

**GOVERNANCE & AUDIT COMMITTEE
22 MARCH 2011
7.30 - 8.47 PM**



Present:

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

Apologies for absence were received from:

Councillors Ward (Chairman) and Gordon Anderson, Independent Member

VICE CHAIRMAN, COUNCILLOR THOMPSON, IN THE CHAIR

33. Declarations of Interest

There were no declarations of interest.

34. Minutes - 25 January 2011

RESOLVED that the minutes of the meeting held on 25 January 2011 be approved as a correct record and signed by the Chairman.

35. External Audit Matters

Phil Sharman, District Auditor presented the Audit Plan 2010/11, the Annual Fee 2011/12 Letter and the Audit Commission publication 'A new approach to value for money audit'.

The Audit Plan 2010/11 set out the audit work which the District Auditor proposed to undertake for the audit of financial statements and the value for money conclusion 2010/11. Taking in to account rebates which totalled £22,200, the fee for the audit would be £234,400.

The audit plan was based on the risk-based approach to audit planning with three areas of focus for specific risks being examined which were; the transition to International Financial Reporting Standards, valuation of fixed assets and implementation of the new revenue and benefits financial system.

The District Auditor was required to give a statutory value for money conclusion which would focus on securing financial resilience and challenging how the Council secured economy, efficiency and effectiveness. Key risks identified in relation to value for money were medium term financial planning, securing improvements in the use of resources and the town centre development.

The Committee noted the proposed timetable for the 2010/11 audit which highlighted key milestones and deadlines. It was requested that further detail on the actual number of days that the audit team would spend on the 2010/11 audit be provided to the Committee.

The Committee considered the Annual Audit Fee 2011/12 letter presented by the District Auditor which covered the audit of financial statements, value for money conclusion and whole of Government accounts. The Audit Commission proposed to set a scale fee for each audited body for 2011/12 which reflected a proposed 10% decrease in the total audit fee. The scale fee for Bracknell Forest was £230,940.

RESOLVED that the content of the Audit Plan 2010/11, the Annual Audit Fee 2011/12 Letter and the Audit Commission publication 'A new approach to value for money audit' be noted.

36. **Certification of Claims and Returns Annual Report: Housing Benefit and Council Tax Subsidy and Housing Benefit Internal Audit Report 2010/11**

The Director of Environment, Culture & Communities introduced the report which provided the Committee with a commentary on the findings of the 2009/10 Audit of Housing and Council Tax Benefit Subsidy and to inform members of the actions undertaken and proposed in response to the findings. The Committee also received a report which appraised members of the second internal audit report of the Housing and Council Tax Benefit system following transfer between the Pericles and Northgate systems.

The main concerns were errors due to inaccurate imputing of system parameters, misclassification of expenditure and a recommendation from a previous audit which had not been implemented. The report included a detailed action plan which would be implemented and overseen by the Director. The Department would also be working with internal audit to implement spot audits with at least four spot audits being undertaken in the first two quarters.

Catherine Morganti, Audit Manager presented the Certification of Claims and Returns Annual Report 2009/10, which covered all work undertaken by the Audit Commission on grant certification. The Council claimed £120 million for specific activities from grant paying departments. As this was significant to the Council's income it was important that the process was properly managed in an adequately controlled environment.

It would be important to address the areas of concern identified in the report to allow a good transition to the new benefit system with a clear audit trail. The Committee noted that a robust plan had been developed to address concerns.

The Chief Officer: Housing presented the action plan to address concerns raised in the Housing and Council Tax Benefits Audit and provided an update on actions undertaken to date.

Arising from the subsequent discussion the Committee noted the following:

- Potential loss of subsidy was £60,000 against a total subsidy claim of £34 million.
- It was important to distinguish between service performance and certification of grant claim and that concerns raised in relation to certification of claim did not affect the inspection of the benefit services in 2009/10 which judged the services to be fair with promising prospects for improvement.
- Nationally 85% of Housing and Council Tax Benefits claims were either amended, qualified or both.
- The change to the new financial system meant that it had been an exceptionally difficult year for the services.

- An accuracy level of 98% for financial error and 99% for procedure error was expected for 2011/12.

The Committee noted that officers did not have any concerns about implementation of the recommendations for improvement and were confident that all the actions within the action plan would be delivered.

It was noted that an update on progress would be brought to the next meeting of the Committee.

RESOLVED that:

- i) the action plan proposed in response to the findings of the certification of the housing and council tax subsidy claim be noted.
- ii) The proposed actions in response to the internal audit report of the housing benefit service post implementation of the new Northgate system be noted.

37. **Internal Audit Plan 2011-12**

The Head of Audit and Risk Management presented the Internal Audit Plan for 2011/12. The Internal Audit sought to satisfy the legal requirements of the local authority internal audit services, examine and evaluate management's arrangements to secure proper use of resources and ensure external audit could continue to place reliance on internal audit's work.

Given the finite resources available for internal audit, a robust process was in place to ensure that limited resources were directed to the areas of greatest risk, with a risk based methodology in place to assess the Council's activities.

The summary of the Internal Audit Plan 2011/12 showed that a total of 591 days would be spent across all departments and reflected additional work that would take place to examine certification of grant claims.

It was noted that consultation had been undertaken with officers before the plan had been presented to the Committee.

The Committee noted that all schools in the Borough were audited once every three years and that any risk areas identified in schools would be reviewed in the following years audit plan. Advice would be provided to the new Headteacher of Jennett's Park School in autumn 2011 with review in Quarter Four of 2011/12 to allow good practice time to become embedded.

Sample testing to support the Young People's Learning Agency Grant Return was a new addition for audit. The Committee requested that further details of the grant claim be provided to members.

RESOLVED that the Internal Audit Plan for 2011/12 attached at Appendix 1 be agreed.

38. **Town Centre Land Disposals**

The Borough Solicitor presented the report which proposed a minor amendment to the Constitution to permit the Bracknell Town Centre Regeneration (BTCR) Committee to approve the disposal of land required in connection with the re-development of Bracknell Town Centre.

At present land disposals in excess of 0.5 hectares or £500,000 required the approval of the full Executive, which lead to duplication of work as reports were seen by the BTCR Committee before they went to Executive. It was noted that the BTCR Committee's membership was exclusively members of the Council's Executive with the Leader of the Opposition invited to attend meetings as an observer.

It was noted that decisions made at the BTCR Committee would be reported to Executive and would be subject to Call-In in the same manner as other Executive decisions. The Committee noted that the BTCR Committee was a public meeting, however the nature of business conducted at the meeting meant that the public and press were usually excluded from the meeting after the standard items.

Concern was expressed regarding the transparency and openness of the decision making process and further information on the process of publication of decisions made by the Bracknell Town Centre Regeneration Committee was requested.

RESOLVED that consideration of Town Centre Land Disposals be deferred to the next meeting of the Governance and Audit Committee.

39. **Amendments to the Council's Constitution**

The Committee received a report which sought approval to amendments to the Council's Constitution which were proposed as a result of the recent introduction of the Regulatory Enforcement and Sanctions Act 2008 and the requirements of the Council to become the primary authority under the act.

A business operating across Council boundaries could form a primary authority partnership with a single local authority in relation to regulatory compliance to resolve issues more efficiently and ensure consistency. Companies likely to be captured by the provisions included Waitrose, Panasonic, Dell, Hewlett Packard, MCM Select Foods and Anglo European Trading.

RESOLVED that Part 2 Table 1 General Powers of the Environment, Culture and Communities be amended at paragraph 1.1 to add general duties under the regulatory Enforcement and Sanctions Act 2008 be one of his general functions.

40. **Anti-Money Laundering**

The Borough Treasurer presented the Council's Anti Money Laundering Policy. Once approved the policy would be made available to all staff and members along with practical guidance.

Money Laundering was defined as any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. As a responsible public body the Council's policy and procedures should reflect the UK's anti-terrorist financing and anti money laundering arrangements.

The Policy outlined the Council's zero- tolerance approach to fraud and corruption and that the Council would be taking a proactive approach to prevention, detection and reporting of suspected money laundering incidents. The policy applied to all council staff, elected members, agency staff and consultants and sat alongside the Council's Employee Code of Conduct and the Anti- Fraud and Corruption Policy.

RESOLVED that:

- i) The Council's Anti Money Laundering policy set out in appendix A and the steps to implement the policy be agreed.
- ii) The Borough Treasurer be nominated as the Money Laundering Reporting Officer.

41. **Accounting Policies**

The Borough Treasurer Designate, introduced the report which sought the Committee's approval of the Council's Accounting Policies which had been revised due to significant changes based on International Financial Reporting Standards (IFRS).

The main reason for adopting IFRS was to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice.

Main changes to the accounting policies were covered in a number of areas including; prior period adjustments (which could require the inclusion of a third balance sheet), investment property, non-current assets held for sale, lease classification, cash and cash equivalents, employee benefits, grants and contributions and componentisation.

It was noted that where an asset comprised two or more major components the lifetime of each component would be assessed separately.

It was reported that the cost associated with Private Finance Initiative contracts would appear in the Environment, Culture and Communities Department section of the statement of accounts.

RESOLVED that the revised Accounting Policies attached at Annexe A be approved.

CHAIRMAN