

GOVERNANCE & AUDIT COMMITTEE
18 JANUARY 2010
7.30 - 9.55 PM



Bracknell Forest Borough Council:

Councillors Ward (Chairman), Thompson (Vice-Chairman), Beadsley, Blatchford, Edger, Leake and Mrs Ballin (Substitute)

Present:

Independent Members:

Gordon Anderson

21. Apologies for Absence and Substitute Members

Apologies were received from Councillor Walker and Councillor MacCracken, for whom Councillor Mrs Ballin substituted.

22. Declarations of interest

There were no declarations of interest.

23. Minutes of previous meeting

The minutes of the meeting held on 29 September 2009 were approved as a correct record and signed by the Chairman.

Matters arising

Under item 17, the Committee asked what fee had been negotiated with the District Auditor, and was told £255,200.

24. Annual Audit and Inspection Letter

Alan Nash, Chief Officer: Financial Services introduced the annual audit inspection letter. He told the meeting that the letter summarised the 2008/2009 Audit, and gave four recommendations which it was proposed would be picked up by Directors to go into their 2010/2010 business plans.

Phil Sharman, District Auditor, gave background to the letter. He told the meeting that the Audit Commission had decided that Audit and Inspection reports would be published separately in future. The audit report was available earlier this year than in previous years, and had been agreed with officers in December 2009. The financial statements on page 11 of the agenda papers had been re-approved at the last meeting of Governance and Audit, and the overall outcome was that in spite of a challenging year, he had been able to give an unqualified opinion on the financial statements.

Under value for money and use of resources, which was a new part of the report, the District Auditor had been able to give an unqualified opinion as all requirements had

been met. The Council had also performed well in managing use of natural resources. The Council continued to focus on value for money, procurement had been strengthened, and risk management developed. Data quality had also been strengthened and governance arrangements were being strengthened.

The recommendations in the letter gave potential areas for improvement. There were common areas across three East Berkshire unitary authorities, and partnership working was in place, giving opportunities for further development. An impairment for the Icelandic banks had been provided for in the 2009/2009 accounts. Treasury management had been strengthened.

On the subject of his fee, Mr Sharman told the meeting that it was a significant investment of resource, but represented less than 0.5% of Council spending. There was a statutory requirement that the fee should cover only the cost of services, with no element of profit.

The Chairman thanked the District Auditor for his comments, and asked for questions. He was asked whether the four-point scale, of which the Auditor had spoken, consisted of equal divisions or a matrix. He was told that Level 1 was the lowest, and it would be rare for a unitary authority of this size to have any Level 1 scores; Level 2 indicated that the Council met professional standards; Level 3 met professional standards, arrangements were embedded, and were yielding positive outcomes. Level 4 was awarded for national exemplars, and there were very few of these. The District Auditor told the meeting that it was purely a judgement, but from the first year of scoring on these levels, there was a spread of scores.

The Committee drew the Auditor's attention to paragraph 30 of the letter, noting that the Auditor had recognised the Council's consistently-managed spending over the past 11 years, and asked whether there were exemplars the Council could learn from. In response, he was told that there was more detail on page 21 under Appendix 1 where the KLOE 1.2 score was already at Level 3. The Audit Commission intended to publish the results of those at Level 4 as examples of good practice.

The Committee asked what outcomes were the auditors seeking, which they didn't find, and the Auditor explained that achieving level 2 was difficult in the new system, but he recognised that the Council wanted to aspire to reach higher level scores. He suggested that for data quality the Council had recognised weaknesses in that some data were not very reliable, and were addressing this issue. A positive outcome would be to see these fairly stated in relation to outcome, with error-free published data. The system around caring had produced some unreliable results when tested, and some other arrangements could be strengthened. He explained that the Council could not move to another level when there were still some lower level issues to address. In 2009/2009 there was no data quality strategy in place, but he would expect that this year the data strategy would begin to bite and there would be good outcomes. He would be happy to supply a schedule of outcomes which the Audit Commission was seeking. The Committee was keen to have a list of outcomes as they were concerned about the areas of data which needed improvement, and suggested that there needed to be some specific pointers to help bring this area up to Level 3. The Committee emphasised that although it was important that good records were kept, it was of paramount importance that care was being delivered in a timely fashion. He asked whether the judgments were made against a process or against an outcome.

The District Auditor thanked the members for their comments, and said that it was clear that as a Council Bracknell Forest was ambitious to progress. There was an Audit Commission framework which was used which posed the question 'if Council

got the basics right, what outcomes would we expect to see?' For high-performing councils there was an additional outcome list. Data quality was an example he had used earlier in the discussion, but there were over 100 indicators nationally, of which each Council selected around 35. The Auditors chose to examine six of these in depth. He told the meeting he would bring to the next meeting a report, currently with officers, on what had been examined. With regard to financial management, the Council was already doing work to put in a documented strategy; there was a need for a 3-5 year revenue strategy and a 10-12 year capital strategy. Good progress had been made. He suggested that such strategies could set out broad parameters, although the Council needed to maintain some flexibility.

The Committee asked about Recommendation 1, bullet point 3, on the subject of monitoring financial performance of partnerships. The Auditor told him that for example, community safety would need input financially from several groups within a partnership. The Committee was reminded that a Partnership Scrutiny Group had been set up to monitor this and a recent report indicated that much of this monitoring was already being done. They felt the Council was close to having achieved this, and there was plenty of dialogue through scrutiny on how our partnerships worked.

The Auditor believed that arrangements needed to be in place to demonstrate to auditors that these systems were working. Costs were measured by looking at the systems, but through benchmarking and comparison the auditors found it was used in some areas but not in all – they did not see consistent comparisons being made.

Under Item 43, the Committee asked what was meant by the Standards Committee being reactive. It had a judicial-type function, and monitoring compliance was policing. In the ensuing exchange, the Auditor explained that it meant that the auditors would want to see promotion of training relative to the Committee's work, and monitoring compliance of Codes of Conduct and protocols. A guidance framework could be shared with Standards Committee.

With regard to items 48 and 49, the Auditor told the meeting that he had undertaken a review of how effectively partners in East Berkshire were working together to address issues of health inequalities. He stressed that health needs across the three unitary authorities would be different, and all authorities needed to consult with each other. Partnership working allowed discussion to take place, but fair shares were not necessarily equal shares. The Committee believed this to be a flawed argument.

In response to the recommendations in the report which introduced the auditor's letter, Cllr Ward proposed and Cllr Thompson seconded. The Committee pointed out that it had no option but to note the report, but felt that they should express reservations on some of the framework. An amendment was suggested which added qualification and asked for clarification.

The committee **RESOLVED** that the report and Auditors' letter be noted, but asked for clarification concerning the Standards Committee (para 43), Health issues (para 48 to 57 and associated recommendations) and the issue of flawed data (para 42).

25. **Internal Audit Assurance report**

Sally Hendrick, Head of Audit and Risk Management, introduced Jay Hussain from HW Controls and Assurance, the Council's contractor for internal audit. She then gave an overview of the internal audit assurance report for April to December 2009, which had been circulated, and told the meeting that individual internal audits in the Plan would be delivered by HW Controls and Assurance. Twenty-seven reports had been finalised, 12 had been issued in draft, and six were going through quality review

and in 8 cases audit work was in progress. She then drew members' attention to the Limited Assurance section on page 31/32. Under Environment, Culture and Communities, "Sustainability", Mr Hussain explained that this issue was about CRB checking of volunteers working on open spaces. It was unclear what CRB checks have been made. In response to questions about the need for volunteers to be CRB checked, Mr Hussain told the meeting that under the Protection of Children and Vulnerable People policy, it was deemed necessary for volunteers to be checked if they were likely to make contact with children or vulnerable people in the course of their work.

The meeting discussed the issue of financial control at The Pines School and concluded that the school needed to ensure that enough time was given to the Bursar for all finance work to be done on time. The decision on this would rest with the Governing Body, and the Chairman asked that a message be conveyed to The Pines School that the Governance and Audit committee expected this to be resolved very quickly.

In response to a question about recovery of overpayments, the Head of Audit and Risk Management told the meeting that it would be deducted from future payments, and the Chief Officer: Financial Services reported that a small proportion of the loss would be born by the Council. The Head of Audit and Risk Management offered to ask Benefit Fraud Investigators to attend a future meeting of the Governance and Audit Committee, and this was agreed.

The Chairman thanked Sally Hendrick and Jay Hussain for their report.

The committee **RESOLVED** to note the report.

26. **Governance Arrangements**

The Borough Solicitor introduced this information item which proposed that the functions of the Constitution Review Group be transferred to the Governance and Audit Committee. The Constitution Review Group had agreed at their meeting that the group should be abolished. The Committee unanimously agreed to the proposal.

27. **Related Party Transactions**

The report on Related Party Transactions had been circulated, and the Borough Solicitor introduced it. The recommendation was that Members of the Council be required to complete an annual declaration of Related Party Transactions in the same way that senior officers were required to do. He told the meeting that this was a transparency issue, and the form was not onerous. The Committee asked how they would know if they had to declare a matter relating to a relative or a company in which they had a shareholding, and the Borough Solicitor explained that it only required filling in those areas which were within the Member's own knowledge. The Committee accepted in principle that all Members should have to complete a declaration of Related Parties Transactions but felt that the current form and guidance was too ambiguous.

It was unanimously **RESOLVED** in principle that Members of the Council be required to complete an annual declaration of Related Party Transactions, subject to the form being revised and clarified.

28. **International Financial Reporting Standards**

The Chief Officer: Financial Services introduced this information item concerning the implications of the pending introduction of International Financial Reporting Standards, which had been circulated. He explained that this was an attempt to bring private sector financial standards into local authority finance.

The Committee **RESOLVED** to note the report.

29. **Future meeting dates**

Future meetings of the Governance and Audit Committee will take place on

29 March 2010

29 June 2010

21 September 2010

23 November 2010

22 March 2011

CHAIRMAN