

**GOVERNANCE & AUDIT COMMITTEE
25 JANUARY 2011
7.30 - 9.02 PM**



Present:

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

Independent Members:

Gordon Anderson

Also Present:

Councillor Worrall

Apologies for absence were received from:

Councillor Beadsley

24. Declarations of Interest

Councillor Thompson declared a personal interest in item 6, Internal Audit 6 Month Report as a Governor of Wildmoor Heath Primary School.

25. Minutes - 23 November 2010

RESOLVED that the minutes of the meeting held on 23 November 2010 be approved as a correct record and signed by the Chairman.

26. Annual Audit Letter

The Committee received apologies from Phil Sharman, District Auditor who was unable to attend the meeting. The Catherine Morganti presented the Audit Commission's Annual Audit Letter 2009/10 to the Governance and Audit Committee. The Annual Audit Letter focused on the Council's financial statements and arrangements to achieve value for money in the use of resources.

An unqualified opinion on the Council's 2009/10 financial statements had been given on 28 September 2010. It was noted that whilst improvements had been made in fixed asset accounting further action was required to address remaining weaknesses over valuation of assets.

The Audit Commission felt that the Council had made good progress on preparation for reporting under the International Financial Reporting Standards. The Committee noted that officers at the Council felt that they had sufficient skills and capacity within the existing team to meet the additional demands associated with reporting under IFRS for the first time in 2010/11.

An unqualified opinion on whether the Council was managing and using its money, time and people to deliver value for money had been given on 28 September 2010 with all the assessment criteria having been adequately met. It was noted that the

Audit Commission had recommended that the Council should consider opportunities for improvement identified in the use of resources review.

It was reported that a new approach to local value for money work would be introduced by the Audit Commission in 2010/11. An update on areas of focus for the Council would be brought to the Committee's next meeting.

The Committee noted that officers were waiting for the results of the Hutton enquiry and the results of the triennial actuarial valuation. It was possible that increased contributions would be required from the Council to ensure the scheme maintained an appropriate long-run funding level. Although the evaluation was triennial the year deficit could be spread over a longer period.

The Audit Manager confirmed that the 2009/10 Audit was now complete and thanked officers for their co-operation throughout the audit process.

RESOLVED that the Annual Audit Letter 2009/10 be noted.

RECOMMENDED to the Corporate Management Team that when service plans for the coming year were developed regard be paid to the recommendations set out in the Annual Audit Letter 2009/10.

27. **Internal Audit 6 month report**

The Head of Audit & Risk Management presented the Internal Audit report which provided a summary of Internal Audit activity during the period April to December 2010.

It was reported that 46 audit reports had been issued in draft or finalised since the Annual Internal Audit Plan for 2010/11 was approved by the Governance and Audit Committee. Of the reports issued, limited assurance options had been given for 2 audits. The Committee noted that the issues raised in the compliance with new PCI Data Security Standards audit had now been addressed. The issues raised in the audit of Wildmoor Health Primary school had been agreed with the Head Teacher, would be addressed at the next school governors meeting.

The Committee expressed concern that only 27 of 46 client satisfaction questionnaires had been returned. The issue had been noted by the Committee in previous years and had not been resolved despite having been raised at both The Corporate Management Team meeting and Departmental Management Team meetings. It was noted that the questionnaire formed an important part of monitoring contractor performance. It was agreed that the issue would be brought to the attention of the Chief Executive and those who had not returned questionnaires would be contacted.

Concern was expressed by the Committee about overspend on Reactive Schools Maintenance in 2009/10. The overspend of £196, 000 was a serious shortcoming in the management of expenditure. It was reported that the lapse in process had now been addressed by officers with a number of procedures, including monthly budget limits and an alternative approach to the previous insurance based Service Level Agreement, to prevent future occurrences. Reviews would be regularly included in the Audit Plan.

RESOLVED that the Internal Audit Assurance Report, April – December 2010 be noted.

28. **Committee Procedure Rules**

Ann Moore, Head of Democratic and Registration Services presented the report which sought the Committee's approval to a set of Committee Procedure Rules for recommendation to the Council for Inclusion in the Council's constitution.

Councillor David Worrall, Chairman of the Planning and Highways Committee had worked with the Head of Democratic and Registration Services to develop the rules and reiterated that the Committee Procedure Rules had been written as a stand alone document to reflect the differences between the way business was conducted at Council and at committees, and to clarify those rules which were specific to committees and sub-committees.

The Committee were advised that the rules for sub-committees applied to the Council's panels and advisory committees. They did not apply to the Council's forums as they were discussion meetings rather than formal committee meetings, however there was no reason for the Committee Procedure Rules not to be used as a guide.

It was noted that rules for public speaking had not been specified in the Committee Procedure Rules as different committees had different procedures due to the differing nature of the business being undertaken.

RECOMMENDED to Council that the Committee Procedure Rules be included in the Council's constitution and that any consequential changes to the constitution be made.

29. **Annual Governance Statement Preparation**

The Borough Solicitor advised the Committee that the Council was required to produce an Annual Governance Statement to review annual governance processes, and an Action Plan to accompany it.

He wished to invite the Committee to consider nominating one of their group to join the Annual Governance Working Group as it had been helpful to have Member input into the process during the previous year's preparation.

RESOLVED that Councillor Cliff Thompson be appointed to the Annual Governance Working Group.

30. **Code of Corporate Governance**

The Committee received and considered the report which provided details of proposed amendments to the Council's Code of Corporate Governance.

The Committee were advised that the Code had been reviewed at a meeting of the Officer Governance Working Group. Annexe A to the report showed amendments proposed by the Working Group.

RESOLVED that the Council's Code of Corporate Governance, as show in Annexe A of the report, be amended.

31. **Treasury Management Report**

Calvin Orr, Chief Technical Accountant, presented the Treasury Management Report for review by the Committee. The report outlined the Council's prudential indicators for 2011/12-2013/14 and the expected treasury operations for the period.

The Council was required to have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable.

It was noted that the summary capital expenditure projections in the report would be adjusted to reflect the grant settlement from Government. Any unsupported borrowing would use standard categories of asset life for the calculation of repayment. The Committee noted that the standard asset life categories were based on professional recommendations.

The Treasury Management Strategy Statement covered the Council's debt and investment procedures, estimates on future debt limits, expected movement in interest rates, borrowing and investment strategies and treasury performance indicators.

It was noted that Bracknell Forest Council was debt free and did not expect to borrow for 2 years, therefore the strategy focused on investment and the risks associated with this. The strategy set out the maximum investment and length of investment in accordance with stringent investment criteria.

The Committee received a paper which gave details of a potential change to the Treasury Management Strategy. It was suggested that part nationalised UK banks with a minimum short term rating F1, long term rating A and support rating 3 (or equivalents) were added to the Counterparty Criteria. The addition would allow the use of Lloyds and RBS up to a maximum period of 1 year who offered higher interest rates.

The Committee were advised that no investment was without risk however the stringent criteria used to identify investment opportunities minimised risk.

RESOLVED that the Treasury Management Strategy be amended to include additional criteria to Counterparty Criteria.

32. **International Financial Reporting Standards**

The Borough Treasurer Designate, gave an update on the progress made towards the implementation of International Financial Reporting Standards.

It was reported that good progress had been made towards implementation in accordance with the Council's timetable. It was noted that proposed changes to the accounting policies would be brought to the next meeting of the Committee.

RESOLVED that the progress made towards the implementation of International Financial Reporting Standards be noted.

CHAIRMAN