

**GOVERNANCE & AUDIT COMMITTEE**  
**29 MARCH 2010**  
**7.30 - 9.15 PM**



**Present:**

**Bracknell Forest Borough Council:**

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

**Independent Member:**

Gordon Anderson

**Apologies for absence were received from:**

Councillors Mrs Hayes

**30. Declarations of Interest**

There were no declarations of interest.

**31. Minutes of Meeting 18 January 2010**

The minutes of the meeting held on 18 January 2010, with notified amendments, were approved as a correct record and signed by the Chairman.

**32. Treasury Management Report (TMR)**

Alan Nash, Chief Officer: Financial Services introduced the report. He told the Committee that a large part of the report should be familiar as it had appeared in the budget report which had gone to the Council. In future this document would be presented to the January meeting of the Committee, before going to the Executive in February and then to the March meeting of the Council. There had been recent changes to the code of practice, with new requirements that the TMR be considered by a "responsible body", which was deemed to be the Governance and Audit Committee. The members agreed that they needed training in order to give proper consideration to such a document, and the Chief Officer: Financial Services offered a session with an external trainer and some in-house training. The Borough Treasurer felt that it was necessary to train members of the Committee so that they could understand what they were looking at and understand the significance of various factors within the document.

The Committee noted that Council had approved the necessary strategies and policies at its meeting on 3 March 2010 and had nominated the Governance and Audit Committee as the responsible body.

**33. District Audit**

Phil Sharman, District Auditor introduced the reports. There were three items relating to the 2009/2010 Audit, and his assistant, Catherine Morganti, spoke to the first two.

She told the Committee that the report related to Certification of Claims and Returns, which the Audit Commission required the external auditors to report to this committee. Most of the work was on claims over £0.5m. There was prescribed testing for the high risk area of Housing and Council Tax benefits, and she drew attention to two particular items where data had been entered incorrectly. This was human error, and it was the responsibility of the report to draw attention to this fact, and for this to be put right and validated in future. It was hoped that in future the audit for this area would be more straightforward.

Catherine Morganti then drew attention to the fact that the Council was changing its revenues and benefit system in October 2010, and there were complications arising from both changing the system and the timing of the change. There would be high reliance on the internal audit team. It was not possible to change the timing of this exercise, and October was seen as the optimal time for the change.

The District Auditor moved on to the Data Quality report. This was a sub-section of the External Auditors' work. Some indicators had been test checked in depth to see how well they were working and how good the arrangements were, and the outcomes of these were noted in the report. The District Auditor recommended that the Council roll out the new data quality strategy, ensuring as part of this that staff understood the processes necessary to achieve data quality.

The District Auditor then spoke to the report of the detailed findings of the audit, explaining that five of the National Indicators had been examined in depth. His findings were given in the report. He had found some indicators were adequate, while others were not. Under NI 135 which dealt with Carer assessment, there were inadequate arrangements, but a new indicator was being implemented, and this problem should not arise again. He reiterated that data from external sources should be checked for reasonableness. He told the Committee that responsibility for datasets used in decision-making rested with the Council. Andrea Durn, Head of Performance and Partnerships told the Committee that the Council did have a data quality strategy which in future would require third party providers of data to sign off that their data was correct. Training was currently being rolled out to officers, members and partners to ensure reasonableness of data.

The Committee agreed that if data were to be used for decision making, it needed to be fit for purpose and accurate.

In response to questions the District Auditor indicated that there was a clear definition set for each of the National Indicators, with a set procedure for testing each one. He assured the Committee that the auditors would draw extensively in future from the 35 national indicators chosen by the Council for its Local Area Agreement.

The District Auditor then moved to the Audit Opinion Plan. This set out intentions proposed for the audit of financial statements for 2009/2010. It also communicated the identified audit risks and proposed procedures to the Governance and Audit Committee as required by International Auditing Standards covering auditor communications with those charged with governance. The fee letter of 2 April 2009 had set out an outline of the work required to assess the achievement of value for money in the use of resources. He told the meeting that his fee remained the same as originally indicated. He had identified some specific risks, which included the changes in the accountancy section, which would be closely monitored. The joint waste Private Finance Initiative (PFI) which may mean bringing joint assets into the Bracknell Forest Council accounts, was not straightforward, and changes made to the statement of recommended practice which dealt with the non-domestic rate and Council Tax needed to be implemented.

Overall this report gave broad terms for the shape of the audit, and would also look at how the new internal audit contractor arrangements were working. The audit would be reported to the Committee at its meeting on 21 September, and it was planned to highlight value for money and use of resources.

**RESOLVED** that the recommendations in the External Auditors reports on Audit of Grant Claims Annual Report, Audit Opinion Plan 2009/10 and the Audit Report on Data Quality be noted.

**34. 2010 Code of Audit Practice and Statement of Responsibilities**

The Committee received and noted a report advising it that the Audit Commission had recently published an update to the Code of Audit Practice which defined the scope, nature and extent of local audit work and the associated Statements of Responsibilities of Auditors and Audited Bodies which supported the Code.

**35. Audit Plan 2010/11**

The District Auditor introduced a report on the Audit Plan for 2010/11. There were some specific risks which needed to be taken into account, including the introduction of International Financial Reporting Standards for the first time, which would constitute a risk of errors or mis-statements in the financial statements, and the replacement of the Council's revenues and benefits system (Pericles) in October 2010 which would impact on three significant financial systems – Housing Benefit, Council Tax and NDR.

With regard to the Auditor's fee, this had been agreed between the Auditor, the Chief Executive and the Borough Treasurer. In response to a question concerning best value, the Auditor explained that the Audit Commission produced documents to guide the setting of an appropriate fee, and there was an online tool to compare the fee with those of other authorities. The framework for fees was set by the Commission. The calculation of the fee was complicated, and the Borough Treasurer agreed to send an email to the members of the Committee setting out how the calculation was made.

The Committee noted the indicative annual external audit fee of £309,600 including the fee for audit of grant claims (to be reduced by a rebate for IFRS) at Appendix 1 and the indicative annual inspection fee of £18,293 at Appendix 2.

**36. Internal Audit Strategy and Plan 2009/2010**

Sally Hendrick, Head of Audit and Risk Management, introduced the report, telling the members that the purpose was to set out the underlying principles applied in the Internal Audit planning process and to seek the Governance and Audit Committee's approval of the Internal Audit Strategy and Internal Audit Plan for 2010/11. She drew the members' attention to the summary in the report which gave details of how findings would be reported and how documents would be retained.

She explained that the internal audit would be directed at areas of greatest risk. A risk assessment was in place to ensure that these were addressed. Key factors included

- Financial systems
- Governance issues
- Comprehensive Area Assessment and use of resources

- Probity – checking for adequate cover
- Areas where changes had occurred – eg replacement of Pericles, which would involve the need to audit the existing system before it was taken out of service, and then to audit the new system – this represented a significant audit burden.

The internal audit team had consulted with Chief Officers and Directors and DMTs and their suggestions had been incorporated into the report. The team was also looking at the data migration process, and issues involving schools.

**RESOLVED** that the Internal Audit Strategy and the Internal Audit Plan for 2010/11 be approved.

**37. Related Party Transactions**

The Committee considered a report reminding it that the draft guidance and annual declaration of Related Party Transactions had been presented at its January meeting, but had been rejected by the Committee who had asked for redrafted guidance and declaration. This had been reworked and the revised documents were now before the Committee, prior to their circulation to all Council members.

**RESOLVED** that the guidance and annual declaration of Related Party Transactions be approved..

**38. Annual Governance Statement**

The Borough Solicitor advised the Committee that the Council was required to produce each year an Annual Governance Statement to review annual governance processes, and an Action Plan to accompany it. He told the members that some local authorities involved their councillors in this process, and he wished to invite the Committee to consider nominating one of their group to join the Annual Governance Working Group.

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

**39. Future meeting dates**

Future meetings of the Governance and Audit Committee were to be held at 7.30 pm on 29 June 2010, 21 September 2010, 23 November 2010 and 22 March 2011.

**CHAIRMAN**