

GOVERNANCE & AUDIT COMMITTEE
27 JANUARY 2016
7.30 - 8.40 PM



Bracknell Forest Borough Council:

Councillors Allen (Chairman), King OBE (Vice-Chairman), Heydon, Leake, Ms Miller, Mrs Temperton, Thompson and Worrall

Present:

Independent Members:

Gordon Anderson JP

Apologies for absence were received from:

Councillor McLean

21. Apologies for Absence & Substitute Members

Councillor Leake substituted for Councillor McLean.

22. Declarations of Interest

There were no declarations of interest.

23. Minutes - 23 September 2015

RESOLVED that the minutes of the meeting of the Committee held on 23 September 2015 be approved as a correct record and signed by the Chairman.

Arising from the minutes it was noted that:

- Contrary to the announcement at the last meeting, Helen Thompson of Ernst & Young would remain as the engagement director for the 2015/16 audit.
- The proposed further report concerning amendments to the Employees Code of Conduct would be available for consideration at the next meeting of the Committee.

24. Urgent Items of Business

There were no items of urgent business.

25. External Audit Matters

The Committee considered an update report on various external audit matters presented by Helen Thompson of Ernst & Young.

A change of Audit Manager for the Council had been made: Malcolm Haines was taking over from Rachel Brittain and would attend the next meeting of the Committee. Work had commenced on planning the next audit for the Council which, following discussions on the working papers required to support it and the testing of routine

processes and controls, would commence on 4 July 2016. A new overall approach to work on Value for Money arrangements will apply to audits from 2015/16 onwards, following the issue of guidance from the National Audit Office.

A separate section of the report dealt with the Certification of claims and returns for 2014-15. This related to the housing benefit subsidy claim amounting to in excess of £33.36m. The certification work carried out had identified a very small number of errors (which were corrected by the Council) resulting in a minor increase in the subsidy, the details of which were set out in a qualification letter. This represented a continuation of the improvement by the Council in administering the Government's housing benefits scheme for tenants, making it one of the best performing authorities. The Committee was informed that the improvements had been effected through refining processes with effective checks and balances, building up the quality of the staff through training together with improved supervision.

The Committee noted that the Auditors proposed a reduction in the fee payable for the certification work to £33,500 (from the £41,580 indicative fee) which, if confirmed by Public Sector Audit Appointments, would result in a refund for the Council.

RESOLVED that:

- 1) The Audit Progress Report and the Certification of Claims and Returns Annual Report 2014/15 be noted.
- 2) The Housing Benefits team be congratulated on the continued improved performance over the last year.

26. **Annual Audit Letter 2014/15**

The Committee considered a report containing the external auditor's Annual Audit Letter 2014/15 presented by Helen Thompson of Ernst & Young. The Audit Letter had been reported to the Council, and the detail of its contents had been considered by the Committee at its last meeting via the Audit Results report.

Although it was queried whether the Committee needed to look further at the Audit Letter, members raised a number of questions arising, leading to responses as follows:

- The Auditors had issued an unqualified value for money conclusion for 2014/15. However, the National Audit Office had issued new guidance on the way the value for money arrangements would work in 2015/16. It was suggested that this would be a suitable topic to consider for a future presentation to members of the Committee.
- Although a significant risk had been identified in relation to the valuation of property, plant and equipment, the switch to the use of internal valuers for the school asset revaluation exercise (using the standard RICS methodology) had produced valuations which had been tested and found satisfactory by the auditors.
- Although the Council had carried out a successful 'dry run' on the earlier deadline for the production and audit of the financial statements, the statutory introduction of this from 2017-18 may be difficult to achieve with the reduced resources likely to be available in future.

RESOLVED that the Annual Audit Letter 2014/15 be noted.

27. **Internal Audit Assurance Report**

The Committee considered a report showing a summary of Internal Audit activity up to the end of December 2015.

Delivery of the planned audit programme was on track and 64 pieces of work had been carried out during the period comprising finalised reports, draft reports awaiting management responses, grants certified and memos issued. Since the report had been prepared, five of the draft reports had been finalised and two further grant claims were about to be certified.

There were 9 reports where a limited assurance opinion had been issued, of which 8 related school audits. The most common weakness was in the expenditure control environment and in order to address this, support was being given to schools by Senior officers from the Education Authority and Internal Audit was assisting with training and updated guidance through Bursar Support sessions. The schools would be re-audited during 2016/17 where they had not become academies. Governing bodies should be receiving reports and monitoring agreed management actions to address audit recommendations. The Committee requested that it should be built into the audit programme for schools that audit should check that the results of an audit had been reported to the School Governing Body for their consideration and monitoring of agreed actions.

The Committee also noted an update on benefits investigations, which since December 2014 had been carried out by the Single Fraud Investigation Service (SFIS) within the Department of Work and Pensions. During the first 9 months of the year the Council had passed 65 cases to SFIS for investigation as fraud was suspected.

RESOLVED that the report be noted.

28. **Treasury Management Report 2016/17 and Mid Year Review**

The Committee considered a report containing the Mid-Year Review of the Council's Treasury Management Report.

The Mid-Year review comprised:

- An economic update for the first nine months of 2015/16.
- A review of the Treasury Management Statement and Annual Investment Strategy.
- The Council's capital expenditure.
- A review of the Council's investment portfolio for 2015/16.
- A review of compliance with Treasury and Prudential Limits for 2015/16.

In answer to questions posed, the Committee recognised that although the proportion of investments held in money market funds was high, there was very little advantage to be gained in tying up more cash in fixed term maturities, particularly when it was possible there could be some upward movement in interest rates. The Council continued to invest only in the most highly rated UK financial institutions, or those part-nationalised banks.

The Treasury Management Report contained very few changes to that presented last year and was essentially the same in terms of outlook, strategy and investment criteria.

RESOLVED that

1. The Mid-Year Review report be endorsed and circulated to all Members of the Council; and
2. The Treasury Management Report for 2016/17 be endorsed for submission to the Council.

29. **Change in Accounting Policy for Highways Network Assets**

The Committee considered a report about a change to the valuation basis of the Highways Network Asset (formerly referred to as Infrastructure Assets) which will need to be reflected in the Council's accounts from 2016/17.

The Council's accounts have previously provided for the value of assets to be measured and reported on a Depreciated Historic Cost (DHC) basis. However, to ensure consistency across public sector bodies, the Council will be required to account for transport infrastructure assets on a Depreciated Replacement Cost (DRC) basis in 2016/17. This will have the effect of increasing the value of Infrastructure Assets on the Council's Balance Sheet from around £48m to approximately £1.7 billion, a more than 30 fold increase.

The Committee recognised that although the additional work involved in this accounting exercise could be carried out without additional internal costs, it was likely that External Audit fees would increase.

RESOLVED that the change in accounting policy and the plan to meet it be noted.

CHAIRMAN