

**GOVERNANCE & AUDIT COMMITTEE**  
**24 JUNE 2015**  
**7.30 - 8.20 PM**



**Bracknell Forest Borough Council:**

Councillors Allen (Chairman), King OBE (Vice-Chairman), Heydon, McLean, Ms Miller, Mrs Temperton, Thompson and Worrall

**Present:**

**Independent Members:**

Gordon Anderson JP

**4. Declarations of Interest**

There were no declarations of interest.

**5. Minutes of Previous Meetings**

**RESOLVED** that the minutes of the meeting of the Committee held on 25 March 2015 be approved as a correct record and signed by the Chairman, subject to a correction to minute 42 to refer to the Annual Governance Statement for 2014/15, not 2013/14 as stated.

**Matters arising**

With reference to the piloting of an early close down of accounts referred to in minute 44, the Borough Treasurer reported that the work on the 2014/15 accounts had been concluded and a first draft of the final accounts produced by 21 May 2015, although they had not been signed off until after 31 May 2015.

**6. Urgent Items of Business**

There were no items of urgent business.

**7. External Auditors – Introductory Remarks**

As this was the first meeting of a new Committee, the Chairman invited the External Auditors introduce themselves and comment briefly on their role.

Helen Thompson of Ernst & Young explained that External Audit had two main statutory functions:

- To provide an opinion on the financial statements of the Council; and
- To provide a value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

This year's audit would commence on 13 July 2015 and a report would be made to the Committee at its meeting in September. No significant issues had been identified at this stage and difficulties were not anticipated. The compressed timetable for the publication of annual accounts due to be imposed from 2017/18 would present a

challenge for the future in terms of how quickly the annual audit would have to be carried out.

## 8. **Internal Audit Annual Assurance Report**

The Committee considered the Internal Audit Annual Assurance report presented by the Head of Audit and Risk Management. The report included an overall opinion on the adequacy of the control environment, a summary of the work that supports the opinion and a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).

The Committee noted that based on the work of Internal Audit during the year, the Head of Audit and Risk Management had given the following opinion:

- Reasonable assurance was provided that the Authority had sound systems of internal control in place in accordance with proper practices (except for those areas of significant weakness separately specified).
- Key systems of control were operating satisfactorily, except in the areas specified.
- There were adequate arrangements in place for risk management and corporate governance.

The areas of significant weakness related to 15 audits (from a total of 71 carried out during the year which included an opinion) resulting in a limited assurance opinion. These audits were spread across Departments of the Council, although it was noted that five related to school audits. It was noted that a change in either Headteacher or Bursar exposed a weakness in the control environment in place. It was the practice for all audits providing limited assurance only to be followed up with a further audit in the following year to ensure that recommendations and improvements had been implemented.

The Committee sought further explanation of the two areas where consecutive limited assurance opinions had been given. Firstly, the system for the financial monitoring of direct payments to persons arranging their own social care by the Adult Social Care, Health and Housing Department had been found to have weaknesses. This was mainly about insufficient follow up on cases where there appeared to be inappropriate use of the payments made to some individuals. While the responsibility for arranging care now rested with the individual, the Council still had a duty to ensure as far as possible that public money was being appropriately spent. Secondly, a Council wide audit of adherence to Payment Card Industry (PCI) standards for data security around credit and debit card transactions had received a second limited assurance only report. A number of steps had been taken to improve performance in this area, including a working group tasked with addressing the problems and good progress had been made which was expected to be confirmed when the follow up audit occurred in quarter 3 of the current year.

In answer to a question raised on potential council tax reduction fraud in Bracknell not being investigated, the Committee noted that some joint work with other authorities was taking place on the launch of a data matching exercise designed to identify high risk cases of potential council tax reduction fraud for investigation.

**RESOLVED** that the Head of Audit and Risk Management's Annual Report setting out the Head of Internal Audit's Opinion for 2014/15 be noted.

9. **Annual Governance Statement**

The Committee received a report requesting approval of the Annual Governance Statement (AGS) 2014/15 and the Action Plan to make the improvements identified in the AGS prior to its submission for approval by full Council. The draft AGS and Action Plan were attached to the report at Appendices 1 and 3 respectively.

The primary source of assurance for the AGS were the Compliance Assessments completed by:

- 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 drawn up to address the issues highlighted in the AGS identified a number of areas for improvement. Over the past year progress had been made on issues in relation to communicating with and raising staff awareness of information management policies, taking a proactive approach to counter-fraud, and updating the Council's website to comply with the requirements of the Government's revised Data Transparency Code. Where these issues were ongoing they had again been included in the Action Plan.

**RESOLVED** that:

- (1) the draft Annual Governance Statement shown at Appendix 1 to the report be approved; and
- (2) the Action Plan shown at Appendix 3 to the report be approved.

10. **Risk Management Strategy**

The Committee considered a report presenting the updated Risk Management Strategy for approval.

The current priorities, as set out in the updated Strategy, were summarised as follows:

1. To ensure there are adequate risk management arrangements in place for all major projects undertaken at the Council.
2. To identify the key potential fraud risks to the Council and develop a fraud risk management plan.
3. To carry out a test exercise on the Disaster Recovery Plan.

Comments and feedback on the updated Strategy had been sought from the Strategic Risk Management Group (SRMG) and the Corporate Management Team (CMT) and a number of amendments had been incorporated as shown in the Strategy attached at Appendix 1 to the report.

From answers to questions the Committee noted that:

- Audits were carried on the governance of all of the Council's major projects, which included a review of the risk management arrangements.

- The Disaster Recovery Plan was aimed more at dealing with the risk of a major IT failure than occurrence of a natural disaster.
- In terms of business continuity, the Council had an overarching business continuity plan, each Department had a business continuity plan, and there was also an IT business continuity plan in place.

**RESOLVED** that the updated Risk Management Strategy at Appendix 1 of the report be approved.

#### 11. **CIPFA Audit Committee Guidance Covering Report**

The Committee considered a report setting out details of the latest best practice guidance taken from a recently revised document issued by CIPFA: "Audit Committees: Practical Guidance for Local Authorities and Police". The Guidance stated that audit committees were a key component of an authority's governance framework and went on to define the core functions of an audit committee. Although no single model of an audit committee was prescribed, a number of features were seen as essential to a properly established committee.

The Committee had not carried out a formal assessment of its performance since it was first set up in 2009, the best practice at that time being less prescriptive. The revised Guidance provided a checklist for self-assessment which was attached to the report as an appendix.

The Committee was favourably disposed to a self-assessment exercise but accepted it would be more appropriate to hold this, in say January 2016, when the new Committee would have at least six months experience (including some further training) behind it. The External Auditors fully supported the idea of a self-assessment exercise for the Committee. Comments were made about the self-assessment checklist and it was suggested it may be more effective for a workshop to consider each item on a scale of 1 to 5 rather than a yes/no basis.

**RESOLVED** that:

- 1) A self-assessment of compliance with Audit Committees: Practical Guidance for Local Authorities and Police be undertaken; and
- 2) A workshop be set up, to be led by the Chairman and the Head of Audit and Risk Management, to which all Members of the Committee would be invited, to undertake the self-assessment.

**CHAIRMAN**