

GOVERNANCE & AUDIT COMMITTEE
29 JUNE 2009
7.30 - 9.50 PM



Bracknell Forest Borough Council:

Councillors Ward (Chairman), Thompson (Vice-Chairman), Beadsley, Blatchford, Edger and McCracken

Present:

Independent Members:

Gordon Anderson

Apologies for absence were received from:

Councillors Brunel-Walker and Leake

3. Declarations of Interest

There were no declarations of personal or prejudicial interest.

4. Minutes - 29 April and 6 May 2009

The minutes of the meetings held on 29 April and 6 May 2009 were approved as a correct record and signed by the Chairman.

The Committee was informed that following the Chairman's letter to the local MP requesting clarification on the methodology of the scoring of culture within the CPA process Steve Bundred had replied that Museums were not included within the score which contradicted the information given at the previous meeting. Concerns were raised by the Committee that there was a credibility gulf between this response and the level of investment by the Council in Arts and Sports within the borough. The Committee acknowledged that the new Comprehensive Area Assessment process had already begun.

A copy of the reply would be circulated to all members of the Committee.

5. Urgent Items of Business

There were no urgent items of business.

6. External Audit Fees 2008/09

The Committee considered the updated details of the annual external audit fee and annual inspection fee for 2008-09. Catharine Morganti, Audit Manager, Audit Commission attended the meeting to present the letter and answer questions regarding the fees. Phil Sharman, District Auditor sent his apologies to the Committee.

The tabled letter from the Audit Commission detailed the reduction in audit fees from £262,800 to £242,500. It was explained that since the audit programme was set up in May 2008 changes to planned work were made to respond to the following risks:

- Town centre redevelopment and proposed new civic centre has been delayed due to current economic climate
- Procurement arrangements were subject to section 11 recommendation requiring improvements to be made.

In addition the following risks had been identified:

- Resignation of Chief Accountant, mitigated through a temporary interim appointment for the accounts preparation process
- Impairment of investments held with Icelandic Banks
- Accounting treatment and disclosures for interest in waste disposal PFI
- Closure of Housing Revenue Account

The fee would be kept under review as the audit progressed and the impact of the identified specific risks would be assessed to consider updates to the audit plan.

RESOLVED that the reduction in audit fees from £262,800 to £242,500 as set out in Appendix 1 of the report be noted.

7. **Statement of Responsibilities of Auditors and Audited Bodies**

The Committee considered the report setting out the respective responsibilities of the External Auditors and the Council. Catharine Morganti, Audit Manager, Audit Commission presented the statement of responsibilities at Appendix 1 of the report and highlighted the following:

- Those responsible for the conduct of public business and for spending public money are accountable for ensuring both that public 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.
- In relation to the audit of financial statements it is the responsibility of the audited body to put in place systems of internal control to ensure the regularity and lawfulness of transactions, maintain proper accounting records and prepare clear financial statements.
- In relation to preparation of financial statements the Council is responsible for:
 - preparing realistic plans that include clear targets and achievable timetables
 - assigning responsibilities clearly to staff
 - providing necessary resource to enable the delivery of the plan
 - maintaining adequate documentation
 - ensuring a senior individual personally reviews and approves the financial statement
- When carrying out their audit of financial statements, auditors will have regard to the 'concept of materiality'. This was clarified to mean the size of an error and whether this could have an impact on the understanding of the accounts.
- The Auditors will provide 'reasonable assurance' that the financial statements are free from material misstatement, comply with statutory and other applicable requirements and comply with all relevant requirements for

accounting presentation and disclosure. However the auditors cannot be expected to identify all weaknesses that may exist.

- The auditors will review whether the annual governance statement is misleading or inconsistent with other information of which the auditor is aware.
- The Council is responsible for applying data quality standards, collecting data that is fit for purpose and conforms to any prescribed definitions.
- Audit work is intended to ensure that the Council's affairs are managed in accordance with proper standards of financial conduct and to prevent and detect fraud and corruption but does not remove the possibility that breaches have occurred and remained undetected. It is not the auditors' responsibility to prevent or detect breaches but to alert the Council to the possibility and act promptly if there are grounds for suspicion.

RESOLVED that the Statement of Responsibilities of auditors and audited bodies as set out in Appendix 1 of the report be noted.

8. **Annual Governance Statement**

The Committee considered the Draft Annual Governance Statement (AGS) 2008/09 and the Action Plan which had been created to address the weaknesses identified in the Statement.

The Committee noted the statutory requirement and guidance behind the need to prepare and publish an AGS. It was acknowledged that considerable progress had been made during 2008/09 on implementing the actions to address areas of weakness identified in the 2007/08 AGS including the establishment of the Governance and Audit Committee.

The Committee discussed the proposed consideration of annual disclosure statements. It was noted this would detail transactional information.

Members raised concerns about how complicated a protocol for Members Serving on External Organisations would be. It was explained that the function of the protocol was to assist Members in terms of Trustee / Director's responsibilities and to clarify in whose interest a Member was acting. It was noted that the existing Planning Protocol would need to be reviewed to reflect the new Local Government Association guidance.

The Committee was advised that the Strategic Risk Register was updated on a quarterly basis by the Strategic Risk Management Group and reported to the Corporate Management Team. The guidance for managers on identifying, evaluating and responding to risks was available on the BORIS intranet pages and was being promoted in certain areas for example Surveyors.

In relation to the implementation of the Partnership and Governance Framework and Toolkit the Committee was informed that each Partnership had responsibility for checking their arrangements. The Action Plan was amended in relation to this activity to read "Two reviews have been completed and it is intended that further themes will be reviewed during 2009/10" and the implementation deadline would be revised to 31 March 2010.

RESOLVED that

- i) the draft Annual Governance Statement shown as Appendix 1 to the report be approved; and
- ii) the draft Action Plan shown as Appendix 2 to the report be approved.

9. Statement of Accounts 2008/09

The Committee considered the report which summarised the key elements within the accounts and highlighted key changes to the presentation and contents of the accounts. The Committee noted that the Statement of Accounts were draft and that if there were any changes they would be brought to the September meeting of the Committee for consideration.

The Committee noted that for the eleventh consecutive year the Council had spent within its budget with an underspend of £1.882m. The Council had withdrawn £0.218m from reserves.

Due to the impact of the economic climate on the timing of the regeneration of the town centre the previous capitalisation of £1.6m had been reversed. Following the failure of Icelandic Banks the Council was closely following guidance on both the recovery processes for the investments that were at risk and how to show the impairment of these assets in the final accounts. Members discussed the timescales and prospects involved with the recovery of investments. The Committee considered the Earmarked Reserves and noted that there was a deficit on the Pension Reserve.

The Committee noted that the overall value shown on balance sheet was reduced, in part, due to the revised accounting of voluntary controlled schools. The fixed assets were valued at £386.021m (excluding pension assets), with other land and buildings at £304.352m.

The Committee discussed the financial cost of Enid Wood House and noted that this was an active piece of work to look at solutions to reduce or remove this cost to the authority in the future.

The Council's remaining housing stock properties were transferred to the General Fund as at 1st April 2008. Members discussed the increased cost of operating leases as a result of the rent review which was undertaken every five years.

RESOLVED that

- i) the Draft Statement of Accounts 2008/09 be approved;
- ii) the out-turn expenditure for the year be noted and the provisions (£0.074m per section 4.2) and earmarked reserves (£7.105m per section 4.3) be approved; and
- iii) the Chairman of the meeting be authorised to sign and date the Statement of Accounts on behalf of the Committee.

10. Governance & Audit Committee Training Requirements

The Committee considered the report regarding the training requirements of the Committee. The Committee agreed that it would be appropriate for identified topics to be delivered as part of the wider Member Development programme where possible.

Both officers and the new Internal Auditors would be available to deliver specific training to the Committee once topics had been confirmed with the Chairman.

11. Risk Management Update

The Committee considered the Head of Audit and Risk Management's report which updated Members on the progress on risk management in the Council.

Members noted that the Strategic Risk Management Register was updated and reviewed on a quarterly basis by the Strategic Risk Management Group and then agreed by Corporate Management Team. Twice a year the Executive also reviewed and approved the Register.

Strategic Risk Action Plans are created once risks have been identified which are above the Council's tolerance level to ensure effective risk management. Progress on these plans are included in Quarterly Performance Monitoring Reports and are reported to the Overview and Scrutiny Commission.

The Committee noted that risk management training was being planned for officers on a priority group basis during 2009/10.

The Committee discussed the risk of losing key staff and that risks were now being identified at the business planning stage so that it would become an integral part of service planning.

RESOLVED that progress on risk management at the Council be noted.

12. Date of next meeting

The Committee agreed to change the date of the next meeting from 22 September to 29 September 2009.

COUNCILLOR THOMPSON IN THE CHAIR

13. Internal Audit Annual Assurance Report 2008-09

The Committee considered the Head of Audit and Risk Management's Annual report which set out the Head of Internal Audit's Opinion for 2008/09. It was noted that the Annual Governance Statement was supported by the Annual Assurance Report. The report summarised the results and conclusions of Internal Audit's work for 2008/09 and took assurance from other independent sources such as the External Auditors and inspections carried out by a number of independent review agencies.

The audit plan for 2008/09 had been fully delivered although the plan had been altered to respond to changes in risk. 105 reports had been finalised with 5 in draft awaiting final agreement.

| ASSURANCE | 2008/09 | 2007/08 |
|------------------|----------------|----------------|
| Full | 1 | 3 |
| Satisfactory | 97 | 91 |
| Limited | 9 | 6 |
| No Assurance | 1 | 0 |
| No Opinion Given | 2 | 2 |
| Total | 110 | 102 |

The Members expressed deep concerns regarding the significant control weaknesses identified in Birch Hill School and Binfield Primary due to the issues relating to seeking references and completion of CRB checks. It was noted that these were raised to Priority 1 recommendations due to the high risk involved and were then followed up with a further audit to check improvements had been implemented.

The Committee raised concerns about the issue of non-payment by Berkshire East PCTs for their contribution to the pooled budget for Intermediate Care – Community Response and Reablement. Members were concerned about the lack of robust action and believed that the issue should be escalated.

The Committee noted that no assurance was given in the Major Contract Review – Procurement and that an Action Plan had been developed to address the identified issues and was being monitored by officers and Members on an ongoing basis.

89 quality questionnaires had been received and the overall response was positive. Members were advised that guidelines for the auditee and timescales for responses to the auditor were provided to staff involved in audits. The Committee felt that it was not a valid complaint that the Head teacher was not available as it was felt that this should be a priority for the school's management team.

The Committee was advised that the Internal Audit Service had been retendered and had been awarded to H W Controls and Assurance who would be delivering the contract for three years from 1 April 2009 with a possible extension of 1 year.

The Committee noted that the authority had participated in the submission of mandatory data to support the National Fraud Initiative by the Audit Commission.

Of 1,259 housing benefit cases identified by the National Fraud Initiative 258 were investigated. The Committee discussed the difficulties in recovery of overpayments. It was confirmed that the authority's investigative powers were used to follow up on fraud suspicions. Proactive visits were also undertaken to check where there had been changes in claimants circumstances. A Overview and Scrutiny working group were also looking into this area of work.

The Members discussed the investigation into the sale of scrap metal and noted that the identified weakness in handling waste at the depot had been addressed.

RESOLVED that the Head of Audit and Risk Management's Annual Report setting out the Head of Internal Audit Opinion for 2008/09 be noted.

CHAIRMAN