between what is and is not acceptable, see that preventing and dealing with fraud is important to the organisation in practice and that doing so is an integral part of everyone's role within the organisation.

The Council's affairs are open to scrutiny by a variety of external bodies and people, for example:

- The External Auditor is required to ensure that the Authority has adequate arrangements for the prevention and detection of fraud and corruption
- The public as Council Tax payers and service users
- Business community
- Annual inspection of accounts
- Publication of data as part of the Government's transparency agenda
- Her Majesty's Revenue and Customs
- Local Government Ombudsman

Scrutiny of services and this strategy is through the Council's:

- Overview and Scrutiny Committee
- Governance Committee
- Section 151 Officer of the Local Government Act 1972
- Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.

Policies and Procedures

This Strategy is supported by a number of separate policies and procedures:

- Fraud, Corruption and Dishonesty Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Prosecution Policy
- Risk Management Strategy
- The Constitution
- Code of Conduct for Members
- Code of Conduct for Staff including Gifts and Hospitality
- Code of Practice for Members engaged in the determination of planning applications
- Code of Conduct for Members – Gifts and Hospitality
- Disciplinary Procedures
- Declaration of Staff Interests
- IT Security Policy
- Procurement and Contracting Procedures
- Recruitment Procedures

Scope of the Strategy

This strategy and its supporting policies apply to any irregularity or suspected irregularity involving Members, employees, consultants, suppliers, contractors, and outside agencies doing business with the Council. Also employees of such agencies and/or any other parties with a business or in a formal partnership relationship with the Council.

Culture

Braintree District Council is determined that the culture and tone of the organisation is one of openness, honesty and opposition to theft, fraud, corruption and bribery. There is an expectation and requirement that Council Members, Chief Officers and staff, at all levels, will lead by example in these matters and that all individuals and organisations associated in whatever way with the Council, will recognise this strategy and policies.

Under Section 17 of the Crime and Disorder Act, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work and do all that is reasonably can to prevent crime and disorder in the Braintree District Council area. This strategy is based on deterrence, prevention, detection, investigation and sanctions and promotes this culture across all our activities.

The Council takes a robust approach to anti-fraud and corruption measures. Fraud prevention and system security is an integral part of the development of new systems, strategic and operational risk management and ongoing operations. Chief Officers will consider the theft, fraud, corruption and bribery threats and take advice where appropriate, when implementing any financial or operational system.

The robust approach extends to the investigation of allegations and the prevention of theft, fraud, corruption and bribery through system reviews. The Internal Audit team provides the Council's fraud investigation and system audit functions. They act to promote the deterrence, prevention, detection, investigation, sanctions and redress of such activity. The arrangements also take into account relevant requirements and professional guidance relating to money laundering and terrorist financing. In addition, the team is free to work with other agencies in the pursuance of the Council's anti-fraud and corruption aims.

Any investigation activity that is required will be conducted without regard to the suspected wrongdoer's length of service, position/titles or relationship to the Council.

Actions Constituting Theft, Fraud, Corruption and Bribery

For the purpose of this strategy:

Theft is defined as 'A person is guilty of theft, if he/she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it. For the Council theft can include 'theft of resources, funds or assets (including information) from the Council or its clients'.

Fraud is defined as 'the intentional distortion of records for gain'. In addition to the laws on theft, the Fraud Act 2006 defines three types of fraud:

- False representation
- Failing to disclose information
- Abuse of position

Corruption is defined as 'any course of action or failure to act by individuals or organisations, public or private, in violation of law or trust for profit or gain.

Bribery is defined as 'the offering, giving, receiving or soliciting of any item of value to influence the actions of an official or other person in charge of a public or legal duty'. Misuse of official position is defined as 'employees or their friends, relatives or acquaintances benefiting inappropriately from exercise of duty'.

The terms for Fraud and Corruption include, but not limited to:

- Any dishonest or fraudulent act
- Theft of funds, investments, supplies, data, intellectual property or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of 'insider' knowledge of the Council's activities
- Accepting or seeking, offering or giving anything of material value from/to contractors, suppliers or persons providing services/materials to/from the Council
- Destruction, removal or inappropriate use of records, furniture, fittings and equipment
- Abuse of IT equipment, systems, software or security procedures
- Any similar or related irregularity

The terms for Bribery specifically include, but are not limited to:

- Giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so
- This can include seeking to influence a decision maker by giving some kind of extra benefit to that decision maker rather than by what can legitimately be offered as part of a tendering process.

Deterrence – The Corporate Framework

Chief Officers have a duty to protect their service area on a risk assessed basis from losses due to theft, fraud, corruption or bribery and are responsible for implementing proper internal controls and risk management arrangements.

The corporate framework which underpins the operation of the Council has a number of components that exist to protect the Council against losses and reputational damage from theft, fraud, corruption or bribery and act as a deterrent. These include:

- An established Governance Committee whose remit covers Audit and Standards
- An adopted Code of Conduct for Members
- The Constitution including Financial Procedure Rules, Contract Procedure Rules
- The Council's Constitution is published on the Council's web site
- A dedicated Internal Audit Team whose work programmes include proactive work
- A dedicated Benefit Fraud Team whose work programmes include proactive work
- Participation in National Anti-Fraud initiatives, for example, National Fraud Initiative.

- Risk Management arrangements including Strategic and Operational Risk Registers
- Effective Disciplinary procedures
- Effective Recruitment procedures

Our Members

The role of our Members in this strategy is to:

- Act in a manner which sets an example to the community whom they represent and to the staff of the Council.
- To conduct themselves in ways which are beyond reproach, above suspicion and are fully open and accountable
- Champion and promote this strategy and the zero tolerance culture towards theft, fraud, corruption and bribery
- Raise matters of concern that may come to their attention during their work
- Encourage the public to report concerns or to pass on concerns raised by the public to the appropriate officer.

Prevention

Our Members are required to operate within the:

- Council's Constitution
- Members Code of Conduct
- Sections 94-97 of the Local Government Act 1972
- Local Authorities Members' Interest Regulations 1992 (S.I.618)

These matters and other guidance are specifically brought to the attention of Members at the Induction Training for new Members.

Detection

Through Internal Audit reviews and the work of the Monitoring Officer, the Council will ensure that the possibility of theft, fraud, corruption or bribery is considered in all vulnerable areas and appropriate tests are devised to detect them. All Members are encouraged to contact Internal Audit with any such suspicions they have or are advised of.

Investigation

Any allegations of theft, fraud, corruption or bribery made against our Members will be fully investigated in accordance with the provisions of the Local Government Act 2000 and any subsequent statute or codes of practice. The Governance Committee has overall responsible for Members misconduct.

The Council will fully assist the Governance Committee or other law enforcement agencies with any investigation concerning a Member.

Allegations about Members that are received by Internal Audit will be referred immediately to the Monitoring Officer.

Sanctions and Redress

The Council will utilise its own Governance Committee to the fullest extent to promote high standards and regulate the conduct of its Members and will take action as they deem to be appropriate.

Our Staff

The role of our staff in this strategy is:

- To raise concerns in the knowledge that they will be treated in confidence and properly investigated. Normally reporting matters to their Service Unit Manager, Chief Officers or Internal Audit.
- To conduct themselves in ways which are beyond reproach, above suspicion and are fully open and accountable.
- For Chief Officers and Service Unit Managers to be aware of the appropriate financial procurement and other anti-fraud regulations and to be responsible for raising awareness of policies, procedures and ensuring conformance to them, by the staff, suppliers etc. for whom they are responsible.

Our staff play an important role in our approach to minimising the risk of theft, fraud, corruption and bribery and they are positively encouraged to raise any concerns that they may have on these issues where they are associated with the Council's activities.

Prevention

The Council recognises that its systems are vulnerable from attack from within the organisation, particularly by those who may gain 'inside' knowledge of potential control weaknesses through their official position. Prevention is better than cure and all managers must ensure that as far as possible and on a risk assessed basis, their systems are adequately protected by sound internal controls. It is the responsibility of all managers to establish and maintain systems of internal control and to ensure that the Council's resources are properly applied, including:

- Staff are expected to follow any Code of Conduct related to their Professional Institute
- Officers Code of Conduct

- Staff must comply with Section 177 of the Local Government Act 1972 regarding the disclosure of pecuniary interests in contracts relating to the Council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration
- The Audit, Insurance & Risk Manager will ensure that an adequate and effective internal audit is undertaken of the Council's systems and processes. Internal Audit assists managers to implement proper controls and remedy control failures.

The Council will ensure that procedures relating to staff conduct and disciplinary processes are robust and are followed.

Recruitment

Making checks to assess and assure the trustworthiness, integrity and likely reliability of prospective employees and advising applicants that such checks may be made, is a standard part of the recruitment process. This is an integral part of a robust counter-fraud culture.

Effective pre-employment checks involve checks to validate identity, right to work in the UK, qualifications and work history. They may also include criminal record checks (UK and overseas).

Detection

It is the responsibility of Chief Officers, managers and all staff to prevent and detect theft, fraud, corruption or bribery. It is often the alertness of staff, Members and the public that enables detection to occur and the appropriate action to take place when there is evidence that such events may have been committed or may be in progress. Despite the best efforts of managers and auditors, instances of theft, fraud, corruption or bribery are discovered by chance or 'tip off' and the Council has in place arrangements to enable such information to be properly dealt with. These arrangements include the Whistleblowing Policy and the Report a Fraud free phone or submission of details via the Council's website.

Through Internal Audit reviews and the work of the Monitoring Officer, the Council will ensure that the possibility of theft, fraud, corruption or bribery is considered in all vulnerable areas and appropriate tests are devised to detect them. All Internal Audit reviews will have a regard to the possibility of theft, fraud, corruption and bribery and ensure coverage of system controls and potential risk areas.

The Council actively encourages staff to whistle blow on colleagues who are suspected of committing theft, fraud, corruption or bribery. All members of staff are encouraged to contact Audit Insurance & Risk Manager with any suspicions.

Investigation

Any allegations of theft, fraud, corruption or bribery made against our staff will be fully investigated in accordance with the Council's disciplinary procedure, statute or codes of practice.

The Council will fully assist law enforcement agencies with any investigation concerning an employee.

The Audit, Insurance and Risk Manager will examine all allegations on a risk assessed basis and will normally expect to deal with staff under the Disciplinary Procedure.

Where financial impropriety is discovered, the Council will consider whether or not it would be appropriate to refer the matter to the Police and/or arrangements made, again where appropriate, for the prosecution of offenders by the Crown Prosecution Service.

Internal Audit will investigate any allegation that may have a direct or indirect impact on the finances for which we are responsible. This will include cases where staff may have financial information relating to organisations which are or have been funded by the Council or with whom the Council has a contract.

Staff have a duty to assist the Council with any matter under investigation. Internal Audit has the authority to access such premises, property, documents and assets as it considers necessary and to receive from any Council Officer, agents or contractors appointed by the Council, such information and explanations as are necessary for the purpose of the investigation.

Sanctions and redress

The Council will seek the strongest available sanctions against any employee who commits theft, fraud, corruption or bribery against the Council or the public purse. The Chief Officer will take appropriate disciplinary action against the employee. We will seek to use the full extent of the penalties or sanctions allowed for in the disciplinary procedures or through legal action if required.

Our Contractors, Suppliers and Partners

Chief Officers and Managers are expected to be aware of the appropriate financial procurement and other anti-fraud regulations and to be responsible for raising awareness of policies, procedures and ensuring conformance with them by contractors, suppliers and partners for whom they are responsible.

Those organisations supplying or undertaking work on behalf of the Council are expected to maintain strong anti-fraud and corruption principles as set out in this strategy. Through contract documentation we will ensure that our partners take the issue of theft, fraud, corruption or bribery seriously.

Our suppliers, contractors and partners will be expected to:

- Have adequate recruitment procedures and controls when their staff are handling finance and data on behalf of the Council
- Be responsible for any losses affecting Council funds attributable to their employees

These expectations will be written into all contract terms and agreements where appropriate and we ask our partners to recognise the Council's strategy.

Prevention

The Council expects our suppliers, contractors and encourages our partners to have adequate controls in place to prevent, minimise and detect theft, fraud, corruption or bribery. The Council can provide support and training to our community partners to help them implement proper controls and protect the funds they administer.

The Council encourages a strong ethical and counter fraud culture and that contractors, suppliers and partners have high levels of awareness and recognise their responsibilities to protect the organisation and its resources. It also encourages staff within the contracting organisation to have confidence in the whistle blowing arrangements and feel safe to make a disclosure.

Detection

All contractors, suppliers and partners are encouraged to contact the Audit Insurance & Risk Manager with any suspicions.

Where our suppliers, contractors and partners are involved with the administration of our finances or data, they are responsible for:

- Ensuring there are adequate and effective systems of internal control and risk management in place to give a reasonable expectation that theft, fraud, corruption or bribery would not be expected.
- Providing adequate evidence of suitably qualified reviews on functions and transactions concerning our finances or data or to allow us to conduct internal audit reviews and pro-active theft, fraud, corruption or bribery detection exercises if requested by us.

Investigation

Our suppliers, contractors and partners will be expected to participate fully with any investigation by the Council or the Police and provide full access to their financial records as they relate to our finances and their staff will be

asked to assist fully with any investigation and prosecution if required. These conditions will be included in any contract terms or agreements where possible.

System weaknesses identified as a result of an investigation will be highlighted by Internal Audit. The supplier, contractor or partner organisation will be encouraged to address these issues in a timely way. Failure to implement adequate system controls will be reported to the Governance Committee.

Sanctions and Redress

We will seek the strongest available sanctions against any supplier or contractor's staff who commit theft, fraud, corruption or bribery against the Council or the public purse and we will encourage partners to do the same. We will request that the organisation takes appropriate disciplinary action against the individual and/or we will terminate our trading with the organisation. The Council will seek to use the full extent of the penalties or sanctions allowed for in the contract, service level agreement, partnership agreement or through legal action if required.

Housing Benefit and Council Tax Benefit / Local Council Tax Support Fraud

We will:

- do all we can to deter people from making fraudulent claims
- identify possible fraudulent claims and investigate as soon as possible
- consider whether to apply a sanction including prosecuting the offender(s)
- publicise successful prosecution cases on the Council's website
- compare data with the Audit Commission, the Department for Work and Pensions and other sources to identify possible irregularities

The Council has a dedicated Fraud Team covering Housing Benefit and Council Tax Benefit / Local Council Tax Support.

Detection

Referrals are received from the Housing Benefit Section, based upon one of the following:

- suspected fraudulent overpayments or documents.
- further overpayments following sanction given within past 5 years
- HBMS (Housing Benefit Matching Service) where above applies
- Where a Land Registry check has been made for new applicants and details of landlord do not agree

Other referrals are received from:

- Job Centre Plus. On occasions we may be invited to participate in joint investigations with DWP and we can also invite DWP on our investigations.
- Data matches resulting from the National Fraud Initiative
- Other BDC staff
- Other local authorities
- Landlords
- Members of the public, either by letter, phone call or via the Fraud reporting line

Investigation

Where the Investigators consider that a fraud may have occurred the recipient(s) are invited to an 'Interview Under Caution' which is a recorded interview. This recording is then used as part of the case file adjudication and evidence if the matter proceeds further.

Sanctions and redress

All referrals are reviewed by the Audit, Insurance & Risk Manager and a decision (based on the circumstances of each case) is made which will result in one of the following:

- No further action
- An invitation to accept an Administrative Penalty
- Refer for Prosecution

Outside Contacts

It is essential to maintain vigilance in the light of the rapid increase in recent years of frauds perpetrated against local authorities. The necessity to liaise between organisations has become paramount and some of these include:

- Police Forces
- Essex Audit Group
- Cambridge Audit Group
- Essex and Hertfordshire Investigations Group
- Local Authority Investigators Group
- National Anti-Fraud Network
- Essex Insurance Officers Group
- Essex Insurance & Risk Group
- Department for Work & Pensions
- Audit Commission
- External Auditor

Ways to report Suspensions

Any one concerned about possible theft, fraud, corruption or bribery concerning the Council is encouraged to report concerns either in person, by letter, e-mail or by telephone as below:

- in person asking for a member of Internal Audit at Causeway House, Bocking End, Braintree, Essex. CM7 9HB
- by letter to Audit, Insurance & Risk Manager, Braintree District Council, Causeway House, Braintree, Essex. CM7 9HB
- by email: lesley.day@braintree.gov.uk or fraud@braintree.gov.uk
- by telephone to either:

Audit, Insurance & Risk Manager on 01376 557821 or

Internal Audit on 01376 557825

- A 24 hour Freephone Fraud line – 0800 7811355
- On-line form at www.braintree.gov.uk

We treat all concerns seriously, confidentially and explain what will happen next. If the person reporting the concern prefers to remain anonymous this will be respected but it may significantly limit our ability to investigate the concerns and respond back to the person.

For those that do feel uncomfortable to raise their concerns through any of these routes, they may wish to raise them through Public Concern at Work which can be contacted on 020 7404 6609 or at www.pcaw.co.uk, a registered charity whose services are free and strictly confidential.

Governance Committee Self-Assessment		Agenda No: 10
Corporate Priority: We deliver excellent, cost effective and valued services		
Report presented by: Lesley Day, Audit Insurance & Risk Manager		
Report prepared by: Lesley Day, Audit Insurance & Risk Manager		
Background Papers: Audit Committees – Practical Guidance for Local Authorities		Public Report
Options: To complete or not the self-assessment		Key Decision: No
<p>Executive Summary:</p> <p>This self-assessment is part of a toolkit which has been produced to build on the work already done by CIPFA and the guidance provided in its publication <i>Audit Committees – Practical Guidance for Local Authorities</i>. The toolkit is intended to provide a more detailed set of advice, give examples and suggest good practice to assist both officers and members who are involved in the establishment and operation of an audit (governance) committee.</p> <p>The majority of the self assessment (appendix 1) has been completed but there are remaining parts where members of the Governance Committee need to give their opinion and to identify any areas where an improvement plan may be necessary.</p> <p>The Governance Committee may wish to consider a separate self-assessment in relation to its responsibilities for Standards.</p>		
<p>Decision:</p> <ol style="list-style-type: none"> 1. To review the sections of the self-assessment that have been completed to date. 2. To determine the Committee's responses to the remaining issues in the self assessment. 3. Identify future training needs as appropriate. 4. To determine whether a separate self-assessment in relation to the Committee's responsibilities for Standards is required. 		
<p>Purpose of Decision:</p> <p>To assist Governance Committee Members with advice and good practice in carrying out the self-assessment.</p>		

Corporate implications	
Financial:	None
Legal:	None
Equalities/Diversity	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Lesley Day
Designation:	Audit Insurance & Risk Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

CIPFA: SELF-ASSESSMENT CHECKLIST

MEASURING THE EFFECTIVENESS OF THE GOVERNANCE COMMITTEE March 2013

ISSUE	YES	NO	N/A	COMMENT
Terms of Reference				
Have the committee's terms of reference been approved by full council?	√			
Do the terms of reference follow the CIPFA model?	√			
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme?	√			Approved by Governance Committee – 29th March 2012
Is the annual report, from the head of audit, presented to the committee?	√			Presented to Governance Committee – 28 th June 2012
Are summaries of quality questionnaires from managers reviewed?			√	No questionnaires issued following individual audits.
Is the work of internal audit reviewed regularly?	√			Quarterly activity reports submitted to the Governance Committee together with a Reportable recommendations monitor
External Audit Process				
Are reports on the work of external audit and other inspection agencies presented to the committee?	√			All external auditors and other inspection agency reports submitted to Governance Committee
Does the committee input into the external audit programme?	√			Presented to Governance Committee by PKF

<p>Does the committee take a role in overseeing:</p> <ul style="list-style-type: none"> • Risk management strategies • Internal control statements • Anti-fraud arrangements • Whistle-blowing strategies 	<p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>Strategic Risk Management review reports twice per annum and operational risks report annually.</p> <p>Annual Governance Statement submitted for approval</p> <p>Various policies approved by Committee, annually reviewed by Audit, Insurance & Risk Manager and reference included in Annual Internal Audit Report submitted to the Governance Committee</p>
Membership				
Has the membership of the committee been formally agreed and a quorum set?	√			Approved at the Council AGM on 26 th April 2012
Is the chair free of executive or scrutiny functions?	√			
Are members sufficiently independent of other key committees of the council?	√			<p>Cllr Lager</p> <p>Local Development Framework Sub-Committee</p> <p>Cllr Money</p> <p>Local Development Framework Sub-Committee</p> <p>Witham Park Management Advisory Group</p> <p>Witham United Charities</p> <p>Maltings Lane Forum</p> <p>Cllr Rice</p> <p>First Stop Group (New Directions)</p> <p>Cllr Santomauro</p> <p>Braintree United Charities</p> <p>Cllr Thompson</p> <p>Maltings Lane Forum</p>
Have all members' skills and experiences been assessed and training given for identified gaps?				

Can the committee access other committees as necessary?	√			No limitations are in force
Meetings				
Does the committee meet regularly?	√			4 meetings per financial year timed to coincide with various deadlines and external audit reports
Are separate, private meetings held with the external auditor and the internal auditor?	√			The opportunity remains should the Internal Audit or External Audit Managers request such.
Are meetings free and open without political influences being displayed?	√			Refer to minutes of Governance Committee meetings
Are decisions reached promptly?	√			Refer to minutes of Governance Committee meetings
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	√			
Does the committee have the benefit of attendance of appropriate officers at its meetings?	√			All appropriate officers attend each Governance Committee meeting
Training				
Is induction training provided to members?	√			
Is more advanced training available as required?	√			Training undertaken: Understanding and reviewing the Statement of Accounts (September 2012)
Administration				
Does the authority's s151 officer or deputy attend all meetings?	√			Corporate Director or Head of Finance attends all meetings
Are the key officers available to support the committee?	√			Committee members have access to all key officers

Governance Committee Annual Report 2012/2013		Agenda No: 11
Corporate Priority: We deliver excellent, cost effective and valued services Report presented by: Lesley Day, Audit Insurance & Risk Manager Report prepared by: Lesley Day, Audit Insurance & Risk Manager		
Background Papers: Governance Committee Reports		Public Report: Yes
Options: N/a		Key Decision: No
Executive Summary: To present to the Governance Committee a report summarising its activities during the 2012/2013 civic year with a view to the report being presented at Council. The report includes details of the routine audit and accounts business that came before the Committee together with the annual cycle of governance reports.		
Decision: Members are recommended to: <ul style="list-style-type: none"> a) Consider the report and make any amendments as necessary and b) Approve the report to be presented to Council 		
Purpose of Decision: To agree a report on the Committee's activities during 2012/2013 and to approve its presentation to Council.		

Corporate Implications	
Financial:	None
Legal:	None
Equalities/Diversity	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Risk Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

The following activities were considered by the Committee during 2012/2013:

AUDIT & GOVERNANCE

Report: Annual Governance Statement 2011/2012

Received for approval the Annual Governance Statement for incorporation into the Statement of Accounts. Regulation 4 of the Accounts and Audit Regulations 2003 require "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

Report: Annual Internal Audit Report 2011/2012

Received the Annual Report on Internal Audit Activity for 2011/2012.

Reports: Internal Audit Activity (quarterly)

Received and noted details of the audit assignments completed together with status updates in respect of Reportable Recommendations.

Report: Annual Audit Letter 2011/2012

Received the external auditor's Annual Audit Letter covering the Council's financial audit. The Committee receives the report on behalf of the Council and may make observations to cabinet who can decide to take action to make improvements based on the external auditor's assessment.

Report: Internal Audit Strategic Plan 2013/2017

Received and approved the Internal Audit four year plan supported by Risk Assessment.

Reports: External Audit Plan 2012/2013

Audit Commission Work Programme and Scale of Fees 2012/2013 External Audit Fee Letter

Received and noted PKF External Audit Plan including fees.

Report: Grant Claim Certification year end 31/03/12

Received a report from our external auditors summarising the main issues arising from the certification of grant claims for the financial year ending 31st March 2012.

Report: Protecting the Public Purse 2012

Received the Audit Commission's report together with an assessment of controls and processes at Braintree. Agreed on action plan to address areas identified as requiring improvement. Approval of the Anti-Fraud Strategy.

RISK MANAGEMENT

Report: Strategic Risks

Received a report detailing the review of the Council's Strategic Risk Register by Management Board and Cabinet together with details of how the significant business risks are being monitored and managed by Management Board in line with the Council's Risk Management Strategy.

Report: Operation Risks

Received details of the annual review of the Council's Operational Risks.

MONITORING AND FINANCE

Report: Receipt of the Statement of Accounts for 2011/12 together with the External Auditor's Annual Governance Report

Considered and approved the draft Statement of Accounts for 2011/2012 which were subject to external audit.

The external auditor's report is presented to the Governance Committee in accordance with the provisions of International Standards on Auditing (UK & Ireland) 260 Communication with Those Charged with Governance, ISA 265 Communicating Deficiencies in Internal Control and Management, and the Audit Commission's Code of Audit Practice

Reports: Quarterly Performance Management Reports and Briefings

Noted each quarters Performance Management Reports.
Briefings covering Performance and Project governance, Change Control process and Covalent reporting system

Reports: Financial Indicators (quarterly)

Received and noted details of key financial indicators.
Requested clarifications on a number of issues including write-off policy, debt recovery policies for Business Rates, Council Tax and other debtors.

Report: Treasury Management Annual Report 2011/2012 and Mid-Year Report 2012/2013

Noted and advised Cabinet to accept the reports.

Report: Draft Treasury Management Strategy 2013/2014

Reviewed and provided comments on the draft Strategy prior to its submission to Cabinet.

STANDARDS

Appointment of Standards Sub-Committee and Independent Persons.

COMMITTEE OPERATION

Completed a Committee self-assessment checklist and produced an action plan as required.

Other reports received:

Impact of Foreign Currency Exchange Rates – Icelandic Banks

Consultation on Auditor Appointment from 2012/2013

Council Tax and NNDR – Direct Debit Instalment Error – Investigation report

Forward Look – Twelve months to January 2014		Agenda No: 12
Corporate Priority: We deliver excellent, cost effective and valued services Report presented by: Trevor Wilson, Head of Finance Report prepared by: Trevor Wilson, Head of Finance		
Background Papers: None		Public Report: Yes
Options:		Key Decision: No
Executive Summary: To present to Governance Committee the report schedule for the year with a brief summary of each report so that Members can see the routine audit and accounts business that will come before the Committee in each cycle together with the annual cycle of governance reports. There will be ad-hoc reports added, either at the request of members, the external auditor or from officers, during the year.		
Decision: Members are asked to note the report schedule for the next twelve month period.		
Purpose of Decision: To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming 12 months.		

Corporate Implications	
Financial:	None
Legal:	None
Equalities/Diversity	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No.	2801
E-mail:	Trevor.wilson@braintree.gov.uk

Report Schedule

Date	Report	Summary
26th June 2013	Annual Governance Statement 2012/13	To present for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 4 of the Accounts and Audit Regulations 2003 requires "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".
	Internal Audit Annual Report	To present the Annual Report on Internal Audit for 2012/13 including Regulation of Investigatory Powers Act; compliance with the Council's Information Security Policy; outcomes from the Quality and Compliance reviews undertaken for all services; and details of actions taken under operational risk management.
	Financial Indicators report	To present details of key financial indicators for the year to 31 st May 2013.
	Risk Management – Strategic and Operational Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant business risks being monitored and managed by Management Board in line with the Council's Risk Management Strategy together with details of the annual review of the Council's Operational Risks.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report with the forecast position on revenue spending and the capital programme as at 31 st March 2013.
18th September 2013	Receipt of the Statement of Accounts for 2012/13 together with the External Auditor's Annual Governance Report	To consider and approve the Statement of Accounts for 2012/13, which will have been subject to external audit. The draft Statement of Accounts is due to be certified by Corporate Director, by 30 th June 2013. The external auditor's report provides a summary of the work the external auditor has carried out during their audit of accounts, the conclusions

		they have reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit Committee) at the time they are considering the financial statements. In preparing their report, the Code of Audit Practice requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report with the forecast position on revenue spending and the capital programme as at 30 th June 2013.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Review of Treasury Management Strategy 2013/14	To present a mid-year report on delivery and performance of the Treasury Strategy for 2013/14.
	Financial Indicators report	To present details of key financial indicators for the year to 31 st August 2013.
15th January 2014	Annual Audit Letter 2012/13	To present the Audit Commission's Annual Audit Letter covering the Council's financial audit. The Committee receives the report on behalf of the Council and may make observations to Cabinet who can decide to take action to make improvements based on the external auditor's assessment.
	External Audit Plan 2013/14	To receive external auditors proposed Audit Plan and fees for 2013/14
	Grant Claim Certification for year ended 31 st March 2013	To receive external auditors report
	Draft Treasury Management Strategy 2014/15	To present the draft Treasury Management Strategy for 2014/15. The Audit Committee to review and make observations on the draft to the Cabinet, which will then present the Strategy to Full Council for approval in February 2014.

	Internal Audit Activity report	To present details of the completed audit assignments.
	Financial Indicators report	To present details of key financial indicators for the year to 31 st December 2013.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report with the forecast position on revenue spending and the capital programme as at 30 th September 2013.
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant business risks being monitored and managed by Management Board in line with the Council's Risk Management Strategy.
26th March 2014	Strategic Audit Plan 2013/17	To present the Strategic Internal Audit Plan for the four year period.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Governance Committee Annual Report	To consider the Committee's Annual report for 2012/13
	Governance Committee self assessment	For members to undertake an evaluation of the Committee's effectiveness.
	Financial Indicators report	To present details of key financial indicators for the year to 28 th February 2013.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report with the forecast position on revenue spending and the capital programme as at 31 st December 2012. Also to receive a verbal presentation on Project Management – Change Control process.

Fraud & Error Controls		Agenda No: 13
Portfolio Area:	Corporate Priority – We deliver excellent, cost effective and valued services	
Report presented by:	Lesley Day, Audit Insurance & Risk Manager	
Report prepared by:	Lesley Day, Audit Insurance & Risk Manager	
Background Papers:	Public Report Yes	
Options: N/a	Key Decision: No	
Executive Summary:		
<p>PKF, as auditors, are required by International Standards of Auditing (ISA) 240 to consider the risk of material fraud occurring, in the audit of financial statements. Those charged with governance (determined to be the Governance Committee at Braintree District Council) have oversight responsibility for systems for monitoring risk, financial control and compliance with the law and, therefore, PKF are required to discuss how this oversight is exercised with the Committee.</p> <p>The ISA requires PKF to consider the answers to two specific questions, which are set out below together with the Committee’s responses last year.</p> <p>1. How do those charged with governance exercise oversight of management processes for identifying and responding to the risks of fraud in the entity and the internal control management that has been established to mitigate these risks.</p> <ul style="list-style-type: none">• Annual Audit Plan and Risk Analysis• Assignment Reports & Reportable Recommendations monitor• Fraud, Corruption & Dishonesty Policy• Whistleblowing Policy• Annual Internal Audit Report• Contract procedure Rules• Financial procedure Rules• Annual Governance Statement• Review of the Strategic and Operational Risk Register <p>2. Details of any actual, suspected or alleged fraud affecting the entity of which those charged with governance are aware.</p> <p>None</p>		

Decision: <p>a) To inform the External Auditors that the responses detailed above are identical for this year or,</p> <p>b) To amend the responses if the Committee considers necessary.</p>
Purpose of Decision: <p>To advise the External Auditors of the Committee's response to the questions raised in relation to the International Standards of Auditing 240</p>

Corporate Implications	
Financial:	N/a
Legal:	N/a
Equalities/Diversity	N/a
Customer Impact:	N/a
Environment and Climate Change:	N/a
Consultation/Community Engagement:	N/a
Risks:	N/a
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Risk Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk