

GOVERNANCE & AUDIT COMMITTEE
14 JULY 2014
6.00 - 6.47 PM



Bracknell Forest Borough Council:

Councillors Heydon (Chairman), Allen (Vice-Chairman), Birch, Ms Brown, Thompson and Ward

Present:

Independent Members:

Gordon Anderson

Apologies for absence were received from:

Councillors McCracken and Worrall

4. Apologies for Absence and Substitute Members

The Committee noted the presence of the following substitute member:

- Councillor Birch for Councillor McCracken.

5. Declarations of Interest

There were no declarations of interest.

6. Minutes

RESOLVED that the Minutes of the Governance and Audit Committee meetings held on 1 April 2014 and 14 May 2014 be approved as a correct record and signed by the Chairman.

7. Urgent Items of Business

There were no urgent items of business.

8. External Audit Matters

Catherine Morganti, Ernst and Young, attended the meeting to present a report providing an update on progress towards the 2013/14 audit and advise the Committee of the proposed fees for 2014/15.

The Audit Progress report and Annual Audit and Certification Fees Letter were attached to the report. The Audit Progress report summarised the work that had been completed to date, outlined changes to the audit team and set out the timetable for future deliverables. With the exception of the Annual Audit Letter the deliverables were scheduled for September 2014. The Annual Audit and Certification Fees 2014/15 Letter set out the proposed fees and the Committee was asked to note these.

The Committee was advised that Rachel Cobley and Catherine Morganti would be leaving Ernst and Young. However, a handover process was in place to ensure a smooth transition and avoid disruption to the Council.

The Committee expressed their thanks to Rachel Cobley and Catherine Morganti for their work during their time working with the Council.

The Committee noted Ernst Young's Progress Report 2013/14 and the Annual Audit and Certification Fees 2014/15 Letter.

9. Council Agenda: Members Questions and Motions and Public Participation

The Committee received a report seeking an amendment to the Council's Procedure Rules and the Scheme for Public Participation.

The Council's printing requirements were now met by a shared service agreement with Wokingham Borough Council. Under the revised service arrangement the agenda for a Council meeting had to be finalised by 10.00am on the Monday of the week prior to the Council meeting, assuming that the meeting was taking place on a Wednesday. Council Procedure Rules currently stated that Questions and Motions from Members were required to be submitted by 10.00am on the sixth working day prior to the meeting. The Scheme of Public Participation at Meetings of the Council specified that an item had to be received at least six clear working days before the Council meeting, which meant at present that they could be received up to 5.00pm on the Monday the week before. It was therefore proposed to amend the Council Procedure Rules and Scheme of Public Participation at Meeting to specify that items must be received by 10.00am on the seventh working day before the date of the meeting.

It was clarified at the meeting that the Committee's recommendation would be submitted to the Council meeting in September 2014 to amend the Constitution. Following this the Council's website would also be updated to reflect the change.

RECOMMENDED to Council that the Council's Procedure Rules and the Scheme for Public Participation at Council Meetings be recommended for amendment as set out in Section 5 of the report.

10. Anti-Money Laundering and Anti-Fraud and Corruption Policies

The Committee received a report seeking approval for the Council's updated Anti-Money Laundering and Anti-Fraud and Corruption Policies to ensure they were up-to-date and fit for purpose. The updated policies were set out in Appendices A and B to the report.

Local authorities had a responsibility to ensure that they had adequate anti-fraud and corruption procedures. The Council's Anti-Fraud and Corruption policy had been reviewed in January 2012 and was now due for review. The Policy had been revised to ensure it was still fit for purpose and consistent with the latest Financial Regulations.

Public authorities were not legally obliged to implement the provisions of the Money Laundering Regulations 2007, but the Council and its individual Members and employees had legal obligations relating to money laundering. It was also recommended by CIPFA that, as a responsible public body, the Council should have

in place an approved Anti-Money Laundering Policy. This was now due for review and had been revised to ensure it was still fit for purpose.

Following discussion at the meeting it was clarified by the Borough Solicitor that the wording set out in paragraph 2.6 of the Anti-Fraud and Corruption Policy, that the Council would 'do its best' to protect the identity of residents, was sufficient in legal terms.

RESOLVED that the Council's updated Anti-Money Laundering and Anti-Fraud and Corruption Policies, as set out in Appendices A and B to the report respectively, be approved.

11. **Internal Audit Annual Assurance Report 2013/14**

The Committee received the Annual Report from the Head of Audit and Risk Management as required by the Public Sector Internal Audit Standards (PSIAS). This was timed to inform the Annual Governance Statement (AGS). As required by the PSIAS, the Annual Report included the Head of Audit and Risk Management's opinion on the control environment, a summary of work supporting the opinion and a statement on compliance with PSIAS.

The Head of Audit and Risk Management's opinion was that based on the work carried out, she could give reasonable assurance that sound system of internal control was in place and that controls were operating satisfactorily except for some areas of significant weakness which were noted in the Report. It noted, however, that no system of control could provide absolute assurance against material misstatement of loss, nor could Internal Audit give that assurance. The Head of Internal Audit's opinion provided could, therefore, only provide reasonable and not absolute assurance based on the work undertaken and the areas audited. The Report stated that the Council was broadly compliant with PSIAS and noted actions to be taken forward to ensure full compliance.

Arising from the Committee's discussion the following points were noted:

- The Committee was advised that the follow-up audit of car parking had now been completed. The weaknesses identified had been addressed to the satisfaction of Internal Audit.
- It was proposed to defer the external assessment required under the Quality Assessment and Improvement Programme required by PSIAS to later in the five-year cycle within which it needed to be undertaken. Initial indications were that the cost of an external assessment would be significant, and the possibility of peer reviews with other local authorities had been proposed but there was still uncertainty around the qualifications required to undertake the assessment and a lack of clarity around the form of peer review that would be acceptable. The proposal was in line with advice from the Better Governance Forum. It was anticipated that the Home Counties Internal Audit Group might be able to undertake peer reviews.
- A number of significant control weaknesses relating to procurement had been identified at the audit of procurement in schools, and each school had received an individual memo setting out the areas they needed to address. It had been identified that the Council's existing Contract Standing Orders were often difficult for schools to apply to their own circumstances. There was a risk that if schools were not complying with these they would not be testing the market fully and not achieving best value. To address this, a new set of

Contract Standing Orders specific to schools would be drafted and presented to the Schools Forum for comments.

- The Summary of Internal Audit Performance set out in the report was an indication that nearly all audits had been finalised. There had been an increased number in the Children, Young People and Learning department as there had been a number of additional cross-cutting reviews this year that would not normally be undertaken.

The Committee noted the Head of Audit and Risk Management's Annual Report, setting out the Head of Internal Audit's Opinion for 2013/14.

12. **Annual Governance Statement**

The Committee received a report requesting approval of the Annual Governance Statement (AGS) 2013/14 and the Action Plan to make the improvements identified in the AGS. The draft AGS and Action Plan were attached to the report at Appendices 1 and 3 respectively.

The Action Plan attached to the AGS 2012/13 had identified a number of areas for improvement, in particular in relation to the Planning Protocol for Members, Financial Regulations and implementing the mandatory training policy in respect of Data Protection and Information Security. Considerable progress had been made on these during 2013/14 on implementing these actions, and further details were set out in Appendix 2 to the report. Where these issues were still ongoing they had been included again in the 2013/14 Action Plan.

The draft AGS for 2013/14 was based on declarations in Compliance Assessments undertaken by the following:

- The Assistant Chief Executive and each Director on compliance with internal controls and governance arrangements across their departments;
- The Monitoring officer in respect of legal and regulatory functions;
- The Borough Treasurer in respect of financial controls; and
- The Borough Treasurer and Head of Audit and Risk Management in respect of risk management.

The Action Plan had been drawn up to address the issues highlighted in the AGS.

RESOLVED that the draft Annual Governance Statement, as set out in Appendix 1 to the report, and the Action Plan, as set out in Appendix 3 to the report, be approved.

13. **Strategic Risk Management Update**

The Committee received a report presenting the updated Strategic Risk Register for Review. The Register was attached to the report at Appendix 1.

In accordance with the Risk Management Strategy, during 2013/14 the Strategic Risk Register had been reviewed quarterly by the Strategic Risk Management Group and every six months by the Corporate Management Team. The Register had been reformatted to highlight potential impacts and consequences more clearly. Actions to address risks were now recorded separately to reduce the length of the Register for

review purposes by senior management and Members. An update on mitigating actions had been obtained to inform the assessment of risk.

The Committee noted the Strategic Risk Register set out in Appendix 1 to the report.

14. **Date of Next Meeting**

The Committee noted that its next meeting would be held on on Wednesday 24 September 2014 at 7.30pm.

CHAIRMAN

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