

GOVERNANCE & AUDIT COMMITTEE
24 JANUARY 2012
7.30 - 8.35 PM



Bracknell Forest Borough Council:

Councillors Ward (Chairman), Wade (Vice-Chairman), Allen, Ms Brown, McCracken, Thompson, Worrall and Mrs McCracken (Substitute)

Independent Members:

Gordon Anderson

Apologies for absence were received from:

Councillor Heydon

65. Apologies for Absence

The Committee noted the attendance of the following substitute Member:

Councillor Mrs McCracken for Councillor Heydon.

66. Declarations of Interest

There were no declarations of interest.

67. Minutes - 8 November 2011

RESOLVED that the minutes of the meeting held on 8 November 2011 be approved as a correct record and signed by the Chairman.

68. Audit Plan

Helen Thompson, District Auditor attended the meeting to present the Audit Commission's External Audit Plan for 2011/12. The plan set out the work for the 2011/12 audit and was based upon the Audit Commission's risk-based approach to audit planning. Valuation of property, plant and equipment (PPE) was identified as a significant risk and as such required more work and consideration of the procedures and controls in place.

The following risks were identified as Specific Risks:

- Upgrade of the general ledger system
- PFI assets
- Related party transactions

Specific reviews of the arrangements in relation to these areas would be required as part of the audit.

The District Auditor is required to reach a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness e.g. value for money. Two risks to the Council's ability to demonstrate this are the challenges of delivering the medium term financial plans of the Council and the proposed town centre redevelopment. However it was noted that the latter was more likely to impact upon the Council in

2012/13. The Committee discussed the various techniques the Council employed to demonstrate value for money e.g. service plans, Quarterly Service Reports and an increased participation in benchmarking groups.

It was acknowledged that the current fees were proposed at £230,940. It was noted that the fees were on a downward trend as the Audit Commission was reduced in size before being abolished. The Audit Practice was going through the tendering for a three to five year contract. Future fees would be set in accordance with the consultation document which had been circulated at the end of 2011 and operators would work within a framework set by the National Audit Office.

It was discussed that value for money for the Council from its external auditors would be measured by whether work was delivered on time, was of a good quality and that officers developed good working relationships.

RESOLVED that the External Audit Plan for 2011/12 be noted.

69. Update on Progress - Certification of Claims and Returns

The Chief Officer: Housing presented the report which provided Members with an update on the progress the Housing and Council Tax Benefit Service has made since last reporting to Governance and Audit Committee in September 2011. It was noted that the Committee would consider a report from the Audit Commission on the certification of claims and returns at its March meeting.

The Committee were advised that:

- The accuracy rate for quality continued to be 93% but although this was on an upward trajectory in the current financial year it was not expected to be possible to achieve 95%
- The Benefit Service management structure has been restructured and provided more management resource to check claims and management of assessment staff
- Processing was now undertaken on an alphabetic split based on claimant names so that processing staff are more familiar with benefit customers and their requirements as well as ensuring a claim is assessed by the same member of staff from start to finish. This was to ensure ownership and accountability for processing work.
- All non-HRA rent rebate expenditure had been reviewed, classification for 2010/11 was consistent and a process was in place to ensure that this continued
- Examples of errors from a spot check on calculating earnings showed that the overpayment of benefit contributing to the error rating could be as small as £0.06
- It was noted that software errors had occurred and a software fix was due to be implemented in February 2012
- Quality checking was being undertaken on the higher risk cases
- Completion of satisfactory verification checklists were in place in 99.12% of checked claims.

It was clarified that the Government subsidy system which finances housing and council tax benefit expenditure allows for a level of error in processing in financial terms. A threshold is set at 0.48% of the total benefit paid. The Council does not lose any subsidy if the total value of local authority error does not exceed that threshold.

Separately the Council has to reconcile expenditure to the penny to demonstrate that its financial procedures are reliable and robust.

RESOLVED that the current performance of the Housing and Council Tax Benefit Service be noted.

70. **Treasury Management**

The Chief Technical Accountant presented the Treasury Management Report for review before being presented to Council as part of the overall budget package and resolution on Council Tax for 2012/13.

The report was made up of four documents which together were the Treasury Management Strategy and Policies for 2012/13:

- **Capital Prudential Indicators**
It was explained that the Capital Prudential Indicators sets out the provisional Capital programme for 2012/13 and identified that the Council would remain debt free through 2012/13.
- **Minimum Revenue Provision (MRP) Policy**
The Committee noted that although the Council remained debt free the Council must make a financing charge for the capital expenditure incurred either over the asset life or over the period of borrowing incurred e.g. for buildings over 60 years and cars over 5 years.
- **Treasury Management Strategy**
It was clarified that this policy set out projections on future debt and investment levels; borrowing limits; economic outlook and expected movement in interest rates and identified the borrowing strategy for any short-term borrowing. The Committee discussed the potential impact of the considerable economic uncertainty and that no movement in interest rates was expected until at least September 2013.
- **Investment Strategy**
It was explained that the primary objective of the strategy was to safeguard the repayment of principal and interest on-time and ensuring adequate liquidity. Once those criteria had been satisfied yield was then considered. The Counterparty Selection criteria had remained unchanged from last year and only included High Quality counterparties. Another strategy to manage any risk to the authority was to limit investment by size and duration and the proposal was that these should remain at £7m and 364 days. The Council had £52 million invested currently between UK banks and money market funds. It was confirmed that investing in foreign currency was too risky however repayment of Icelandic bank funds would be by a mixture of currency. The Committee were assured that the Council was working with other local authorities to have this converted to sterling as quickly as possible with minimal charges.

71. **Anti-Fraud and Corruption Policy**

The Borough Treasurer presented the report to update and approve the Anti-Fraud and Corruption Policy to ensure that it was up to date and consistent with the latest Financial Regulations and ensure that they continue to be fit for purpose. The revised policy had an increasing emphasis upon the Council's zero tolerance towards

fraudulent activity. Awareness had also been raised amongst staff as related policies were refreshed such as the Whistle Blowing policy.

It was discussed that whilst the current economic climate was possibility leading to an increased risk of fraud and corruption local authorities were also getting better at identifying and dealing with such activities.

RESOLVED that the Anti-Fraud and Corruption Policy at Appendix A to the report be approved.

CHAIRMAN