

GOVERNANCE & AUDIT COMMITTEE
31 JANUARY 2018
7.30 - 8.50 PM



Bracknell Forest Borough Council:

Councillors Allen (Chairman), Thompson (Vice-Chairman), Heydon, Leake, Mrs Temperton and Worrall

Apologies for absence were received from:

Councillor McLean

20. Declarations of Interest

There were no declarations of interest.

21. Minutes of the previous meeting

It was noted that Helen Thompson from Ernst & Young was recorded as being at the meeting on 20 September 2017 when she had not been present.

RESOLVED that subject to the above amendment being made, the minutes of the meeting of the committee held on the 20 September 2017 be approved as a correct record, and signed by the Chairman.

22. Urgent Items of Business

There were no urgent items of business.

23. 2017/18 External Audit Planning Board Report

Helen Thompson, Associate Partner, Ernst & Young, attended the meeting to present the Audit plan covering the 2017/18 financial year.

Helen Thompson introduced Justine Thorpe, Auditor, Ernst & Young, who would be taking over the audit management role.

The Committee considered the initial risk identification for the upcoming audit and changes in risks identified in the current year. Two new risks had been identified for 2017/18:

- The Council was required to prepare group accounts for the first time as the Council's local housing company had increased its activity to a material value during 2017/18 - this would be an area of focus to ensure the accounting was correct, and

- For 2017/18, officers would be changing the method of calculating its MRP from the straight line method to the annuity method which they considered to be more appropriate.

The Committee noted that as a result of the Government being keen to improve the timeliness of audit reporting by all organisations in 'UK PLC', from 2017/18 the timetable for the preparation and approval of accounts had been brought forward with draft accounts needing to be prepared by 31 May and publication of audited accounts by 31 July. This had successfully been achieved and resources were planned and ongoing discussions were taking place on how to bring audit results forward without impacting on year-end pressures. The consequence of not meeting the earlier deadlines would not be financial or legal but would mean the Council would receive a delayed opinion which could attract a reputational consequence, the impact of which was variable dependent upon press attention.

It was noted that the Council's pension fund was administered by Windsor & Maidenhead and overseen by KPMG and the role of the Auditor was to confirm information supplied to them was able to be relied upon to ensure that any financial transactions were reliable. For example, this would include changes in membership data which would impact on the Council's pension fund liability.

RESOLVED that the Audit plan for the 2017/18 financial year be noted.

24. **2016/17 Grant Certification Report**

Helen Thompson, Associate Partner, Ernst & Young, presented to the Committee the report on the result of the grant claims audit for 2016/17.

Housing benefit subsidy claims with a total value (in terms of subsidy claimed) of £31,313,050 had been checked and certified. A qualification letter was issued on the submission deadline date of 30 November 2017, the details of which were included in the report. The certification work found errors which resulted in extra testing and extrapolation in a qualification letter, as per the PSAA's Module 1 guidance. However, no amendments were made to the claim as a result of the work. The Committee was advised that the Council had completed the testing workbooks for the 2016-17 housing benefit work and would therefore be provided with a 20% discount on the fee for this work.

The Committee was pleased to note the number of errors found had been low. The sample tested had been small and could not be considered a statistical sample but the testing had followed the requirement set by the DWP. Where errors had been found that amounted to an underpayment being made to a claimant, those cases were reviewed internally to ensure the affected claimants were given the right amount of benefit. From 2018-19, the Council would be responsible for appointing a suitably qualified auditor to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that were being established by the DWP.

RESOLVED that the External Auditor's Annual Report on grant claims and returns for 2016/17 be noted.

25. **Contract Standing Orders**

Stuart McKellar, Borough Treasurer presented the report which sought a recommendation to Council on changes to Contract Standing Orders, which formed part of the Council's Constitution. The changes were principally to reflect the need to transform procurement processes in line with the approach taken to the Council Wide Support Services review. Specifically, the aim was to make procurement practices and processes more streamlined and more commercial, though the opportunity had also been taken to make other minor changes.

As part of the Council Wide Support Services review, a 10% reduction in staffing costs had been secured in all support services, including Procurement.

The proposed changes to Contract Standing Orders reduced the decision points in the procurement process and increased the thresholds above which decisions must formally be taken to Executive Members and the Executive. This meant that procurement plans above the thresholds stated in the "tick sheets" would now be approved by the Executive, as opposed to just an Executive Member, bringing greater visibility to this key stage. For example, for Supplies & Services, Works and Social & Other Specific Services, this applied to Contracts valued at >£1m.

Councillor Leake perceived that the decision to approve high value Contracts at the beginning of the Procurement Plan process rather than at the Contract Award stage would amount to a lack of Member involvement and lack of transparency. Stuart McKellar said that the change was intended to provide more input and accountability for higher value expenditure at the beginning of the process by reducing the number of awards presented only at the end of the procurement process to Members or to Executive for decision and to reduce the period between tender evaluation and formal award due to the lengthy lead-in time for formal decision making. Councillor Leake said he was concerned that whilst the strategic procurement plan would be included in a PRG paper, not enough time would be allowed for Members to put forward their views before the process moved forward.

RECOMMENDED to Council that adoption of the proposed changes to the Contract Standing Orders set out in the report and in Appendices A and B to the Borough Treasurer's report be agreed.

It was noted that Councillors Leake and Mrs Temperton did not agree to the recommendation but it was carried 3 to 2.

26. **Internal Audit Interim Report**

Stuart McKellar, Borough Treasurer presented the Committee with the report summarising Internal Audit activity during the period April to December 2017.

The report summarised progress and outcome of work carried out by both internal audit contractors and the in-house team in accordance with the Annual Internal Audit Plan.

Delivery against the planned programme was on track with the majority of quarter 1-3 audits finalised, issued in draft, or already in progress.

An update on the limited assurance opinions given in 2016/17 was noted by the Committee in Appendix B of the report. This showed that as at December 2017, follow up audits had been finalised in 12 cases and in 8 out of 12 cases this established that the significant issues previously found had been addressed.

RESOLVED that the Internal Audit Interim Report be noted.

27. **Strategic Risk Register**

Stuart McKellar, Borough Treasurer presented the Committee with an updated Strategic Risk Register. In accordance with the Risk Management Strategy the Strategic Risk Register had been updated and reviewed by the Strategic Risk Management Group (SRMG) on a quarterly basis and by the Corporate Management Team (CMT) at least twice a year.

Key changes in the updated Register were:

- A reduction in the Finance risk to reflect reduced budget pressures, making this now an amber rather than red risk.
- The combining of risks that a) jobs in the town centre impact on Council and Council contractors ability to recruit and b) loss of key staff. This was being tracked in part around Social Care providers.
- Reducing the risk on school places as proposals were now being put forward hence reducing this from red to amber.
- To remove the risk on the Coral Reef project which had now been delivered.
- Reducing the safeguarding risk following the outcome of the OFSTED inspection hence reducing this from red to amber.
- The risk on IT had been reframed to focus on the IT Strategy implementation and now incorporated cyber risks.
- With respect to the risk on the Binfield Learning Village, it was expected that the next monthly report on the programme would indicate it was no longer a red risk but would move to amber. If this was confirmed, CMT's view was that the project would continue to be closely monitored by CMT acting as the Programme Board but should not be included in the Strategic Risk Register.

The Committee was advised that whilst the Coral Reef scheme had overspent against budget, the matter was being addressed.

The Committee was advised that Nikki Edwards, Director of Children, Young People and Learning, was comfortable with the reduction in the risk related to safeguarding from red to amber even with the loss of staff following the successful OFSTED inspection.

The Committee was advised that the risk in respect of Binfield Learning Village related to the absence of a proper electrical connection to the site and the concern that SSE would not be able to install the connection in time for the planned opening.

With regard to the risk that the Council and its outsourced providers were unable to recruit and retain staff, the loss of key Council staff through redundancy, retirements, etc. and the management of services with reduced capacity, Councillor Mrs Temperton said vacancy and absenteeism rates, particularly in relation to sickness, were also needed in order to assess the health, wellbeing and strength of the Council. Stuart McKellar said he would question the reporting of these issues with Nikki Gibbons, Chief Officer, Human Resources. The Committee noted that the problems of vacancy rates and retention and absenteeism of staff was primarily in Adult Social Care due to the increasing demand for its services and in Children's Social Care due to high caseloads. Additionally, the Council had a good reputation which led to a loss of staff who had been poached by other Local Authority's and a struggle to attract new staff due to the high cost of living in the area.

RESOLVED that the Committee's comments be noted.

28. Treasury Management Report 2018/19 and the 2017/18 Mid-Year Review

Stuart McKellar, Borough Treasurer presented the report which updated Members on progress in 2017/18 and asked them to review the Treasury Management Report for 2018/19 to be submitted to Council for approval.

The Committee was advised that no changes were proposed to the report. However, there was one significant difference in that as at 31 December 2017, the Council was now in a borrowing position which included £70m of PWLB loans. The report set out the amount, interest rate and start and end date of each of the 6 loans and it was noted that the loan for £20m (the other five each being for £10m) was a short-term loan of 7 years which accounted for the low interest rate of 1.85%, whilst the other long-term loan interest rates ranged from 2.41% - 2.60%.

RESOLVED that:

- i) the Mid-Year Review Report be considered and reviewed;
- ii) the Mid-Year Review Report be circulated to all Members of the Council; and
- iii) the Treasury Management Report for 2018/19 be recommended to Council.

29. Auditor Appointment

Stuart McKellar, Borough Treasurer notified the Committee of the conclusion of the Public Sector Auditor Appointment (PSAA) collective procurement process to appoint an External Auditor from the 2018/19 financial year.

At its meeting on 27 January 2017 the Committee agreed to recommend to Council that Bracknell Forest join the Public Sector Auditor Appointments collective procurement arrangement to appoint an External Auditor from the 2018/19 financial year. The PSAA wrote to Chief Executives and Chief Finance Officers to advise that the process had concluded that Ernst and Young should be re-appointed as the Council's auditor and as such there was no reason to object, given that the relationship with the firm was a constructive one.

There was a risk of over-familiarity to be addressed as Helen Thompson was entering her seventh year of working on the Council's account when the usual term was five years with an extension of up to two years. This meant that the

2017/18 audit would be Helen's final audit and Ernst and Young had proposed a managed transition of their senior managers, which would be overseen by Helen, in order to ensure that an appropriate level of independence was maintained over time.

RESOLVED that the appointment of Ernst & Young LLP as the Council's External Auditor from the 2018/19 financial year through the collective procurement process run by PSAA be noted.

CHAIRMAN