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DATE: 28 June 2017

To: Members of the  
**STANDARDS COMMITTEE**

Councillor Vanessa Allen, Councillor David Livett, Councillor Ian F. Payne,  
Councillor Michael Tickner and Councillor Stephen Wells  
Dr Simon Davey and Mr Nicholas Marcar

A meeting of the Standards Committee will be held at Bromley Civic Centre on  
**THURSDAY 6 JULY 2017 AT 7.00 PM**

MARK BOWEN  
Director of Corporate Services

#### **A G E N D A**

- 1 TO APPOINT A CHAIRMAN AND VICE-CHAIRMAN FOR 2017/18**
- 2 APOLOGIES FOR ABSENCE**
- 3 DECLARATIONS OF INTEREST**
- 4 QUESTIONS FROM MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

In accordance with the Council's Constitution, questions to the Chairman of this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on Friday 30<sup>th</sup> June 2017.

- 5 MINUTES OF THE MEETING HELD ON 5TH DECEMBER 2013 AND MATTERS ARISING**  
(Pages 1 - 4)
- 6 CODE OF CONDUCT**  
(Pages 5 - 20)
- 7 ANNUAL GOVERNANCE STATEMENT**  
(Pages 21 - 54)

**8 LOCAL GOVERNMENT ACT 1972 AS SUBSEQUENTLY AMENDED**

The Chairman to move that the Press and public be excluded during consideration of the items of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of confidential information.

**Items of Business**

**Schedule 12A Description**

**9 APPENDIX TO ITEM 6:  
COMPLAINTS AGAINST COUNCILLORS  
(Pages 55 - 58)**

Information which is likely to reveal the identity of an individual.

## STANDARDS COMMITTEE

Minutes of the meeting held at 7.00 pm on 5 December 2013

### Present:

Councillor Michael Tickner (Chairman)  
Councillor Peter Fookes (Vice-Chairman)  
Councillor Reg Adams and Councillor Peter Dean

### Also Present:

Councillor Nicholas Bennett J.P. and Dr Simon Davey

#### **1 APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN FOR 2013/14**

Councillors Michael Tickner and Peter Fookes were appointed Chairman and Vice-Chairman respectively for 2013/14. Councillor Tickner took the chair.

#### **2 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Gordon Norrie and Nicholas Marcar (independent person).

#### **3 DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **4 MINUTES OF THE MEETING HELD ON 19th JUNE 2012 AND MATTERS ARISING**

**RESOLVED** that the minutes of the meeting held on 19<sup>th</sup> June 2012 be confirmed.

#### **5 QUESTIONS FROM MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

No questions had been received.

#### **6 REVIEW OF THE NEW STANDARDS SYSTEM INTRODUCED BY THE LOCALISM ACT 2011** Report RES13212

The Committee considered a review of the standards arrangements adopted by full Council on 25<sup>th</sup> June 2012 under the Localism Act 2011. The Council had adopted a new code of conduct based on the model provided by the Department for Communities and Local Government, appointed two

independent persons, Dr Simon Davey and Mr Nicholas Marcar, decided to retain a Standards Committee and introduced a “light touch” system for investigating complaints relating to breaches of the Code of Conduct.

The Director of Corporate Services and Monitoring Officer informed the Committee that only half of Councillors had completed their new declaration of interest forms under the 2011 Act. Arguably this was not necessary at this stage unless a new interest arose, but it would be mandatory that the forms were completed within twenty-eight days of the election in 2014. Members suggested that the forms could be made clearer, or a guide could be provided to assist Members, and that Members could be provided with their old declarations to act as a reminder when completing the new forms. Councillor Nicholas Bennett commented that many Members overlooked declaring election expenses and party membership. Another issue was the reluctance of some Members to declare their home address as required. The Director explained that he could direct that addresses were not published on-line, but only where there were very serious and exceptional concerns about personal security. Members accepted that they had to declare their address to stand for election anyway.

The Committee discussed whether a further reminder, backed up with a letter from the Chairman, would be appropriate, but it was considered that with the election only a few months away it would be better to concentrate on ensuring that all Councillors completed their declarations within the twenty-eight day period in 2014.

The new arrangements for dealing with complaints against Councillors included five principles for the investigation of complaints (set out in paragraph 3.17 of the report.) The Committee heard how, since the introduction of the new standards system in July 2012, there had been very few complaints about councillors. It was proposed that the new arrangements should continue with the change that complaints about conduct falling below what is expected should be referred to the member’s party group leader for investigation and resolution. This followed the principle in the new arrangements that Councillors should be self-regulating, and that they should be judged by their peers. Where the complaint related to a group leader then the matter could be dealt with by that group’s representative on the Standards Committee. The outcomes from such investigations would be fed back to the Standards Committee via the Monitoring Officer and independent persons.

The Constitution Improvement Working Group had recommended that the independent persons be re-appointed as members of the Standards Committee with effect from the new Council year in 2014. The Working Group had also stated that the present independent persons should be retained for as long as the Council was lawfully able to do so. The Committee strongly supported re-appointing the independent persons to the Committee.

The Committee also received and noted a copy of the report from Transparency International “Corruption in UK Local Government – The Mounting Risks.”

**RESOLVED that**

- (1) That the Committee endorses the current Code of Conduct and the requirements for declarations of interests.**
- (2) That the Chairman of the Standards Committee writes to all Members after the 2014 election informing them that under the new Code adopted on 25<sup>th</sup> June 2012 they have to complete their Register of Interest forms within twenty-eight days of being elected.**
- (3) That the Committee supports the independent persons being co-opted as members of the Standards Committee from 2014/15 onwards.**
- (4) That the Committee endorses the proposed model for investigating complaints, set out in paragraphs 3.11-22 of the report.**
- (5) That the 2014 Induction for Members includes a session on standards with a surgery session following that, providing support to Members on completing their Register of Interest forms, and with additional guidance being prepared to clarify what is required.**

**7 COUNCILLOR INDUCTION 2014**  
Report RES13211

The Committee was asked for its comments on the arrangements for induction of new councillors in 2014, and in particular how standards issues were to be approached.

With the elections now scheduled to be held on Thursday 22<sup>nd</sup> May 2014, the timetable was likely to be more difficult than in previous years, but it was noted that the local count could be carried out during the day on Friday 23<sup>rd</sup>. If so then immediately upon election, Members would be asked to sign a declaration of acceptance of office (which included an undertaking to comply with the Code of Conduct) and would be provided with vital documents, but induction sessions would probably not commence until the following Wednesday (allowing for the Bank Holiday Monday and group meetings on the Tuesday). The Committee considered that standards issues should be covered in this first induction session.

Members noted the suggestion of extending the biographical information already sought from Members to include information on skills and experience to support the Council's work. There were mixed views about how useful this would be, but it was emphasised that this would be done on a voluntary basis. It was suggested that it would be useful to request details of emergency contacts/next of kin.

Councillor Nicholas Bennett informed the Committee that as Chairman of the Constitution Improvement Working Group he had offered to draw up guidance on communications and social media for councillors.

Members also commented that the “marketplace” idea was useful, and Dr Davey offered to assist with staffing a standards stall.

**RESOLVED that the Committee’s comments as set out above be taken into account in planning the induction arrangements for 2014.**

**8 ETHICAL INDICATORS**  
Report RES13201

The Committee received its regular report on a series of ethical indicators. It was suggested that it would be useful for the Committee to receive a summary of the number of cases where judicial reviews were sought against decisions made by the authority.

**RESOLVED that the information on ethical indicators in the report be noted, and that information on judicial review proceedings taken against the Council be included in future reports.**

**9 COMPLAINTS**

The Director of Corporate Services briefed the Committee on recent complaints made against members of the Council. There had only been three cases in 2012/13 and 2013/14, concerning a planning application, failure to respond to correspondence and declaration of interests; in each case the complaint had been dismissed without the need for investigation.

The Meeting ended at 8.00 pm

Chairman

## London Borough of Bromley

Report  
No.CSD17106

### PART I – PUBLIC

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**Decision Maker:** Standards Committee

**Date:** 6<sup>th</sup> July 2017

**Decision Type:** Non-Urgent                      Non-Executive                      Non-Key

**TITLE:** CODE OF CONDUCT

**Contact Officer:** Graham Walton, Democratic Services Manager  
Tel: (020) 8461 7743      email: graham.walton@bromley.gov.uk

**Chief Officer:** Mark Bowen, Director of Corporate Services

**Ward:** ALL

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1. Reason for report

- 1.1 To advise Members of the Standards Committee on the operation of the standards system at Bromley and to seek Members' views on whether changes are required for the new Council from May 2018.
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## 2. RECOMMENDATIONS

### 2.1 Members' views are sought on whether:

1. they would support a review to the dispensation system to allow a Member with a disclosable pecuniary interest to remain in a meeting provided they did not speak or address the Committee where that right would be available to a member of the public;
2. they wish to retain the need to register gifts and hospitality and, if so, whether they wish to retain the current threshold of £25;
3. they want to revise the details of interests which are registerable under the Code of Conduct;
4. they wish to treat significant interests in the same way as disclosable pecuniary interests;
5. they wish to undertake a recruitment process for the appointment of Independent Persons to support the standards system.

- 2.2. Members are asked to note the position on sanctions available for breaches of the Code of Conduct.

## Impact on Vulnerable Adults and Children

1. Summary of Impact: Not applicable
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## Corporate Policy

1. Policy Status: New and Existing Policy
  2. BBB Priority: Excellent Council
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## Financial

1. Cost of proposal: N/A
  2. On-going costs: Recurring Cost
  3. Budget Head/Performance Centre:
  4. Total current budget for this Head: There is no budget for the Standards Committee
  5. Source of Funding: N/A
- 

## Staff

1. Number of staff (current and additional): N.A
  2. If from existing staff resources, number of staff hours: Work will be dealt with within existing staffing resources. However, the amount of time involved depends on the number of complaints generated by the new system.
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## Legal

- 1) Legal Requirement: Statutory Requirement – Chapter 7 of Part 1 of the Localism Act 2011 imposes a statutory duty to promote and maintain high standards of conduct; to have a Code of Conduct for Members, with a system to investigate breaches; and to maintain a Register of Members' Interests.
  - 2) Call In: Call in is not applicable
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## Procurement

1. Summary of Procurement Implications: Not applicable
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected). The standards system is established to increase public confidence in Elected Councillors.
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## Ward Councillor Views

- 1) Have Ward Councillors been asked for comments: N/A
- 2) Summary of Ward Councillors comments: N/A

### **3. COMMENTARY**

3.1 The Localism Act 2011 made significant changes to the standards system for councillors and co-opted members in England. Following consideration by various Member bodies, the Council adopted the new standards system and Code of Conduct on 25<sup>th</sup> June 2012. A copy of the Code is at [Appendix 1](#).

3.2 In summary, some key points which arose from this:

- The Localism Act made the retention of a Standards Committee optional. The Council resolved to retain the Standards Committee, comprising 5 Members with at least one Member coming from each political group on the council;
- The Code of Conduct adopted was based on a model produced by the Department of Communities and Local Government (DCLG). As was permitted, the Council modified the Code to require Members to declare all interests they were required to under the previous system. Members were also required to register details of gifts and hospitality over £25 in value.
- The Council resolved that Members with a disclosable pecuniary interest were required to leave a meeting room unless they had received a dispensation.
- The legislation required the appointment of at least one Independent Persons to support the standards. The Council appointed two Independent Persons – Dr. Simon Davey and Mr. Nick Marcar.

3.3 The following sections of the report cover areas which members may want to consider in deciding whether or not to retain the Code of Conduct and standards system in Bromley in its present form.

### **4. The Code of Conduct**

4.1 As is outlined above, if a Member has a Disclosable Pecuniary Interest (DPI), they can only participate in a meeting if they have obtained a dispensation to do so. To secure a dispensation, a Member must make an application in writing setting out their reasons for seeking a dispensation. [Appendix 2](#) sets out details of all applications for dispensations considered to date.

4.2 Originally Members resolved that dispensation applications could be considered by the Urgency Committee. However, this was subsequently changed so that the Director of Corporate Services in his capacity as Monitoring Officer, could grant a dispensation if, having consulted all Members of the Urgency Committee, there were no objections to the proposed dispensation. If objections were received, then the Monitoring Officer would need to call a formal meeting of the Committee.

4.3 Overall, the present system appears to be working well. The majority of dispensations sought have been by Members who are interested in planning applications, either because they are the applicant or because they live in close proximity to the development site. In these circumstances it will be usual to grant dispensation as it does no more than place the Member in the same position as a member of the public who has an interest in a planning matter.

- 4.4 Where a Member wishes to use public speaking rights to address the Committee on a planning matter, they can only do so having obtained a dispensation. Bromley can relax the requirements of its Code of Conduct so that if a Member with a DPI who merely wishes to observe a planning application, then, as long as they did not speak or address the Committee, they could remain in the room whilst the application they were interested in was under consideration.
- 4.5 The National Code of Conduct introduced by the Local Government Act 2000 required Members to register gifts and hospitality in excess of £25. The Localism Act 2011 did not require local authorities to retain this provision. However, as is set out in paragraph 3.2 above, Bromley chose to do so. As this is a discretionary provision, Members' views are sought on whether they wish to retain the need to register gifts and hospitality and, if so, whether, as the £25 threshold was introduced nearly 17 years ago, they wish to increase the level for registration.
- 4.6 It is a national requirement that certain pecuniary interests are registered in respect of both the Member and their husband/wife/partner. Members are also required to register the non-pecuniary interests set out in the Code at Appendix 1. However, there is no requirement for Members to register other significant interests relating to members of their family - for example, if a sibling or child has a significant interest in a matter. The Monitoring Officer's view is that Members in Bromley are diligent in advising meetings of such interests. However, although not amounting to DPIs which mean the Member would need to leave the meeting room, Members' views are sought on whether significant interests involving other family members should be treated in the same way as DPIs.

## **5. Investigation of Complaints and Sanctions**

- 5.1 Members agreed to a light touch approach being taken to complaints with the following principles applying:
- Complaints under the Code are addressed to the Monitoring Officer who will take a view on whether a complaint should be dealt with under the Code of Conduct or another process. If a matter is not within the scope of the Code the Monitoring Officer will advise the member, their Group Leader and the complainant providing reasons;
  - If a matter is potentially within the Code an initial filtering is undertaken by the Monitoring Officer, in consultation with the Independent Person, with complaints which are frivolous, vexatious or which do not merit further action being filtered out at that stage with the Group Leader and subject Member being advised accordingly;
  - Complaints not filtered out are sent to the Group Leader/subject Member for comment. The Monitoring Officer will, after consultation with the Independent Person, either respond to the complainant in writing or instigate an investigation. However, the aim of the process should be to ensure a proportionate local response rather than a formal investigation wherever possible;
  - If an investigation reveals no further action is needed the Monitoring officer after consultation with the Independent Person will advise the parties accordingly.
  - Where a hearing is required, this will be within the remit of the new Standards Committee.

5.2 This does not apply to breaches of disclosable pecuniary interests which can only be investigated by the Police with the Director of Public Prosecutions being responsible for deciding whether proceedings would be brought for the criminal offences of either not registering a DPI or inappropriately taking part in a meeting where a Member has a disclosable DPI.

5.3 Prosecutions are usually held in the Magistrate's Court and, to date, only one prosecution has received any publicity. That involved Cllr. Spencer Flower, a former Leader of Dorset County Council and a Councillor at East Dorset District Council. In summary, Cllr. Flower was a non-Executive Director of a housing charity (Synergy Housing) that existed to provide homes for those in need. Between 2010 and 2013, although not receiving a salary, he received remuneration payment of c£29,000. Cllr. Flower quite properly listed his interest as a pecuniary interest at both local authorities.

5.4 However, when Cllr. Flower was present at a meeting at East Dorset, which was considering the East Dorset Core Strategy (a key document in the local plan) he was charged with participating in a vote taken at the meeting because he was considered as a non-Executive Director of Synergy Housing, which has sites affected by the strategy to have a DPI in the matter. Cllr. Flower was convicted, given a 6 month conditional discharge and ordered to pay £390 costs.

5.5 For breaches of the Code of Conduct which are not DPIs then, as was reported to Members when the Code of Conduct was adopted, sanctions are limited. At the time it was considered that, whilst agreement of a Councillor's Group leader and full Council could remove a Councillor from membership of a Committee following it being found that they had breached the Code of Conduct, otherwise the only sanctions felt to be available were censure and adverse publicity. This ties in with the intention of the system introduced by the Localism Act 2011 that the main sanction for general Councillor conduct should be through the ballot box rather than through the standards system. The above position was endorsed by His Honour, Justice Hickinbottom in *Heesom v Public Services Ombudsman for Wales [2014]* where he said :

“there being no common law right for an authority to impose sanctions that interfere with local democracy, on the abolition of these sanctions... a councillor in England can no longer be disqualified or suspended, sanctions being limited to (for example) a formal finding that he has breached the code, formal censure, press or other appropriate publicity, and removal by the authority from executive and committee roles (and then subject to statutory and constitutional requirements)”

5.6 However, the more recent case of Taylor v Honiton Town Council (where Cllr Taylor was accused of making unjustified criticism of the Town Clerk) in 2016 suggested that there may be scope for additional sanctions; for example requiring a Member to undertake further training. His Honour Mr. Justice Edis said:

“There is no point in having a code of conduct if members of the authority are not aware of its meaning and effect and where a member has demonstrated

by his conduct that this is the case, a reasonable amount of training appears to be a sensible measure. A local authority should be able to require its members to undertake training which is designed to enable them to fulfil their public functions safely and effectively.”

He added “There is no finding as to the claimant’s notices and it may be that he acted in good faith, believing that his statement about the town clerk was justified. However, it was not. He accused her of criminal conduct when there was not the slightest justification for doing so. This was a very serious error of judgement. Therefore, a requirement for training was proportionate.”

- 5.7 However, the Learned Judge accepted that, if a Member refused to take up training, the only sanction was again publicity relating to this failing.
- 5.8 It is also significant that sanctions, for example, restrictions preventing Cllr. Taylor speaking meetings, preventing him attending a meeting and speaking as a member of the public or preventing him from attending the Council offices unless accompanied by the Mayor of the Council were not upheld.
- 5.9 There have been relatively few complaints against Bromley Councillors under the Code of Conduct since 2012. Details of these are summarised in the Exempt Appendix 3 to this report. None of the complaints have passed the threshold for investigation, therefore there has not been engagement with the Independent Persons.

## **6. Independent Persons**

- 6.1 The Localism Act 2011 required the Local Authority to have appointed at least one independent person to support the standards system. The provisions prevent individuals who have recently been Members or officers of the authority from being appointed.
- 6.2 Both Dr. Davey and Mr. Marcar were Independent Members of the previous Standards Committee who were retained as independent persons under a dispensation granted in 2012.
- 6.3 As both individuals have served as Independent Persons since 2012, Members may wish to consider whether they want to advertise for the appointment of Independent Persons to take effect from the Annual meeting of the new Council in May 2018. If this were to be the case, then both Dr. Davey and Mr. Marcar could, of course, reapply.
- 6.4 The problem with going through a recruitment process is that there has not been a lot of standards activity in Bromley over recent years. This is the first meeting of the Standards Committee for some time. In addition, the Council has not received a significant number of complaints relating to Members and, as outlined in Section 5.9 above, these have not required the Monitoring Officer to engage with the Independent Persons. Therefore, if both individuals remain willing to serve, an alternative may be to reappoint.

<b>Non-Applicable Sections:</b>	Impact on Vulnerable Adults and Children/Policy/ Financial/Legal/Personnel/Procurement
Background Documents: (Access via Contact Officer)	None

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## **Members' Code of Conduct**

### **LONDON BOROUGH OF BROMLEY CODE OF CONDUCT FOR COUNCILLORS AND CO-OPTED MEMBERS**

You are a member or co-opted member of the London Borough of Bromley and, hence, you shall have regard to the following principles – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Accordingly, when acting in your capacity as a member or co-opted member -

You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

When carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits, on merit.

You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.

You must be as open as possible about your decisions and actions and the decisions and actions of your authority and should be prepared to give reasons for those decisions and actions.

You must declare any private interests, both pecuniary and non-pecuniary, that relate to your public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests in a manner conforming with the procedures set out in the box below.

You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

#### **Registering and declaring pecuniary and non-pecuniary interests**

You must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the

pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

A copy of the current Regulations which sets out details of disclosable pecuniary interests is attached to this Code and will be up-dated as necessary if the Regulations change.

In addition, you must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary or non-pecuniary interest which your authority has decided should be included in the register.

In addition you must:

1. register any gift or hospitality with a value of over £25.00 with the Monitoring Officer within 28 days of receipt. Notification should include details of the gift/hospitality and the identify of the donor;
2. in addition to registering your disclosable pecuniary interests, you should also register the following non-pecuniary interests, namely:
  - (a) membership of outside bodies (as appointed by the Council);
  - (b) membership of other public organisations;
  - (c) membership of charities;
  - (d) membership of campaigning groups, political parties and trade unions.
3. You must notify the Monitoring Officer of any change to your disclosable pecuniary or other interests within 28 days of the change occurring so that your Register of Interests may be kept up-to-date.

If an interest has not been entered onto the authority's register, then the member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'.<sup>1</sup>

Following any disclosure of an interest not on the authority's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. Additionally, you must observe the restrictions your authority places on your involvement in matters where you have a pecuniary or non pecuniary interest as defined by your authority.

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<sup>1</sup> A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

**2012 No. 1464**

**LOCAL GOVERNMENT, ENGLAND**

The Relevant Authorities (Disclosable Pecuniary Interests)  
Regulations 2012

<i>Made</i> - - - -	<i>6th June 2012</i>
<i>Laid before Parliament</i>	<i>8th June 2012</i>
<i>Coming into force</i> - -	<i>1st July 2012</i>

The Secretary of State, in exercise of the powers conferred by sections 30(3) and 235(2) of the Localism Act 2011(a), makes the following Regulations.

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 and shall come into force on 1st July 2012.

(2) In these regulations—

“the Act” means the Localism Act 2011;

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

“director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

“M” means a member of a relevant authority;

“member” includes a co-opted member;

“relevant authority” means the authority of which M is a member;

“relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) or section 31(7), as the case may be, of the Act;

“relevant person” means M or any other person referred to in section 30(3)(b) of the Act;

“securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000(b) and other securities of any description, other than money deposited with a building society.

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(a) 2011 c.20.

(b) 2000 c. 8.

### Specified pecuniary interests

2. The pecuniary interests which are specified for the purposes of Chapter 7 of Part 1 of the Act are the interests specified in the second column of the Schedule to these Regulations.

Signed by authority of the Secretary of State for Communities and Local Government

*Grant Shapps*  
Minister of State

6th June 2012

Department for Communities and Local Government

## SCHEDULE

Regulation 2

<i>Subject</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992(a).
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of

(a) 1992 c. 52.

business or land in the area of the relevant authority; and

(b) either—

(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

#### **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

Section 30 of the Localism Act 2011 provides that a member or co-opted member of a relevant authority as defined in section 27(6) of the Localism Act 2011, on taking office and in the circumstances set out in section 31, must notify the authority's monitoring officer of any disclosable pecuniary interest which that person has at the time of notification. These Regulations specify what is a pecuniary interest. Section 30(3) of the Act sets out the circumstances in which such an interest is a disclosable interest.

A full impact assessment has not been produced for these Regulations as no impact on the private or voluntary sectors is foreseen.

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**LONDON BOROUGH OF BROMLEY**

**REGISTER OF REQUESTS FOR DISPENSATIONS –  
DECISIONS MADE BY THE MONITORING OFFICER**

**LBB Constitution  
Appendix 10 - Scheme of Delegation to Officers  
Part II A. General Authorities**

*“To the Director of Corporate Services, authority to...*

*(xxii) where written applications are received from Members of the Council, to grant dispensations to members to take part in the business of the Authority if the Member has a disclosable pecuniary interest in that business, subject to consultation with Members of the Urgency Committee.”*

<b>Cllr</b>	<b>Request received</b>	<b>Date of Decision</b>	<b>Decision by Mark Bowen, Director of Corporate Services (Monitoring Officer)</b>
Nicholas Bennett JP	30/4/15	20/5/15	That an unconditional dispensation be granted to Councillor Nicholas Bennett J.P. to be allowed to attend and address Plans Sub-Committee No. 1 on 21 <sup>st</sup> May 2015 on his planning application for 18 Upper Park Road, Bromley. The dispensation applies to any subsequent meetings on the same application until the end of the current Council.
Simon Fawthrop	7/7/15	9/7/15	In the absence of any objection or request to refer the matter to a meeting of the Urgency Committee I confirm that you have a dispensation  1. To remain in the room and chair the BAE item if there is any discussion this evening 2. To report the views of the Committee to the Executive  It is on balance appropriate to extend the dispensation to cover any matters which arise from any discussion at E&R tonight or from the Executive decision next week save where they directly affect the employment of Mrs Fawthrop which come back to your committee for the remainder of the municipal year.

Cllr	Request received	Date of Decision	Decision by Mark Bowen, Director of Corporate Services (Monitoring Officer)
Katy Boughey	22/7/15	29/7/15	That an unconditional dispensation be granted to Councillor Katy Boughey to be allowed to attend and address Plans Sub-Committee No. 2 on 30 <sup>th</sup> July 2015 on her planning application for 6 The Meadow, Chislehurst (15/01930). The dispensation applies to any subsequent meetings on the same application until the end of the current Council.  (Decision made by Susan Fraser, Acting Monitoring Officer)
David Livett	19/8/15	26/8/15	That an unconditional dispensation be granted to Councillor David Livett to be allowed to attend and address Plans Sub-Committee No. 4 on 27 <sup>th</sup> August 2015 on the planning application for Chislehurst House, 143 Chislehurst Road, Orpington (15/00887). The dispensation applies to any subsequent meetings on the same application until the end of the current Council.
Katy Boughey	15/10/15	21/10/15	That an unconditional dispensation be granted to Councillor Katy Boughey to be allowed to attend and address Plans Sub-Committee No. 4 on 22 <sup>nd</sup> October 2015 on her planning application for 46 Camden Park Road, Chislehurst (15/03351/FULL1). The dispensation applies to any subsequent meetings on the same application until the end of the current Council.  (Decision made by Susan Fraser, Acting Monitoring Officer)
Mary Cooke	5/10/16	12/10/16	That an unconditional dispensation be granted to Cllr Mary Cooke to be allowed to attend and address Plans Sub-Committee No. 2 on 3 <sup>rd</sup> November 2016 on her planning application for 45 Tootswood Road (16/04088). The dispensation applies to any subsequent meetings on the same or similar applications until the end of the current Council year.

Report No.  
CSD17105

London Borough of Bromley

PART ONE - PUBLIC

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**Decision Maker:**       **STANDARDS COMMITTEE**

**Date:**                   **6<sup>th</sup> July 2017**

**Decision Type:**       Non-Urgent                   Non-Executive                   Non-Key

**Title:**                   **ANNUAL GOVERNANCE STATEMENT 2016/17**

**Contact Officer:**     Graham Walton, Democratic Services Manager  
Tel 020 8461 7743   E-mail: graham.walton@bromley.gov.uk

**Chief Officer:**       Mark Bowen, Director of Corporate Services

**Ward:**                   N/A

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1.   Reason for report

- 1.1   At its meeting on 21<sup>st</sup> June 2017, the Audit Sub-Committee considered and approved the Annual Governance Statement which will form a part of the Council's statutory accounts for the financial year 2016/17. The report to the Audit Sub-Committee, including the Annual Governance Statement (but excluding appendices on other matters) and the draft minutes of the Sub-Committee's meeting, are attached to this report. (The Annual Governance Statement is covered from paragraph 3.22 onwards in the report.) The Standards Committee is invited to comment on the Annual Governance Statement 2016/17.
- 

2.   **RECOMMENDATION(S)**

**Members are invited to consider and note the Annual Governance Statement for 2016/17.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: Not Applicable
- 

Corporate Policy

1. Policy Status: Existing Policy:
  2. BBB Priority: Excellent Council
- 

Financial

1. Cost of proposal: No Cost
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: Not Applicable
  4. Total current budget for this head: Not Applicable
  5. Source of funding: Not Applicable
- 

Personnel

1. Number of staff (current and additional): Not Applicable
  2. If from existing staff resources, number of staff hours: Not Applicable
- 

Legal

1. Legal Requirement: Statutory Requirement:
  2. Call-in: Not Applicable:
- 

Procurement

1. Summary of Procurement Implications: Not Applicable
- 

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not Applicable
- 

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

<b>Non-Applicable Sections:</b>	See attached report
Background Documents: (Access via Contact Officer)	None

**Decision Maker:**      **AUDIT SUB-COMMITTEE**

**Date:**                    **Wednesday 21 June 2017**

**Decision Type:**      Non-Urgent                    Non-Executive                    Non-Key

**Title:**                   **ANNUAL AUDIT REPORT**

**Contact Officer:**      Luis Remedios, Head of Audit  
Tel: 020 8313 4886    E-mail: luis.remedios@bromley.gov.uk

**Chief Officer:**        Director of Finance

**Ward:**                    (All Wards);

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1.    Reason for report

The annual report of audit activity in 2016/17 is for Member information and is also intended to assist the Council in meeting the financial management and internal control requirements of the Accounts and Audit Regulations 2015. Part of the overall arrangements requires the Chief Executive and the Leader to sign an Annual Governance Statement. Included in this report are highlights of the performance of the Internal Audit function, a summary of the audits undertaken and an opinion on the overall adequacy and effectiveness of the organisation's internal control environment based on this work and the Annual Governance Statement. Members should note that those schools that are audited are included within this report.

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2.    **RECOMMENDATION(S)**

**Members are asked to note the report and approve the Draft Annual Governance Statement.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: Some of the audit findings could have an impact on adults and children.
- 

### Corporate Policy

1. Policy Status: Not Applicable:
  2. BBB Priority: Excellent Council:
- 

### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Internal Audit
  4. Total current budget for this head: £520K including £178K fraud partnership costs
  5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries
- 

### Personnel

1. Number of staff (current and additional): 5.5 FTE
  2. If from existing staff resources, number of staff hours: In 2016-17 862 audit days were spent on the audit plan, fraud and investigations – includes 67 days from Mazars but excludes RB Greenwich investigators time.
- 

### Legal

1. Legal Requirement: Statutory Requirement:
  2. Call-in: Applicable:
- 

### Procurement

1. Summary of Procurement Implications: Some findings in this report will have procurement implications.
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100 including Chief Officers, Head Teachers and Governors
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

### 3. COMMENTARY

3.1 The annual report is for Member information and is also intended to assist the Council in meeting the financial management and internal control requirements of the Accounts and Audit Regulations 2015. Part of the overall arrangements requires the Chief Executive and the Leader to sign an Annual Governance Statement. This will be put before Members as part of the statutory accounts. Included in this report are highlights of the performance and achievements of the Internal Audit Team, a summary of the audits undertaken and associated opinions along with a statement on the overall adequacy and effectiveness of the organisation's internal control environment based on this work.

3.2 Internal Audit's main objective remains as ' -assisting management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice.' We have carried this out in 2016/17 by:

- **independently reviewing, appraising and providing assurance** on the systems of control throughout the Authority assisted in part by Mazars from whom we have commissioned 6 audits;
- ascertaining the **extent of compliance** with procedures, policies, regulations and legislation;
- reviewing **client management and monitoring arrangements** for some existing contracts and pre-health checks for contracts prior to award;
- facilitating good practice in **managing risks** working with our insurers;
- **working in partnership** with the external auditors and other external providers;
- **identifying fraud** and carrying out investigations working in partnership with RB Greenwich;
- **continuing to host the interactive web training** for officers in Financial Regulations, risk management and fraud awareness. We have recently updated the risk management and fraud awareness packages. In addition we have rolled out through the Learning Hub an audit controls awareness slide package that summarises Internal Audit's key audit findings;
- Compliance with the **Public Sector Internal Audit Standards (PSIAS)**.

3.3 Key aspects of our reviews looked at the controls in place and assessed these together with the associated risks to ascertain if they are being fully followed. Essentially Internal Audit has ensured that the controls operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded, completeness and accuracy of records are secured and identified weaknesses are corrected when something has gone wrong. We have also considered the balance of controls against the cost of implementation and where the controls are regarded as over burdensome this will be acknowledged.

3.4 The purpose of the 2016/17 Internal Audit Plan was to:

- Optimise the use of audit resources available, given that these are significantly limited and utilise the audit services of Mazars through the Framework Agreement with LB Croydon.
- Identify the key risks facing the Council in achieving its objectives and determine the corresponding level of audit resources.
- Ensure effective audit coverage and a mechanism to provide Members, and senior managers with an overall opinion on the auditable areas and the overall control environment.
- Ensure that key recommendations were being implemented.
- Add value and support to senior management in providing effective control and identifying opportunities for improvement.

- Support the Director of Finance in fulfilling obligations as the Council's nominated Section 151 Officer.
- Deliver an Internal Audit service that meets the requirements of the Accounts & Audit Regulations 2015 and the PSIAS.
- Carry out major investigative work and adopt the lessons learnt by utilising these in other audits particularly contract management and monitoring.
- Provide adequate assurances on our work so that our external auditors can place reliance on our work.

- 3.5 Internal Audit satisfies our customers through our business processes which make sure we have set challenging targets and standards for all audit staff through agreed objectives. We review and appraise the achievement of these objectives throughout the year. The overriding theme is the annual audit planning and work programme agreed each year. Although our aim has been to complete the 2016/17 plan, this has been subject to adjustment for unexpected levels of unplanned activity including fraud and investigative work where we have spent some 195 days and slippage due to about 80 days lost through sickness. To redress some of the shortfall we have bought in to the Internal Audit service of Mazars through the Framework Agreement operated by LB Croydon to carry out 6 audits from the audit plan totalling 67 days. Our assessment is that quality and delivery of the service provided by Mazars was satisfactory. There is scope in the budget to commission them for a few audits in 2017/18.
- 3.6 Internal Audit now has 5.5 FTEs staff in post who are suitably experienced and qualified. In reality less than 5 FTEs auditors currently work on the plan (augmented by resources bought in from Mazars) and carry out non-fraud investigations (augmented by resources bought in from our partnership with RB Greenwich), with about 0.5 FTE of the Head of Audit's time dedicated to servicing this Committee and monitoring the fraud partnership and part of a principal auditor's time dedicated to risk management since the deletion of the risk officer post.
- 3.7 Internal Audit have completed the majority of high risk audit reviews scheduled in 2016/17 and received positive feedback from the client departments with an overall average of over 4 out of 5 for the audit satisfaction surveys. Overall, after allowing for a number of audits that were either postponed or cancelled due to management requests/ organisational change, ad hoc investigations and sickness, we have completed about 80% of the plan against the annual performance indicator requirement of 90%. There remain 7 audits where work is in progress. Audits are completed within budgeted time unless major control issues are identified requiring additional testing. The summary of progress and other audit activity is shown in Appendix A.

### 3.8 Audit Activity

Please see Appendix A

#### **Audit Activity key points in 2016/17**

**Planned audits-** please refer to Appendix A for audits carried out in 2016/17. This constitutes our main area of activity.

**Risk Management –** The risk registers play a key part in the Annual Governance process - both corporate and departmental risk registers are maintained. The corporate risks as well as high and significant risks are reported through to the Audit Sub Committee, Corporate Leadership Team as well as to the Corporate Risk Management Group and senior management.

**Customer Service –** We have received good customer feedback achieving an average score of over 4 out of 5 in our audit surveys.

**Planning -** A key part of the audit planning process was consultation with

senior officers, referral to previous audit reports and use of a risk methodology assessment form. This was completed for the 2016-17 Internal Audit plan.

**Partnership Working** – we continue to achieve closer links with other local authorities and public bodies to ensure our ability to work collaboratively. We also work with the London Audit Group on developmental and training activities and have productive working relationships with the outgoing and incoming external auditors.

#### **Benefits Delivered in 2016/17**

**Effective Control** – our work continues to be instrumental in ensuring the Council has high standards of control and probity.

**Risk Management** – the Council has a robust framework for identification and management of risks, reducing the likelihood of failure of service delivery. This is continually reviewed through the Corporate Risk Management Group and reported to Audit Sub Committee.

**Recommendations for Improvement**-Agreed actions for improvement are recognised and implemented. All priority one recommendations are reported to Members and followed up.

**Advice**- professional advice is given on new initiatives, commissioning of services, health checks, financial regulations and internal controls. We have continued to maintain the web based training and awareness courses in Financial Regulations, Contract Procedure Rules, Risk Management and the fraud toolkit. We also launched a slide presentation on 'Audit Controls' that summarises our main findings giving specific examples.

**Assurances**-assurance provided to management by Internal Audit reviews. We also play a lead role in producing and coordinating the statutory Annual Governance Statement.

**Efficiencies**- our review activity enables us to offer advice to managers regarding opportunities to improve efficiency, examples include, data matching opportunities, identifying overpayments, identifying duplication and potential for better use of technology. Some of our findings have resulted in savings in costs and reclaiming of monies due.

**Audit Efficiency** – we will continue to streamline our own processes, for example, continue to use electronic working papers.

**Fraud and Investigations**- we have provided substantial input into investigations into fraud and malpractice totalling 195 days that have resulted in identifying losses, value for money issues, weaknesses in control and management shortcomings. We are also overseeing pro-active work resulting in identifying losses and making savings.

3.9 Internal Audit has provided 862 audit days in 2016-17 including fraud and investigation (872 days for 2015-16) to the departments through reviews, investigations and financial support and advice. As well as mainstream audit activity, Internal Audit has spent time investigating fraud and irregularities, managing the fraud partnership, giving advice and guidance, carrying out pre health checks on services outsourced, attendance at departmental and corporate working groups, representing the Council at external meetings, overseeing risk management, servicing this Committee, overseeing proactive exercise to identify fraud and wastage and leading and participating in data matching exercises including the National Fraud Initiative 2016.

3.10 Below is a summary of planned days to directorates:

**Summary of Audit Days provided to the departments**

	<b>2015-16</b>	<b>2016-17</b>
<b>Departments</b>	<b>Audit days</b>	<b>Audit days</b>
Corporate Services	244	303
ECHS –Adults, Children & Public Health Services	219	285
Environment & Community Services	266	183
Fraud Work-General	143	91
	<b>872</b>	<b>862</b>

It should be noted that the departmental figures include 104 days spent on investigations against a total time of 195 days on fraud and investigations for 2016/17.

3.11 All audits arising from the approved plan have resulted in a formal report to management. Each audit has agreed terms of reference and is conducted according to the Public Sector Internal Audit Standards and Bromley’s standard audit documentation guidance. Final reports are agreed with the client prior to release and are followed up systematically in the following financial year unless there are priority one recommendations which are followed up within six months. In addition, all audit reports (apart from follow ups and investigations) include an opinion based on our findings. Following a decision by Members, all audit reports suitably redacted, are published on the internet unless exemption is sought. In 2016/17 we published 48 reports on the internet.

3.12 Internal Audit have reported all priority one recommendations i.e. those where there are major weaknesses resulting in losses and contract monitoring issues and therefore require urgent management attention. These reports are contained in the respective progress reports submitted to each cycle of this Committee. The number of priority ones and the nature of any fundamental areas of weakness will determine the overall opinion given.

3.13 Refer to Appendix B- In 2016/17 we issued 45 new or re-recommended priority one recommendations – 24 were reported in the part 2 of this Committee (20 were outstanding at June 2017 relating to contract monitoring matters). Outside of these part 2 recommendations there were 16 new priority one recommendations raised in respect of: Document Storage and Retention (2 of which 1 is outstanding at June 2017); NNDR (1 priority one now implemented in June 2017); Extra Care Housing (1 priority one implemented in March 2017); Blenheim Primary School (1 priority one- implemented at March 2017; Penalty Charge Notices audit for 2015/16 (1 priority one recommendation implemented in November 2016); Community Infrastructure Levy (2 priority one recommendations implemented in June 2017); Waivers (2 priority one recommendations outstanding at June 2017); Manorfields audit (2 priority one recommendations both implemented in March 2017); Learning Disabilities (3 priority one recommendations outstanding at June 2017); St Paul’s Primary School CE Primary School (1 priority one recommendation outstanding at June 2017).

3.14 There are priority one recommendations brought forward from 2015/16 that are either considered to be outstanding and hence re-recommended, implemented or subsumed within other audits:

- Temporary Accommodation Rent Arrears (1 priority one recommendation outstanding since 2012 has been subsumed within the 2016/17 Temporary Accommodation Audit);

- The Green Garden Waste Audit (1 priority one recommendation that has been subsumed within the follow up audit on Waste reported in detail to this Committee in April 2017);
- Creditors (1 priority one re-recommended in July 2016 and subsequently implemented in November 2016);
- Domiciliary Care (2 priority one recommendations re-recommended in July 2016 and subsequently implemented in November 2016);
- Stray Dogs Contract (6 priority one recommendations either implemented or downgraded in November 2016);
- Temporary Accommodation 2015/16 audit (1 priority one recommendation re-recommended in November 2016 and subsequently implemented in March 2017);
- Transition Team (1 priority one recommendation re-recommended in November 2016 and subsequently implemented in March 2017);

See Appendix B for a summary of Priority 1 activity in 2016-17.

3.15 As in previous years we have adopted a similar approach in issuing assurances for our audits. Following an Internal Audit review and after consultation with management, auditors form an overall opinion on the extent that actual controls in existence provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Full assurance of internal control systems is rare, because no matter how sophisticated or robust they are, it will not be possible to prevent or detect all errors or irregularities. The opinions given are graded accordingly in the table below.

<b>Assurance Level</b>	<b>Definition</b>
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there is a basically sound system and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

3.16 The summary of audit work undertaken resulted in 70 reports including investigations and schools; however some of these reports are in draft awaiting finalisation. Of the completed audits issued in the year 31 were classified with substantial assurance, 13 with limited assurances and none with nil assurance. The remainder were follow up reports, investigation reports where we do not give an opinion. Overall 263 improvement recommendations were made in the year comprising of 45 priority ones, 193 priority twos and 25 priority threes; 53

recommendations are in respect of schools. See Appendix A for all 2016-17 audit activity that includes a summary of numbers of priority one, two and three recommendations on audit reports.

### **3.17 Schools**

- 3.18 Internal Audit has completed a full audit at 8 Bromley maintained schools in 2016-17; 1 secondary school, 1 special school and 6 primary schools. The Internal Audit programme reviewed controls around processes categorised as Governance Arrangements, Financial Management Information, Primary Accounting Documentation (the tests in this area include payments, income, payroll and school meals) and Assets.
- 3.19 41 recommendations were reported for the 8 schools visited. The main issues arising related to the expenditure procedure specifically raising orders, adequate supporting documentation and obtaining quotes; completion of the annual register of pecuniary interests; completion of the HMRC on line assessment to comply with the new guidelines and certification of the asset registers. A Priority 1 recommendation was raised for a primary school with regard to the recording of cash income, specifically school dinner money. There were also recommendations made for benchmarking, cash flow statements, lettings, scheme of delegation, purchase cards, information to governors, record keeping for additional payments to staff, petty cash and development of an income procedure. The schedule in paragraph 3.32 gives a breakdown of type of recommendations made in respect of our school audits.
- 3.20 There were follow up reviews for 6 schools that had been audited in 2015/16; of the 22 recommendations raised 21 were fully implemented and 1 partially implemented and therefore re recommended. However, testing during the follow up reviews has identified 11 new recommendations. One of which was a priority 1 recommendation relating to a conflict of interest between the Headteacher and IT provider at a primary school; 5 additional recommendations relating to contracting were also raised at this school at the follow up review. The primary school evidenced satisfactory progress to consider the priority 1 implemented at the November 2016 Audit Sub Committee.
- 3.21 The priority 1 finding identified in March 2017, was followed up at the primary school in May 2017. Although the priority one recommendation relating to cash recording has to be further followed up, the 4 priority 2 recommendations have been implemented. The audit review identified new findings in the expenditure process which will be reported to this Committee in full in November 2017.

### **3.22 Annual Governance Statement (AGS)**

- 3.23 Refer to Appendix C. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process which is designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives. It also evaluates the likelihood of those risks being realised and the impact should they be realised as well as managing them efficiently, effectively and economically. The main Internal Audit issues in 2016/17 related to Breach of Contract/SLAs/Supervisory/Monitoring controls (25% of the total recommendations), none or obsolete procedures (11% of the total recommendations), lack of supporting documents (13% of the total recommendations) and schools insufficient accounting records (12% of the total recommendations including schools). The main Internal Audit issues in 2016/17 related to contract management and monitoring findings. The severity of each of these needs to be seen in the context of whether it was a priority one, two or three recommendation but it does give a broad picture of where improvements can be made. However, given the high percentage of recommendations on breach of

contract/SLA/supervisory/monitoring controls that is contract related, the Internal Audit plan for 2017/18, agreed by this Committee at the previous cycle, does allocate a significant number of audit days to reviewing contract monitoring controls.

- 3.24 The scope of internal control spans the whole range of the Council's activities, encompassing policies, processes, tasks, behaviours and other aspects of the organisation. It is the means devised by management to promote, direct, restrain and check upon its various activities to ensure the Council is competently managed and its business is undertaken in an orderly manner in accordance with its objectives and policies. As part of the AGS process, each Chief Officer reviews the effectiveness of the system of internal control and risk management processes based on a list of key controls expected to be in place. Where measures are required to enhance the adequacy of existing internal controls actions are agreed. This exercise is coordinated by the Corporate Risk Management Group that meets three times a year prior to the meeting of this Committee.
- 3.25 In conclusion, the Head of Audit's overall opinion on the control environment based on the internal testing and reviews undertaken is that there is overall reliance on the internal controls identified and where there have been significant issues highlighted provide assurance that corrective management action has been or will be taken to mitigate the risks. Over the past year there have been audits and investigations that highlighted a number of weaknesses in the areas of supervision/monitoring, document control and updated procedures. Internal Audit reports have highlighted concerns in the areas of contract management and monitoring that will need to be addressed by the Authority. Some of these weaknesses have resulted in priority one recommendations. The Head of Audit can confirm that adequate action plans have been agreed for all areas of identified weaknesses and Internal Audit will continue to apply close scrutiny to ensure that all current priority control weaknesses are addressed by management. This assurance process constitutes part of the Annual Governance Statement which is attached to this report as Appendix C.
- 3.26 In summary the process (as adopted in the previous year) used for determining the Annual Governance Statement follows proper practice as guided by CIPFA and is a combination of assurances derived from:
- The adequacy and effectiveness of the management review processes (Annual Governance Statement Checklist);
  - Outcomes from the formal risk assessment and evaluation (risk register);
  - Signed assurance statements by senior management;
  - Internal audit reports and results from follow ups regarding implementation of recommendations;
  - Executive and Resources PDS Committee Annual Report;
  - Outcomes from reviews of services by other bodies including Inspectorates, external auditors and actions taken by management to redress any shortcomings.

### 3.27 Annual Governance Statement- Risk Management

The Ofsted Inspection of Children's Services in 2016 deemed a number of areas to be inadequate. The Commissioner appointed to Children's Services for LB Bromley stated in her report to the Secretary of State that '*Corporate procedures also do not check that effective risk assessment is in place in Directorates.*' As a result the risk management process has been reviewed and:

- Risk Management is now the direct responsibility of the Director of Finance.
- Internal Audit will continue to coordinate risk management arrangements, update the risk register and provide training as described elsewhere in this report.

- The Corporate Risk Management Group (CRMG) will continue and issues arising will be reported to the Corporate Leadership Team and this Committee.
- The key audit findings i.e. priority one issues that are reported to this Committee are linked into the risk register.
- All the key internal controls held by Internal Audit used as a basis for our audit coverage in each auditable area, will be loaded on the intranet, available for management to assess in terms of covering all potential risks.
- Risk Management training for staff has been updated and relaunched.
- ECHS have reviewed their risk register resulting in an increased number of high and significant risks.

3.28 We have commissioned Zurich, our insurers, to carry out a check and challenge process on the risk registers to be undertaken for each of the three directorates. (Education, Care & Health Services (ECHS) and Environment & Community Services (ECS) and Chief Executive Directorates). The aim of this process is to provide the Directorate Management Teams (DMTs) with an independent discussion on risk and one that challenges, refreshes and validates the current risk register content. The output from the exercise will be an updated risk register that will be taken forward by the DMTs. Zurich will seek to refresh the risk descriptions, scores, mitigations and actions.

3.29 The Annual Governance Statement is attached as Appendix C.

### 3.30 **Classification of Recommendations**

3.31 Typical control issues highlighted in the audit reports (as in previous years) fall under the following broad categories:

- Organisational – the controls that provide the framework under which the system of other controls can operate effectively and efficiently.
- Financial – the system of controls that ensures the accuracy and adequacy of financial data and safeguards the organisation against possible loss due to fraud or error.
- Operational – the system of controls that ensures the efficiency and effectiveness of operations, ensures the organisation's objectives are met (and services delivered) and also safeguards the organisation against any reputational damage or other loss.
- Compliance controls – the system of controls that ensures that the organisation complies with all relevant legislation, best practice guidance and internal policies with respect to the conduct of the business.

### 3.32 Recommendations by Category

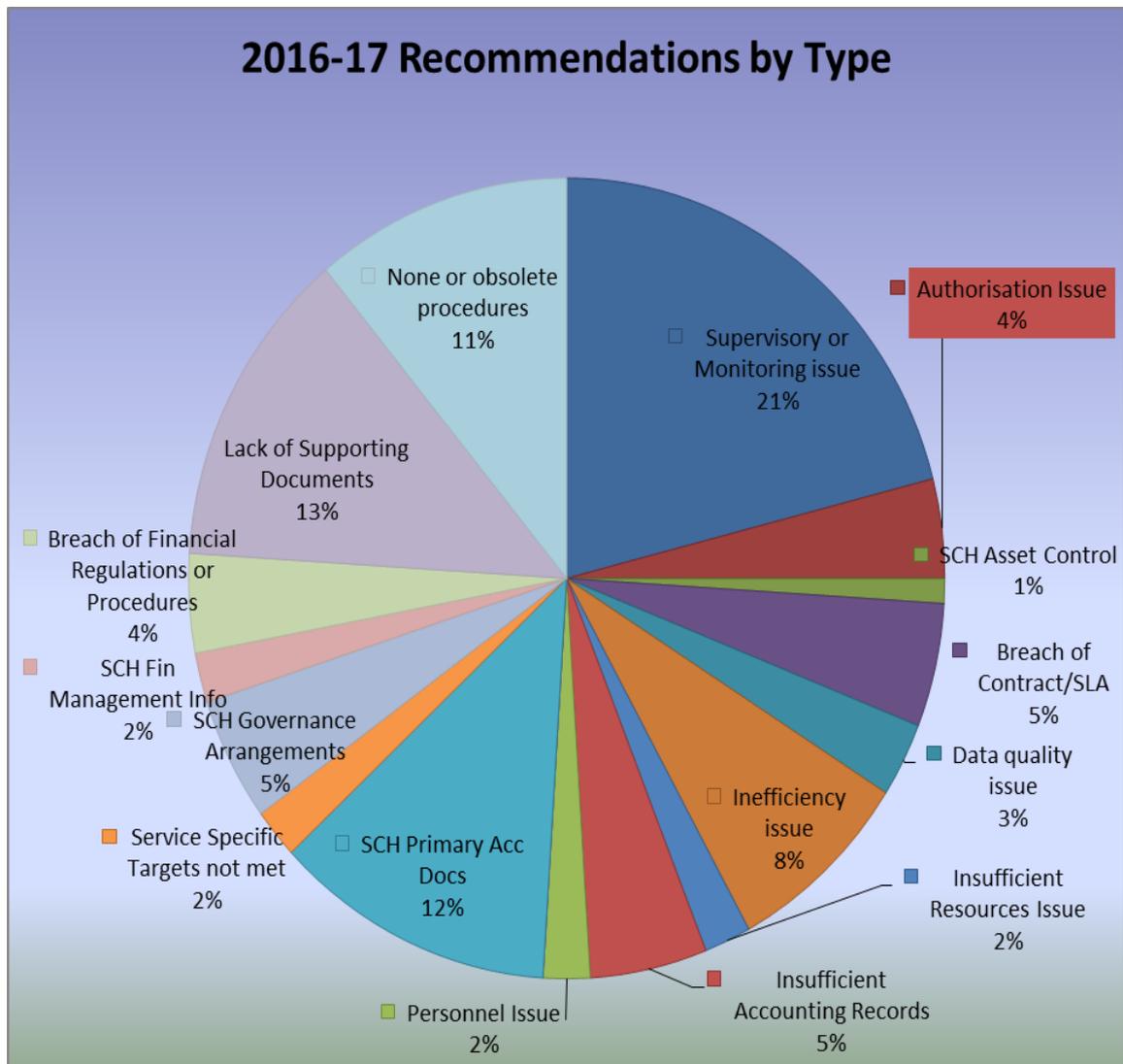
Recommendation Category	% of all recommendations		
	2014-15	2015-16	2016-17
Access Control Issue	0.5%	2%	1%
Authorisation Issue	6%	4%	4%
Breach of Contract/SLA	6%	9%	5%
Breach of Financial Regulations or Procedures	9%	5%	4%
Data quality issue	2%	1%	3%
Inefficiency issue	5%	4%	8%
Insufficient Accounting Records	6.5%	8%	5%
Insufficient Resources Issue	1%	1%	2%
Lack of segregation of duties	0%	0%	0%
Lack of Supporting Documents	9%	14%	13%
None or obsolete procedures	15%	8%	11%
Personnel Issue	1%	0%	2%
Physical Security Issue	2%	0%	0%
Supervisory/Monitor issue	24%	17%	21%
Service Specific Targets not met	2%	6%	2%
SCH Asset Control	1%	3%	1%
SCH Fin Management Info	4%	4%	2%
SCH Governance Arrangements	2%	5%	5%
SCH Primary Accounting Docs	4%	9%	12%

3.33 The above table is reflected as a pie chart on the next page.

3.34 The main categories of the findings are expanded upon below:

- Breach of Contract/SLA/Supervisory/Monitor issues– lack of supervision/monitoring issues in relation to contracts. The number of recommendations made for this category indicates in our opinion a combination of lack of resources to properly manage the monitoring of contracts whilst maintaining customer expectations, as well as existing staff not having the required skills thus needing to be retrained where necessary to reflect new ways of working in a commissioning environment. There are also weaknesses in contract management that need to be addressed.
- None or obsolete procedures- this has could be caused by lack of resources to undertake updates as well as the changing nature of the organisation. It could also be because the processes etc need to be updated/reviewed and the staff need better training.
- Lack of supporting documents- documents that were not available at the time of the audits. This could be caused by the physical movement of staff, lack of understanding on how long records should be kept and also documents that have been mislaid, misfiled or not available.
- Schools primary accounting records –recommendations have been raised in a number of instances on a failure to raise orders that can result in commitments not being shown on budgets, missing invoices, recording of cash, lettings information.

3.35



3.36

#### 4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

The contents of this report have implications for both adults and children in respect of cost and also care requirements.

#### 5. POLICY IMPLICATIONS

None

#### 6. FINANCIAL IMPLICATIONS

Some of the internal audit findings may have financial implications.

**7. PERSONNEL IMPLICATIONS**

None

**8. LEGAL IMPLICATIONS**

Internal Audit is a statutory function under the requirements of the Accounts and Audit Regulations 2015.

**9. PROCUREMENT IMPLICATIONS**

The contents of this report have implications for procurement relating to Contract Procedure Rules, Financial Regulations and VfM issues.

<b>Non-Applicable Sections:</b>	Policy; Personnel
Background Documents: (Access via Contact Officer)	None

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## ANNUAL GOVERNANCE STATEMENT

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### Scope of Responsibility

The London Borough of Bromley is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Bromley also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromley is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Bromley has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) *Delivering Good Governance in Local Government: Framework*. A copy of the code is on our website at [www.bromley.gov.uk](http://www.bromley.gov.uk) or can be obtained from Chief Executive's Department, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1), which requires an authority to conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

### The Governance Framework

The following summarises the key elements of the systems and processes that comprise Bromley's governance arrangements based upon the six core principles of good governance:

**1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area:**

Bromley is a member-led, commissioning authority, delivering services through whoever is best placed to provide quality and value for money to our residents. We support residents to manage their lives independently with the minimum of intervention from the Council.

## ANNUAL GOVERNANCE STATEMENT

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Since 2005 the Council has had an agreed framework to improve the life of all those that visit, live, study, or work in the borough. These objectives were amended in 2013 to reflect our public health and health and wellbeing agenda as well as our priority to continue to invest in the economic wellbeing of our borough.

This vision is called ‘Building a Better Bromley’ and has seven key priority areas:

- A Quality Environment
- Regeneration
- Vibrant, Thriving Town Centres
- Supporting our Children and Young People
- Supporting Independence
- Safer Bromley
- Healthy Bromley

Our officer and political structures are all aligned to deliver this vision and it sets the direction and policies which other plans should help to deliver and is shared across the Council in our specific Portfolio messages and our departmental, divisional and team plans.

To support this our Corporate Operating Principles are the operational model for the Council which set out our approach to creating a flexible, responsive organisation that can embrace new ways of working with partners and staff to maintain and improve services to our community:

- **Member-led:** The Council’s resources will be targeted at local priorities as agreed by elected Members
- **Delivering Value for Money:** The Council’s services will be provided by whoever offers customers and council tax payers excellent value for money
- **Supporting Independence:** The Council will enable and encourage citizens to take more responsibility for their own lives, with the most vulnerable being provided with the help they need
- **Efficient and non-bureaucratic:** The Council will seek to reduce interference and bureaucratic control whilst protecting the Borough’s distinctive character

Our Portfolio Plans set out what we aim to deliver in the current year and what our performance targets are, using a range of national and local indicators. Overseeing the successful delivery of each plan is the joint responsibility of the Portfolio Holder and the members of the appropriate Policy Development and Scrutiny Committee (PDS). The Portfolios are aligned behind the priorities identified in Building a Better Bromley. In addition the Health and Wellbeing Board is a collaboration between Bromley Council and various partner agencies whose role is to understand their local community’s needs, agree priorities and encourage commissioners to work in a more joined up way.

Our achievements over the past year and plans for the future are reported in the Annual Report and Statement of Accounts.

With substantial additional savings to be made over the next 4 years the financial situation continues to drive the future direction and work of the Council.

The Commissioning Team, led by the Director of Commissioning and overseen by the Portfolio Holder for Resources, continue to review all our services to ensure best value for money and to determine who is best placed to deliver high quality services based on local priorities and value for money principles, within a balanced budget.

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Following scrutiny through the PDS process, the relevant Portfolio Holder and the Executive will make the final decision on implementation. As part of the process formal consultations are also carried out with staff, including Trade Union and staff representatives, and service users.

### 2) **Members and Officers working together to achieve a common purpose with clearly defined functions and roles:**

Member/Officer roles are defined in the Constitution which sets out how the Council operates, how decisions are made and the procedures followed to ensure that decision making is efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. This is supplemented by a Member/Officer protocol which governs the relationship between them.

Bromley continues to operate the 'leader and cabinet' model whereby the Leader appoints the Executive, and decides Portfolio Holder arrangements and responsibilities and agrees any formal delegation of various powers to the Council's Chief Officers and their staff.

The Council's decision making structure is divided between executive and non-executive matters. The Executive has seven Members and is the Council's main decision making body. It is chaired by the Leader of the Council. It either makes decisions itself or six of its Members, who hold Portfolios, decide on matters relating to specialist areas. The Portfolios cover:

- Care Services (including health)
- Education Children and Families
- Environment
- Public Protection and Safety
- Renewal and Recreation
- Resources

By law the Executive cannot take all Council decisions as some matters have to be decided elsewhere, principally by the Development Control Committee (planning, conservation, highways use and regulation etc.) and the General Purposes and Licensing Committee (electoral issues, staffing matters, licensing matters etc.) and their Sub-Committees.

The Leader of the Council is appointed on a four year term following the Local elections and membership of the Executive and various committees is formally announced at the Council's Annual Meeting.

The Director of Corporate Services (as Monitoring Officer) is responsible for ensuring the lawfulness and fairness of Council decision making, compliance with codes and protocols, and promoting good governance and high ethical standards.

The Director of Finance (as Section 151 Officer) is responsible for the proper administration of the Council's financial affairs, preparing the Council's statement of accounts in accordance with proper practices, keeping proper accounting records and taking reasonable steps to prevent and detect fraud. Bromley's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Director of Finance performs the role of Chief Financial Officer.

The Corporate Leadership Team is led by the Chief Executive (and Head of Paid Service) who is responsible and accountable to the Council for all aspects of corporate and operational management.

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Bromley remains committed to providing a working environment in which staff can contribute to the success of the Council. Our staff commitment sets out the responsibility we all share in making this happen.

### **3) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**

Bromley has adopted a number of codes and protocols that govern the activities of Members and Officers which are communicated as part of the induction process and made available via the intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

Local authorities have a duty to promote and maintain high standards of conduct. It is mandatory that each local authority adopts a Code of Conduct dealing with the conduct that is expected of Councillors and co-opted members when acting in that capacity.

The Code of Conduct approved by full Council in 2012 requires new Members and co-opted members to register their pecuniary and other interests within 28 days of taking office and when there are any changes. The requirement to register pecuniary interests also extends to a spouse or partner. Any gifts and hospitality with a value of over £25 also need to be registered within 28 days of receipt.

The declarations made by each Councillor are detailed on the 'Your Councillors' page on the Council's website.

The Standards Committee considers complaints about Councillors. The Monitoring Officer must consult with an Independent Person before any decision is taken to investigate an allegation of misconduct by a Councillor, or before a decision is made on action to be taken in respect of that Councillor.

Officers are also subject to Section 117 of the Local Government Act 1972 which means that they are required to disclose any direct or indirect pecuniary interests they may have in any contract or potential contract involving the Council. In addition they are prohibited from receiving any fee or reward as result of their employment with the Council, other than their agreed remuneration. A reminder is sent out on an annual basis with registers maintained by the Monitoring Officer and individual Directors.

The Council's confidential reporting code 'Raising Concerns' sets out how employees and contractors working for the Council on council premises can report their major concerns about any aspect of the Council's work including concerns about Members of the Council. This is designed to enable people to whistleblow without fear of victimisation, subsequent discrimination or disadvantage. The code is widely publicised via the intranet, posters, internal newsletters, and on the Council's website.

We continue to operate a very successful Fraud Partnership with the London Borough of Greenwich building on our Anti-Fraud and Corruption Strategy. Outcomes are reported to Audit Sub-Committee, and prosecutions publicised in the local press and on the Council's website. Housing Benefit frauds are now investigated by the Single Fraud Investigation Service.

Following a successful bid in obtaining Department for Communities and Local Government funding Bromley launched a fraud App for mobile devices in August 2015 which local residents can use to quickly and efficiently report where they suspect fraud is being committed. It is free, secure, easy to use and completely confidential. It can also be used to provide lots of up-to-date information about different types of fraud and can alert residents to scams. The plan is to roll out the App for use in 38 other boroughs across the country.

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### 4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:

The Director of Corporate Services (as Monitoring Officer) works with the Constitution Improvement Working Group to review and updates the constitutional framework including Rules of Procedure and Standing Orders (which regulate meetings of the Council) and the Scheme of Delegation (which sets out formal delegation of various powers to the Council's Chief Officers and staff) on a regular basis reporting to full Council. The Working Group met twice during 2016/17.

The Director of Finance (as Section 151 Officer) likewise reviews and updates Financial Regulations, Contract Procedure Rules and the Scheme of Delegation (so far as it relates to financial matters), which are incorporated into the Constitution. Financial Regulations are one of a set of management documents which collectively control and co-ordinate the financial affairs of the Council.

The scrutiny function provided by the six Policy Development and Scrutiny (PDS) Committees continues to provide constructive challenge leading to better and more robust decisions. The Executive and Resources PDS Committee has an over-arching, co-ordinating role on behalf of the other five PDS Committees. The Committee's principle role is to scrutinise the decisions of the Executive and to hold the Leader of the Council, the Chief Executive and the Resources Portfolio Holder to account.

The Constitution Improvement Working Group produced its fifth report in February 2016 making recommendations on several issues including a change to the way the Council develops policy and scrutinises the working of the Council. Full Council accepted the recommendations and a trial 'select committee' approach was undertaken by the Education Select Committee in 2016/17 and has been continued into 2017/18. Full Council also accepted their recommendation that the Executive and Resources PDS Committee establish a Contracts Sub-Committee with scope to examine contracts and commissioning issues across the Council and this has been actioned in 2016/17.

The Council's Risk Management Strategy is kept under review to reflect current procedures, guidance issued by CIPFA and best practice. This is overseen by the Corporate Risk Management Group providing a strategic overview of risk management, health and safety, business continuity and emergency planning activities to improve efficiency and develop synergies in line with Council priorities. The Group continues to report to Audit Sub-Committee. Each departmental representative acts as risk champion for their area to disseminate risk management information and facilitate the identification and assessment of risks.

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit including fraud and risk. The Committee is independent of the Executive and scrutiny functions.

Internal Audit actively participates in the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Arrangements are in place for receiving and investigating complaints. Leaflets and forms are available from enquiry points and libraries, and can be accessed on the Council's website. The same form can also be used to make a compliment or suggestion. The public is encouraged to report any problems like anti-social behaviour or a missed bin collection online. The Chief Executive and Director of Corporate Services monitor how complaints are handled within departments.

The Bromley Borough Resilience Forum, a statutory forum, meets quarterly to facilitate co-operation and information sharing at the borough level between key stakeholders in relation to emergency

## ANNUAL GOVERNANCE STATEMENT

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preparedness for major events and incidents. The Forum has a representative that attends the wider Safer Bromley Partnership Strategic Group. Through the Forum and pan-London structures the Partnership regularly has the opportunity to participate in training and exercise events to develop and maintain local multi-agency emergency arrangements.

Within the Council we continue to review and maintain our arrangements to respond to and recover from emergencies affecting the Borough. We also review and maintain our business continuity arrangements to ensure that critical activities and services continue to operate in the event of disruptive events and emergencies. Our procurement policy requires business continuity plans to be part of any tendering process.

### **5) Developing the capacity and capability of Members and Officers to be effective:**

Corporate training provision is reviewed each year to ensure that the learning and development opportunities on offer reflect the key priorities of the organisation; supporting staff to develop a good mix of skills and knowledge so that they are able to perform effectively in their current job and are able to tackle the many changes facing local government.

Officer training needs are identified as part of the annual Performance Appraisal and Development Scheme and there is a comprehensive training programme for all staff. In parallel a Managers' Toolkit site is maintained on the intranet to provide a depository of policies, procedures, guidance and tools enabling all managers across the Council to work more effectively and efficiently.

There are three main training programmes; Organisational Development (including Commissioning and Contract Management, Finance, People Management), Children's Social Care (including Safeguarding, and Continuing Professional Development) and Adult's Social Care (including the Care Act 2014, Awareness of Medical Conditions, Health and Safety). To complement this face-to-face training many of the topics are now available via the web based Bromley Learning Hub which allows users to develop their skills online at a time and place that suits them. Depending on their duties some Officer training is mandatory.

Specific training for Members targets key policy issues and areas of current interest. This is supported by a dedicated Member Development site on the intranet and an area on the Bromley Learning Hub dedicated to Councillors. During the year the Director of Finance held a Finance seminar to update Members on financial issues affecting the Council and a seminar on welfare reform.

IT training is delivered in partnership with Bromley Adult Education College. Officers also have access to external workshops and seminars via our membership of organisations like CIPFA.

### **6) Engaging with local people and other stakeholders to ensure robust public accountability**

We continue to review how we can improve our channels of communication with all sections of the community and other stakeholders. Increasingly Bromley is using social media sites like Twitter and Facebook to provide information and links to upcoming events. Everyone over the age of 18 can also register for a MyBromley account where residents can manage their council tax, access services, receive alerts and relevant information online. Besides the main Council website Bromley MyLife is the social care and health website. It provides information and advice for people who have care and support needs, their carers and people who are planning for their future needs.

Statistics show that there is a steady increase in visits to our website to view pages and access online services like council tax and waste. Mobile devices or tablets now account for more than half the visits.

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Council meetings are held in public and agendas and report packs are made available in advance on the Council website, at the Civic Centre and through local libraries at least 5 working days prior to each meeting. Most meetings start at 7pm and there are some daytime meetings. Members of the public can ask questions at a meeting or a written reply can be sent subject to giving sufficient notice. There is a facility to set up daily email alerts on key words or topics.

The Council held three meetings in November 2016 (two round-table meetings for representatives from residents' associations, and a wider public meeting) as part of the 2017/18 budget consultation. The consultation included an online survey, focusing on resident's priorities, collecting their views on what they felt was most important, and asking for practical ideas for saving and generating money to help secure important front line services. This attracted 2,573 replies. This was supplemented by links to detailed information and graphs about the Council's finances on the main website. Additionally submissions were received from Bromley Youth Council enabling young people to have a say in how local services are organised, and connecting them with local democracy. Consultation papers were also sent to local business representatives for their views and comments. Prior to finalising the 'Schools Budget' the Education Portfolio Holder consulted Headteachers, Governors and the Schools Forum.

As part of continuing development of Bromley's Local Plan, the Draft Local Plan was agreed by the council's Executive in July 2016 for consultation with local residents and the wider community the Council carried out consultations between November and December 2016. These covered draft site allocations for housing and education use, together with the policies to guide development in the borough, and consideration of future planning applications. The Council also consulted on changes to the Council Tax Support Scheme with effect from 1 April 2017 and a Cycling Strategy setting out proposals for cycling in the borough up until 2026.

Departments also use surveys to ensure that services are being delivered efficiently and effectively.

The Council operates a Petition Scheme whereby any person who lives works or studies in the Borough of Bromley can submit a petition. Once a petition has been validated a response will normally be sent back within 10 working days. If petitioners are dissatisfied with the Council's response to a petition they have submitted they can request that the issue be brought to a meeting of the full Council for consideration, provided that the number of verified signatures exceeds the threshold required (500 signatures, or 1,000 signatures for an e-petition.) The lead petitioner or their nominee can address the Council for up to five minutes. All petition responses are published on the Council's website.

Given the increasing numbers of Freedom of Information requests, an online form has been introduced to channel requests to the right departments so that enquiries can be dealt with as quickly and efficiently as possible.

Bromley works in partnership with many local organisations representing the views of residents and the public, private and voluntary sectors.

The Borough Officers' group meets on an informal basis to monitor and direct the work of the main thematic partnerships. The group is chaired by the Leader of the Council and includes representatives from the emergency and health services and the voluntary sector.

The thematic partnerships (Bromley Economic Partnership and Safer Bromley Partnership Strategic Group) hold open meetings and agenda papers and minutes are published on the Council website. The meetings receive reports from other key strategic partnerships and the main partnerships themselves. Terms of reference and governance arrangements are in place. The partnerships are subject to scrutiny by the relevant PDS Committees.

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The Children's Trust Stakeholder Conference and the Adult Services Stakeholder Conference involve partner agencies, voluntary and community organisations and service users in shaping business planning and priorities for the future. The theme of Adult Services Stakeholder Conference held in November 2015 was 'Living Well with Dementia in Bromley'. The Children's Trust Stakeholder Conference held in March 2016 focused on 'Working with children and young people to maintain their emotional wellbeing'. Both bodies report to the Care Services Portfolio Holder and other Portfolio Holders as appropriate, and/or the Health and Wellbeing Board.

### **Review of Effectiveness**

Bromley has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Leadership Team comprising Directors and Assistant Directors within the Authority who are responsible for the development and maintenance of the governance environment. This is supported by the Head of Audit's annual report, the Policy Development and Scrutiny annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

As part of this review the Assistant Directors and Heads of Service, where appropriate, have completed and signed an Assurance Statement in relation to their service areas. In turn each Director has reviewed the effectiveness of key controls, using a detailed checklist, to provide an overall Assurance Statement for their own directorates.

The governance framework and internal control environment encompasses all the organisation's policies, procedures and operations in place. At Bromley this is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The process of maintaining and reviewing the effectiveness of the governance framework, including the system of internal control, includes the following elements:

### **Council Framework**

We continue to operate with a Leader and an Executive. The Leader retains responsibility on all decisions about the Council's executive functions. In practice these are either undertaken by the full Executive or delegated to Portfolio Holders and officers..

The Executive contains the Leader and six Members each responsible for a portfolio. Each Portfolio Holder annually outlines, in a portfolio plan, their aims and what they will be doing towards achieving their goals and their performance targets.

The full Council is responsible for adopting the authority's Constitution and Members' code of conduct and for approving the budget and policy framework within which the Executive operates.

Chief Officers (Directors) are responsible for ensuring that Members are advised of the financial implications of all proposals liaising as necessary with the Director of Finance. In addition they are responsible for promoting sound financial practices in relation to the standards, performance and development of staff in their departments.

### **Policy Development and Scrutiny Committees**

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Overview and Scrutiny is an important part of the process of checks and balances in local government and is the principal means of ensuring that the Council and its partners are held to account. Six Policy Development and Scrutiny (PDS) Committees discharge this role as set out in the Local Government Act 2000 and successive legislation. The PDS Committees mirror the Council's Executive portfolios. In addition there are three PDS Sub-Committees:

- Education Children and Families Budget and Performance Sub-Committee
- Health Scrutiny Sub-Committee
- Contracts Sub-Committee

Although they have no decision making powers, PDS Committees and Sub-Committees have key roles in contributing to policy development and scrutinising the decisions of the Executive and individual Portfolio Holders.

PDS Committees monitor the performance of services and functions within their remit, assessing performance against key performance indicators and policy objectives. Concerns are reported to a Portfolio Holder who can then, if necessary, be called to a PDS Committee meeting to account for the performance of his or her Portfolio.

They are also involved in the budget setting process and provide comment and recommendations for the Executive to take account of when formulating the Council's annual budget. Similarly, PDS Committees monitor in-year spend of budgets and raise concerns where there is a possibility of overspend or other issues affecting spending priorities. In addition PDS Committees can commission groups of Councillors to review an issue or policy so assisting a Portfolio Holder or the Executive to improve a service or local function affecting local people.

More routine decisions can be made without pre decision scrutiny at a PDS meeting where the PDS Committees and Portfolio Holders are in agreement, subject to the proposed decision being emailed to all Members in advance. Any Member may then request that a matter be referred to the relevant PDS Committee before a decision is taken.

The call-in process is a key means by which PDS Committees can hold the Executive to account. Any five Councillors can call-in a decision and prevent it from taking immediate effect until it has been considered by a PDS Committee. The Committee can then interview the Portfolio Holder and Officers and consider whether the decision was appropriate, within the Council's policy framework, and whether it should be reconsidered. If the Committee feels that the decision should have been reversed or altered, it can make a recommendation to the Executive, which then has to reconsider the matter.

The Executive and Resources PDS Committee has an over-arching, coordinating role on behalf of the other five PDS Committees and provides an Annual Report to full Council summarising the work that has been carried out during the year.

The Executive and Resources PDS Committee has a rolling programme where the Leader of the Council, the Resources Portfolio Holder and the Chief Executive each do two presentations a year on a rota basis. The other PDS Committees do not generally do this although the relevant Portfolio Holders and Chief Officers are usually present at all their meetings.

The Committees are supported by the statutory Scrutiny Officer who also provides support and guidance to Members on the functions of overview and scrutiny.

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### Internal Audit

Internal Audit is responsible for conducting audits, using a risk based approach, to highlight any weaknesses throughout the Council. Internal Audit operates to defined standards as set out in the Public Sector Internal Audit Standards (PSIAS). The effectiveness of the system of Internal Audit is measured by compliance with this code and peer reviews. Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control. In March 2016 Internal Audit was independently assessed under PSIAS' 'Quality Assurance and Improvement Programme', to ensure compliance with their standards. The overall assessment was that the council's internal audit service generally conforms to their requirements.

An Annual Audit Plan is used to map out the cyclical coverage of fundamental financial systems and other audits. The plan is based on the identification of the Council's systems and activities to be audited, each assessed for risk. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. In addition all significant weaknesses are reported to Audit Sub-Committee and followed-up until recommendations are implemented. The supporting summaries of audit reports help inform the overall assessment of internal controls.

The Head of Internal Audit is empowered to report any matter of concern directly and independently, to the Chief Executive, the Chairman of Audit Sub-Committee or the Leader of the Council, if necessary.

In his Annual Report to Audit Sub-Committee the Head of Audit confirmed that 'my overall opinion on the control environment based on the internal testing and reviews undertaken is that there is overall reliance on the internal controls identified and where there have been significant issues highlighted provide assurance that corrective management action has been or will be taken to mitigate the risks. Over the past year there have been audits that highlighted a number of weaknesses in the areas of contract management and monitoring. Some of these weaknesses have resulted in priority one recommendations. The Head of Audit can confirm that these weaknesses will need to be addressed at a corporate level and lessons learnt from the audit findings be dissipated across the Authority. Internal Audit will continue to apply close scrutiny to ensure that all current priority control weaknesses are addressed by management.'

Following the launch of a new Counter Fraud Code Assessment Tool by CIPFA in September 2015 to provide assurance on the adequacy and effectiveness of an organisation's counter fraud arrangements Internal Audit carried out a self-assessment. This evidenced that we were generally compliant with the 68 performance statements.

Internal Audit submits an Annual Fraud Report to Audit Sub-Committee summarising all fraud and investigations undertaken during the year. Audit Sub-Committee has provided assurance to the external auditors that they are satisfied with our fraud arrangements within the Authority.

### External Inspections

In their *External Audit Report* for the year ended 31 March 2016, presented to the General Purposes and Licensing Committee on 14 September 2016, the external auditors KPMG LLP reported the following:

- 'We reviewed the Authority's budget setting and monitoring processes and deemed financial monitoring to be appropriate to allow the Authority to make informed decisions. The Council has a history of achieving the budgeted position, and reported underspends in both 2014/15 and 2015/16. Savings and growth pressures have been assessed for the next two years as part of the medium term financial plan and the requirement to set a balanced budget. We completed some

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brief sensitivity analysis on the assumptions within the medium term financial plan, specifically the effect of the finance settlement worsening.

- ‘We reviewed the legal, governance and accounting arrangements in place to govern the management of the BCF. This included reviewing all Health and Wellbeing Board minutes from April 2015 to the date of our audit opinion. We concluded that arrangements were appropriate to allow the authority to manage the BCF in conjunction with Bromley CCG and other relevant partners (where required). We reviewed the signed section 75 agreement in place which sets out a clear vision for Bromley. Within the local plan for 2015/16 key areas of interdependency are noted to allow the Health and Wellbeing Board to actively manage risks and complete tasks assigned to it in order to improve outcomes for local people.’
- Three internal control deficiencies were reported covering the lack of fixed asset register reconciliation, the use of a designated Pension Fund bank account, and the ability of finance team to self-approve and post journals. The recommendations were accepted and acted upon, with the exception of the Pension Fund bank account that Bromley will continue to review.
- ‘We have reviewed the Annual Governance Statement and confirmed that: — It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and — It is not misleading or inconsistent with other information We are aware of from our audit of the financial statements’

During the last year the Council has received the following assessments from other inspectorates:

**Ofsted – Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board – May 2016**

Overall rating for this service: Inadequate

Five of the five key judgements were rated Inadequate.

Bromley’s services for children were inspected by Ofsted in April and May 2016. They were found to be inadequate across all reported categories and the inspection raised serious questions surrounding practice and leadership. In October 2016, a report was published setting out findings of the appointed commissioner of a three-month review considering the extent to which the Council had the leadership and management capacity and capability to drive forward the changes necessary to achieve the required standard for their children and young people.

In addition to the oversight provided by a Commissioner, Bromley has continued to receive monitoring visits from Ofsted throughout the review period. Since December 2016, when the new Deputy Chief Executive took up his post, the Ofsted monitoring visits have recognised continuing progress being made for Bromley’s children. The latest monitoring visit letter recognises ‘*momentum in the establishment of and embedding core standards and processes*’. Inspectors concluded that there are continuing improvements in practice and that increased capacity at social work and managerial level, aligned with more active engagement of partners, is a key contributor to the progress seen.

The following improvements were identified by Ofsted:

- Social workers spoken to know their cases well;

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- The views of children have been sought and reflected, where appropriate, in plans;
- Direct work with children was evident in cases reviewed;
- Within the cases considered, there is very recent improved practice that is leading to improved outcomes for some children and families;
- Multi-agency information is starting to contribute to strategy discussions, and this is leading to more proportionate, timely and appropriate actions and compliance with statutory guidance;
- Recent improvements to the quality of recording are starting to evidence the voice of the child, and examples were seen of direct work with children that is helping to improve their outcomes;
- A new, permanent and experienced senior management team is having a positive impact and while this has taken time to establish, the result is a more recent acceleration to the pace of change

In addition, the leadership, governance and processes implemented through the 'Roadmap to Excellence' were also identified as making a positive impact. These include the Practice Standards, 'triple lock', the revised thresholds to care, the new 'Atlas' team, the permanence and planning panel, and the additional financial resources provided by the Leader of the Council, the new Lead Member for Children's Services and the Chief Executive.

### **Ofsted – Further Education and Skills (Bromley Adult Education College) – February 2017**

Overall rating for this service: Requires Improvement

Five out of five key judgements were rated Requires Improvement.

### **Care Quality Commission – Home Care (Home Care provides a reablement service to people living in their own homes) – November 2016**

Overall rating for this service: Requires Improvement

Two out of five key judgements were rated Requires Improvement.

Improvements that were required have been made and continue to provide scrutiny and review cases. Going forward the LBB contracts compliance team will review the service in addition to the CQC.

### **Care Quality Commission – Shared Lives (Shared Lives recruits, trains and supports carers who provide placements for adults within their own family homes in the community) – July 2016**

Overall rating for this service: Good

The service continues to perform well and Bromley is looking to grow the service as it enables adults to live in home environments within the community.

### **HM Inspectorate of Probation – Bromley Youth Offending Service. – February 2017**

An inspection was carried out and initial feedback is that the service has improved from poor in 2015 to satisfactory. The report is currently subject to purdah.

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## ANNUAL GOVERNANCE STATEMENT

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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Risk Management Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

### Significant Governance Issues

Last year we identified the following governance issues:

<b>Governance Issue and Actions</b>	<b>Outcome</b>
<p>1. Capacity to make further budget savings and maintain frontline services. The Council will need to make significant savings/achieve additional income of approximately £24m per annum by 2020/21.</p> <p><i>The Executive is working to balance the budget for 2017/18. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.</i></p>	<p>During 2016/17 we continued to make significant savings and our budget for 2017/18 allows us to address increased demands on council services, often for our most vulnerable residents, as well as the additional responsibilities local authorities have to shoulder without any more money from government.</p>
<p>2. Commissioning and transformation agenda:</p> <p><i>The Commissioning Board will continue to identify services that are either standalone or can be bundled together and then seek approval to market test or other options.</i></p>	<p>The Commissioning Board led by the Director of Commissioning and overseen by the Resources Portfolio Holder meet on a regular basis to review progress. Every decision taken concerning commissioning is taken after scrutiny by a PDS Committee, the relevant Portfolio Holder, and the Executive.</p>
<p>3. Welfare reform agenda: The government continues to reform the welfare system with the first phase of Universal Credit rolled-out to claimants in January 2016. The government is also committed to cutting a further £12bn from welfare spending.</p> <p><i>The resulting impact on Council's services will need to be assessed and reported to the relevant PDS Committees.</i></p>	<p>Council Tax Support Scheme: Following a public consultation the Council agreed in November 2016 to maintain the level of support to 75% of Council Tax Liability for working age claimants for the financial year 2017/18.</p> <p>The Council has been modelling the impact of the Welfare Reform and Work Act 2016 which includes provisions for cuts to tax credits and the benefits cap.</p> <p>Currently Universal Credit is only applicable to single people in Bromley, until May 2018 when it is expected to be rolled out to all claimants.</p>
<p>4. Business rates retention. The authority directly</p>	<p>The Council has its contract for the collection of</p>

## ANNUAL GOVERNANCE STATEMENT

retains 30% of any Business Rates received since April 2013. The intention is for Local Authority's to retain 100% of all rates from April 2019. Failure to collect Business Rates and a reduction in eligible business will have a direct cost to Bromley.	Business Rates and continues to monitor the performance of the contractor and require action where targets are not being met.
5. IR35 New Tax Legislation, which places an increased responsibility on employers to ensure that non-directly contracted temporary staff are procured correctly.	Amendment of the Agency staff contract and introduction of staff procedures to ensure all workers utilised comply with legislation.
6. Ofsted Inspection: Bromley's services for children were inspected by Ofsted in April and May 2016. They were found to be inadequate across all reported categories and the inspection raised serious questions surrounding practice and leadership	Following publication of the report the Authority has recruited a new Deputy Chief Executive to Oversee Children's and Adults Services and new Leadership Team for Children's Services, new resources have been made available and more active engagement with partners is taking place.

Any outstanding issues are included in the table below, together with any new governance issues.

Governance Issue	Actions
Capacity to make further budget savings and maintain frontline services: The Council will need to make significant savings of around £24m per annum by 2020/21.	The Executive is working to balance the budget for 2017/18. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.
Commissioning and transformation agenda	The Commissioning Team will continue to identify services that are either standalone or can be bundled together and then seek approval to market test or other options.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....

Chief Executive

Date.....

Signed.....

Leader of the Council

Date.....

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.00 pm on 21 June 2017  
(Draft Extract)

### **Present:**

Councillor Neil Reddin FCCA (Chairman)  
Councillor William Huntington-Thresher (Vice-Chairman)  
Councillors Ian Dunn, Peter Fortune and Tony Owen

### **7 ANNUAL AUDIT REPORT Report FSD 17049**

The Annual Audit report was presented by the Head of Internal Audit who reported that this year the Director of Corporate Services had had input into the Annual Governance Statement. One of the main areas for concern this year was contract monitoring issues.

This was the annual report of audit activity that took place during 2016/17. The report was primarily for Member information and was also intended to assist the Council in meeting the financial management and internal control requirements of the Accounts and Audit Regulations 2015. Part of the overall arrangements required the Chief Executive and the Leader to sign an Annual Governance Statement.

Included in the report were highlights of the performance of the Internal Audit function, a summary of the audits undertaken and an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

Members noted that schools that were audited were included within the report.

Members were requested to note the report and to approve the Draft Annual Governance Statement.

The Committee were reminded that Internal Audit's main objective was to assist management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice. The report outlined the methodology employed to achieve these objectives.

The audit reviews looked at the controls in place and assessed how effective these were, together with associated risks. The Committee were informed that whilst it was Internal Audit's aim to complete the 2016/17 plan, this had been adjusted as a result of unexpected levels of unplanned activity including fraud and investigative work and. To redress some of the shortfall, internal audit

had bought in to the internal audit service of Mazars through the Framework Agreement operated by LB Croydon. Mazars undertook six audits from the audit plan--totalling 67 days

Internal Audit completed the majority of high risk audit reviews scheduled in 2016/17 and received positive feedback from the client departments with an overall average of over 4 out of 5 for the audit satisfaction surveys. Overall, after allowing for a number of audits that were either postponed or cancelled due to management requests/ organisational change, ad hoc investigations and sickness, Internal Audit had completed about 80% of the Plan against the annual performance indicator requirement of 90%. There were seven audits where work was still in progress.

The Committee were advised that during 2015/2016, 862 audit days had been undertaken, and this included fraud and investigative work as well as mainstream audit work.

All internal work would result in a formal report to management. It was mentioned that final reports were agreed with clients prior to being released and were followed up systematically in the following financial year; unless there were priority one recommendations which would be followed up within six months. All audit reports (apart from follow ups and investigations) included an opinion from internal audit based on their findings.

The Head of Audit explained the four different assurance levels that were provided post audit, these were:

- Full Assurance
- Substantial Assurance
- Limited Assurance
- No Assurance

The Committee were notified that audits had been undertaken on 8 schools that were still maintained by Bromley, and that these audits had resulted in 41 recommendations.

For clarity, it was noted that there were follow up reviews for 6 schools that had been audited in 2015/16; of the 22 recommendations raised, 21 were fully implemented and 1 partially implemented and therefore re- recommended.

The main internal audit issues in 2016/17 related to contract management and monitoring, and it had been decided that a major focus of the 2017/18 plan would be to audit contract monitoring controls.

The Committee were advised that during 2016/17, 8 schools were audited, and this had resulted in 41 recommendations. Follow up reviews had been undertaken on 6 schools that had been audited in 2015/16, and 21 of the 22 recommendations had been implemented.

With reference to the Annual Governance Statement, the Head of Internal Audit confirmed that adequate action plans had been agreed for all areas of identified weaknesses and Internal Audit would continue to apply close scrutiny to ensure that all current priority control weaknesses were addressed by management.

The Risk Management process had been reviewed as a result of the Ofsted report into LBB Children's Services in 2016. The various procedures put in place as a result were explained to the Committee.

Zurich had been commissioned to carry out a check and challenge process on the risk registers for the three Directorates.

The control issues that had been highlighted in the audit reports were divided into the following categories:

- Organisational – the controls that provide the framework under which the system of other controls can operate effectively and efficiently.
- Financial – the system of controls that ensures the accuracy and adequacy of financial data and safeguards the organisation against possible loss due to fraud or error.
- Operational – the system of controls that ensures the efficiency and effectiveness of operations, ensures the organisation's objectives are met (and services delivered) and also safeguards the organisation against any reputational damage or other loss.
- Compliance controls – the system of controls that ensures that the organisation complies with all relevant legislation, best practice guidance and internal policies with respect to the conduct of the business.

Members noted a table and a pie chart which displayed the various internal audit recommendations for 2016/17 by type. The main recommendations were:

- a. Supervisory and Monitoring issues-21%
- b. Lack of Supporting documents—13%
- c. Insufficient accounting records in schools—12%

The Portfolio Holder for Education Children and Families requested that in future a further breakdown of the number of audit days for schools be broken down to enable an analysis of the implications of the acadamisation agenda.

In response to a question the Head of Audit confirmed that all Priority 1 recommendations were assigned an owner however, there was often a number of influences on the implementation of recommendations.

With reference to the Annual Governance Statement, a Member suggested that within the Statement it should be reflected that one of the Policy Development and Scrutiny (PDS) Committees had become a Select Committee. With reference to the Inspection of the Bromley Youth Offending

*Audit Sub-Committee*  
*21 June 2017*

Service by HM Inspectorate of Probation, the Portfolio Holder for Education children and Families confirmed that the report was no longer subject to Purdah.

**RESOLVED that the Annual Governance Statement be noted and approved.**

# Agenda Item 9

By virtue of paragraph(s) 2 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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