

**GOVERNANCE & AUDIT COMMITTEE
8 NOVEMBER 2011
7.30 - 8.20 PM**



Present:

Bracknell Forest Borough Council:

Councillors Ward (Chairman), Allen, Ms Brown, Heydon, McCracken, Thompson, Worrall and Mrs McCracken (Substitute).

Independent Member:

Gordon Anderson

Apologies for absence were received from:

Councillor Wade

60. Apologies for Absence

The Committee noted the attendance of the following substitute Member:

Councillor Mrs McCracken for Councillor Wade.

61. Declarations of Interest

There were no declarations of interest.

62. Minutes - 29 September 2011

RESOLVED that the minutes of the meeting held on 29 September 2011 be approved as a correct record and signed by the Chairman.

63. Annual Audit Letter

Phil Sharman, District Auditor, presented the Audit Commission's Annual Audit Letter 2010/11 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. The Letter's new format was designed to be accessible to the public on the Council's website.

An unqualified opinion on the Council's 2010/11 financial statements had been given on 30 September 2011. It was noted that the Audit Commission felt that the Council had prepared well for the transition to International Financial Reporting Standards but that it needed to improve arrangements for accounting for fixed assets.

An unqualified opinion on the Council's arrangements for securing value for money had been given on 30 September 2011. It was noted that the Audit Commission felt that the Council had recognised that difficult decisions about priorities and services lay ahead and had set up a framework to decide and identify options for delivering priorities. It was also noted that the Audit Commission felt that the Council needed to maintain an emphasis on strategic policy changes and longer-run savings

programmes to shift the balance away from an annual round of targets to balance the revenue budget.

The Annual Audit Letter contained three recommendations:

- Monitor implementation of recommendations made in my annual governance report on aspects of internal financial control including:
 - procedures for accounting for fixed assets
 - procedures for journal processing
- Maintain an emphasis on identifying policy options, and planning and delivering savings programmes which achieve long run financial sustainability for the Council
- In the context of broader changes to the Local Government financial regime, demonstrate the Council's continuing financial resilience by updating the Medium Term Financial Strategy to reflect the impact of strategic policy changes and longer-run savings programmes.

Members asked for clarification on the accounting of fixed assets and the Committee were advised that CiPFA were currently consulting on changing the method of valuations for infrastructure assets. This would ensure that Central and Local Government were all using the same method. This would potentially mean a significant change in the way assets are valued.

The District Auditor confirmed that the 2010/11 Audit was now complete and thanked officers for their co-operation throughout the audit process and for their support over his four year term as District Auditor.

The Chairman welcomed Helen Thompson, the new District Auditor, who would be attending future meetings to present the Audit Commission's findings. Catherine Morganti would remain the Audit Manager for the authority.

RESOLVED that the Annual Audit Letter 2010/11, at Appendix A of the report, be noted.

RECOMMENDED to the Corporate Management Team that the recommendations set out in the Annual Audit Letter 2010/11 be reflected in the Corporate Services Service Plan for the coming year.

64. **Internal Audit Assurance 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 October 2011.

It was reported that 34 audit reports had been issued in draft or finalised since the Annual Internal Audit Plan for 2011/12 was approved by the Governance and Audit Committee. Of the reports issued, limited assurance opinions had been given for 3 audits.

The Committee noted that 6 memos had been drafted or finalised and were produced in place of reports as these were targeted reviews on housing benefits following up previous recommendations and recording results of spot check visits rather than full systems reviews. The Head of Audit and Risk Management advised three spot check visits had been undertaken with the first two focussing on ensuring supporting documentation was in place and the third visit checking assessment calculations. The outcomes had been positive from the targeted work and spot checks had identified only minor errors. The Committee noted, however, that it would take some time for these improvements to be reflected in the external audit.

The Committee noted that the limited assurance for Binfield CE Primary School was concluded overall for this audit due to one priority 1 recommendation being raised to address concerns that there were limited documented financial procedures in place and also because of the high number of priority 2 recommendations (16). These related to governance and financial management arrangements, inventory, the private fund, lettings income, school trips, imprest and ordering. The Committee was advised that the Local Authority continued to support and work with the school in addressing the weaknesses highlighted in the audit report. The Chief Officer: Performance and Resources had visited the school and found that they were making good progress with a number of recommendations already completed. The Client questionnaire had been 'unsatisfactory' and it was explained that in particular there had been an expectation that the scope of the audit was negotiable but that the approach taken with all schools was consistent. The Head of Audit & Risk Management agreed with the point raised in the client questionnaire that there had been a delay in preparing the report due to annual leave but did not support the comment that the assessments were too harsh. Members discussed the Diocesan support to voluntary aided schools in relation to financial matters and it was explained that they would only be involved in matters relating to capital interests.

The Committee noted that the limited assurance for Headspace was concluded as five priority 1 recommendations were raised. These were to address weaknesses in the completeness of income collected and banked, recording of income, expenditure without supporting documentation and the fact that the bank account used for funding expenditure and banking income was outside of the Council's accounting records. It was clarified that Headspace should have complied with the Council's accounting processes and that despite the relatively low expenditure for 2010/11 of approximately £57k the Committee were concerned about the fundamental nature of the weaknesses. The Head of Audit & Risk Management advised the Committee that management had informed her that agreed actions to address these issues had been implemented including the closure of the bank account.

The Committee noted that the limited assurance for the Emergency Duty Team was concluded as initially five priority 1 recommendations had been raised. The Head of Audit and Risk Management advised that since her update report was produced, one priority 1 recommendation to ensure employment checks are renewed every three years had been downgraded to priority 2 as CQC had recently issued guidance stating that this was not a requirement but authorities should decide what was appropriate based on the nature of the service undertaken and risks associated. The four remaining priority 1 recommendations were to improve controls over overtime claims and checks on time sheets and review the contract for the provision and maintenance of the MIS database and time recording procedures. The Head of Audit & Risk Management advised the Committee that management had informed her that actions were being taken forward to address the recommendations and incremental improvements had been made to address results from previous audits. New procedures had been implemented to improve controls over time sheets and overtime claims. The MIS database was due to be upgraded which will provide a more supportable solution and new procedures had been introduced for time recording. The Head of Audit & Risk Management clarified that the issues relating to time claims were connected to late adjustments to the rota and that she had been advised that administrative checks have been introduced to ensure time recording was taking place.

The Committee queried the number of audits which had not met the timescale for production of reports. It was explained that many of the delays were on reviews undertaken by one particular auditor from the outsourced provider HW Controls and

Assurance who had significant sickness absence but a S113 agreement with Reading and Wokingham Borough Councils' Internal Audit Teams had enabled the Council to maintain its progress on the current Internal Audit plan. It was clarified that the contract with H. W Controls and Assurance was results based and payment was only made upon receipt of a satisfactory draft report.

The Head of Audit & Risk Management updated members on current progress since the publication of the agenda. The following audit reports had been finalised: Emergency Duty Team, Youth Offending Service and Planned maintenance and Capital projects. The following audit reports were available in draft: Officer expenses, Downshire Golf and Drug and Alcohol Team.

The Borough Treasurer emphasised that the Corporate Management Team took limited assurance very seriously. The Head of Audit & Risk Management explained that all audits with limited assurance would be revisited in 2012/2013 and that future reports would indicate whether audits were as a result of previous limited assurance.

RESOLVED that the Internal Audit Assurance Report, April – October 2011 be noted.

CHAIRMAN