

REPORT TO: TAY ROAD BRIDGE JOINT BOARD – 8 JUNE 2015
REPORT ON: RESPONSE TO INTERNAL AUDITOR'S ANNUAL REPORT TO MEMBERS
REPORT BY: THE BRIDGE MANAGER
REPORT NO: TRB 12 - 2015

1 PURPOSE OF REPORT

- 1.1 This report is in response to the Annual Report, ref 2015/06, prepared by the Board's Internal Auditor, Henderson Loggie, on Compliance with Legislation, Data Protection/Records Management and previous Audit follow ups. A copy of the Internal Auditor's report is included on the Agenda as a separate Item.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Board:-
- i) Endorse this report as the formal response to the Internal Auditor's report.
 - ii) Instruct the Bridge Manager to implement the Internal Auditor's recommendations as set out in paragraphs 6.2 to 6.5 inclusive.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications associated with this report.

4 POLICY IMPLICATIONS

- 4.1 None

5. BACKGROUND

Introduction

- 5.1 Consideration by senior management of the Board's Internal Audit Needs Assessment and Strategic Plan, issued in August 2013, removed the planned review of Corporate Governance and Corporate Planning as these were not seen as high risk areas and there were no significant changes to processes and good practice guidance since the previous review of these areas in 2011/12. In their place, the Data protection review originally planned for 2015/16 was brought forward and a review of Contract Management added at the request of the Bridge Manager. Compliance with Legislation and Staff Recruitment/Retention were also identified as areas where risk can arise and as part of the planned internal audit work, a high level review of the arrangements in place at the Board was carried out in January/February 2015. A review of IT network Arrangements also commenced and the results of this review will be reported at the September 2015 Board meeting.

6. REPORT

6.1 Internal Auditor's Annual Report

- i) The Internal Auditor's Annual Report, Ref 2015/06, describes the scope of the audit work undertaken, the specific objectives of the audit and the principal conclusions drawn from the review.
- ii) The report is based on the findings of the individual reports below:-
- | | |
|---------|---|
| 2014/01 | Audit needs Assessment and Strategic Plan 2013 to 2016 |
| 2015/01 | Annual Plan 2014/15 |
| 2015/02 | Contract Management |
| 2015/03 | Compliance with Legislation/Staff Recruitment and Retention |
| 2015/04 | Data Protection/Records Management |
| 2015/05 | Follow Up Report |
| 2015/06 | Annual Report |

Overall no significant issues identifying major internal control weaknesses were identified. It was found that procedures were operating adequately and the following issues raised from the individual reports were identified for the opportunity of further strengthening existing procedures.

In total 17 Action points identified by the Audit were categorised as follows:-

Class A – Critical issues which require consideration by the Board
Number of Actions – Nil

Class B – Significant matters which the Bridge Manager can resolve
Number of Actions – 4

Class C – Routine, less significant actions not requiring urgent action
Number of Actions - 13

6.2 Class B Action Points - Report 2015/03 – Compliance with Legislation/Staff Recruitment and Retention

- i) The following actions were agreed as a result of the recommendations of the report:-
- A whistleblowing Policy should be developed in line with CIPFA/Solace guidance, the Public Interests Disclosure Act and guidance on a model policy by the Scottish Government.
 - An assessment should be undertaken to identify areas of risk in terms of non-compliance with the Bribery Act and updated to comply with the UK Bribery Act 2010.
 - Ensure that bribery prevention policies are understood throughout the organisation.
 - Draft a recruitment and selection policy which includes a reference to the Equality Act 2010.

6.3 Class C Action Points - Report 2015/02 – Contract Management

- i) The following actions were agreed as a result of the recommendations of the report:-
- For contracts above a set value, consider maintaining a record of contract management activity including action points for improvement.
 - For contracts above a set value ensure that performance standards are formally recorded on the Contracts Spreadsheet.
 - Review the contracts database with a view to rationalising the number of suppliers of common goods and services.
 - Review existing contracts in terms of comparing annual charge against one-off costs.
 - Develop contracts database to add more fields to assist with contract management.
 - Consider approaching Dundee City Council with a view to identifying further services that can be provided under a Service Level Agreement.
 - Review information provided by the Scottish Government with respect to procurement good practice and consider what parts can be implemented.

6.4 Class C Action Points - Report 2015/04 – Data Protection/Records Management

- i) The following action was agreed as a result of the recommendations of the report:-
- Consider developing a Records management Policy which outlines the Board's responsibilities for the creation, deletion and retention of records.
 - Once Data Protection Policy is approved by the Board, ensure this is communicated to all staff.
 - Review all forms that are used to collect personal data and ensure that they meet the requirements of the Data Protection Act and the Board's Policy.
 - Develop a system for recording archived files which contain employee personal data and ensure that destruction dates are clearly marked.
 - Consider including additional wording within the Data Protection Policy which clearly states circumstances where the Board will pass on employee personal information to third party organisations and for what purpose.

7 **CONSULTATION**

- 7.1 The Clerk, Treasurer and the Engineer have been consulted in the preparation of this report and are in agreement with the content.

8 BACKGROUND PAPERS**8.1 Internal Audit Reports**

2014/01	Audit needs Assessment and Strategic Plan 2013 to 2016
2015/01	Annual Plan 2014/15
2015/02	Contract Management
2015/03	Compliance with Legislation/Staff Recruitment and Retention
2015/04	Data Protection/Records Management
2015/05	Follow Up Report
2015/06	Annual Report

ALAN HUTCHISON
BRIDGE MANAGER
25 May 2015

REPORT TO: TAY ROAD BRIDGE JOINT BOARD - 8 JUNE 2015
 REPORT ON: ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31 MARCH 2015
 REPORT BY: TREASURER
 REPORT NO: TRB 8-2015

ITEM No: 9

1 PURPOSE OF REPORT

To present to the Board the Annual Governance Statement for approval and inclusion in the unaudited Annual Accounts for the year ended 31 March 2015 which is also being submitted to the Board.

2 RECOMMENDATIONS

It is recommended that the Board:

- i notes the contents of this covering report;
- ii approves the Annual Governance Statement which is included as an Appendix to this report; and
- iii instructs the Treasurer to include the Annual Governance Statement in the Annual Accounts for the year to 31 March 2015.

3 FINANCIAL IMPLICATIONS

None.

4 BACKGROUND

- 4.1 The relevant statutory provisions regarding the preparation of the Board's Accounts are contained in the Local Authority Accounts (Scotland) Amendment Regulations 2014. Section 5 of these regulations require that "...the local authority must conduct a review at least once in each financial year of the effectiveness of its system of internal control. The findings of the review... must be considered at a meeting of the local authority... (and) following consideration of the findings of the review... that authority must approve an annual governance statement." There is no requirement to have separate meetings for the consideration of the findings and then the approval of the annual governance statement. Both may be undertaken at the same meeting.
- 4.2 As in previous years the Annual Accounts (including the Annual Governance Statement) have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) which stipulates that the following information should be included in the Annual Governance Statement:
- i. An acknowledgement of responsibility for ensuring there is a sound system of governance;
 - ii. An indication of the level of assurance that the systems and processes that comprise the board's governance arrangements can provide;
 - iii. A brief description of the key elements of the governance framework;
 - iv. A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of the board, internal audit and other explicit reviews/assurance mechanisms;

- v. An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan; and
- vi. A specific statement on whether the Board's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the CIPFA's *Application Note to Delivering Good Governance in Local Government: Framework*; and where they do not, an explanation of how they deliver the same impact.

4.3 The Annual Governance Statement for the year ended 31 March 2015 is included on Appendix A.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environment Assessment, Anti-Poverty and Equality Impact Assessment and Risk Management. There are no major issues identified.

6 CONSULTATIONS

The Bridge Manager and Clerk to the Board have been consulted on the content of this report and are in agreement with the contents.

7 BACKGROUND PAPERS

CIPFA: Code of Practice on Local Authority Accounting in the UK 2014/2015;
The Local Authority Accounts (Scotland) Regulations 2014;
CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010); and
CIPFA's Application Note to Delivering Good Governance in Local Government: Framework.

MARJORY M STEWART
TREASURER

21 MAY 2015

TAY ROAD BRIDGE JOINT BOARD
ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Tay Road Bridge Joint Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. This is to ensure that public funds and assets at its disposal are safeguarded, properly accounted for and used economically, efficiently, effectively, and ethically. The Board also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these responsibilities elected members and senior officers are responsible for implementing effective arrangements for governing the Board's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end the Board has approved and adopted a local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. This statement explains how Tay Road Bridge Joint Board delivers good governance and reviews the effectiveness of these arrangements.

The Board's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Board is directed and controlled. It also describes the way it engages with and accounts to stakeholders. It enables the Board to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance. These are as follows:

- focusing on the purpose of the Board and on outcomes for the community and creating and implementing a vision for the local area;
- members and officers working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the Board and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capabilities of members and officers to be effective; and
- engaging with local people and other stakeholders to ensure robust public accountability.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The overall control arrangements include:

- identifying the Board's objectives in the Service Plan;
- monitoring of objectives by the Board and senior officers;
- reporting performance regularly to Board meetings;
- clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers;
- approved Fraud Guidelines which include anti-fraud and corruption strategies, and "whistle-blowing" arrangements;
- setting targets to measure financial and service performance; and
- formal revenue and capital budgetary control systems and procedures.

Additionally, in order to support Chief Financial Officers in the fulfilment of their duties and to ensure that local authority organisations have access to effective financial advice of the highest level, CIPFA's *Role of the Chief Financial Officer* has introduced a "comply or explain" requirement in the Annual Accounts.

Review of Effectiveness

Members and officers of the Board are committed to the concept of sound governance and the effective delivery of Board services and take into account comments made by internal and external auditors and prepare action plans as appropriate.

In addition the Board have made a self-assessment of their own arrangements. This involved the completion, by the Bridge Manager, of a 56-point checklist covering the six supporting principles defined in CIPFA/SOLACE's *Delivering Good Governance in Local Government*. This indicated a high level of compliance.

The Board's Internal Audit Service conforms with Public Sector Internal Audit Standards and reports to the Board. Internal Audit undertakes an annual programme of work, which is reported to the Board. The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

The Treasurer complies with the principles set out in CIPFA's *Role of the Chief Financial Officer*.

Continuous Improvement Agenda

During 2012/2013, Internal Audit identified the following areas where further improvements could be made:

- Develop a Data Protection Policy; and
- Develop a Freedom of Information Policy.

Data Protection and Freedom of Information policies are being developed and will be reported to the September 2015 Board meeting for approval.

During 2013/2014, Internal Audit identified the following areas where further improvements could be made:

- Update the Health and Safety Policy statement;
- Devise a testing programme for the Business Continuity Plan; and
- Revise the Office Procedures to ensure they are consistent with other Policy documents.

An updated Health and Safety Policy was approved at the December 2014 Board meeting. The Business Continuity Plan was updated to reflect the need for an annual 'desk-top' testing exercise by management.

The revision of the Office Procedures is in progress with a target completion date of June 2015.

During 2014/2015, Internal Audit conducted their programme of audits, including reviews of Contract Management, Compliance with Legislation and Staff Recruitment and Retention. These identified the following areas where further improvements could be made:

- Maintain a record of all contract management activity including performance measures;
- Develop a whistle-blowing policy;
- Update the Fraud Guidelines to take account of the UK Bribery Act 2010;
- Devise a recruitment and selection policy; and
- Develop a records management policy.

It is proposed that during 2015/2016 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Board's governance arrangements.

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Board complies with the Local Code of Corporate Governance in all significant respects.

Marjory Stewart FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
8 June 2015

Alan Hutchison
Bridge Manager
Tay Road Bridge Joint Board
8 June 2015