

GOVERNANCE & AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 29 JUNE 2006

Councillors: Barbara Alexander (*Chairman*) (AP), John Chapman (P), Sue Farrant (AP), Denise Gaines (P), Alexander Payton (*Vice Chairman*) (P), Andrew Rowles (P) and Emma Webster (P)

Substitute(s):

Also present: Councillor Jeff Brooks, Councillor Laszlo Zverko, David Holling (Head of Legal and Electoral), Ian Priestley Head of Assurance), Simon Freeman Head of Accountancy), Martin Cawte (Head of Resources and Commissioning), Charles Morris (Risk Manager), Julie Gillhespey (Group Auditor), Shannon Coleman (Group Auditor) and Vicky Wheatley (Policy Officer).

(Councillor Payton in the Chair).

PART I

4. APOLOGIES.

Apologies for the inability to attend the meeting were received on behalf of Barbara Alexander and Sue Farrant.

5. MINUTES.

The Minutes of the meeting held on 10 April 2006 were approved as a true and correct record and signed by the Chairman.

The Minutes of the meeting held on 2 May 2006 were approved as a true and correct record and signed by the Chairman.

6. DECLARATIONS OF INTEREST.

There were no interests declared.

7. STATEMENT OF FINAL ACCOUNTS 2005-2006.

The Committee considered a report (Agenda Item 4) concerning the Statement of Final Accounts.

The Chairman reminded the Committee that approval of the Statement of Accounts had been delegated at a meeting of full Council to the Governance & Audit Committee. The agenda for the meeting had been sent to all Members.

Simon Freeman, Service Head – Accountancy, introduced the report and explained that the Committee were being asked to agree that the statements were prepared and presented in compliance with the legislation and professional guidance and that they reflected a true position regarding the Council's financial affairs as at 31st March 2006. The Committee was not being asked to approve the way in which the Council had allocated and spent its Capital and Revenue Budgets. Simon reported:

- The contribution to the Balances (p5) was £266k (not £280k),
- The Auditors report (p10) would be complete by September 2006, once the Audit Commission had completed their work.
- The Consolidated Revenue Account (p24) followed a nationally set format but did incorporate all of the Council's services (although under different names),
- The total Revenue expenditure for 2005/06 was £290,792,000,

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- The Outturn reported to Executive in June was just under £1million under spent. Since then some Services had permission to carry over budgets for approved projects, provision had been made for bad debt (£250k) and insurance (£350k) and there had been changes to the cash limit. The remaining under spend of £276k (p49) would be split between the 3 services that had produced savings. £134k would go to Environment, £116k to the Chief Executive's Directorate and £30k to Community Services.

Members asked a number of questions and in response Simon Freeman explained:

- The Council was increasingly looking for in-house insurance opportunities. £350k would be set aside for self-insurance. Councillor Brooks suggested the Resource Management Task Group investigate the use of self-insurance,
- Councillor Brooks questioned the increase in the Recruitment costs given the recent changes to the recruitment process. He suggested that this might be a subject for the Resource Management Task Group to investigate,
- The Agresso financial system would provide better reporting on bad debt. The analysis available indicated that a general bad debt provision of £680,000 was required at 31st March 2006,
- The Outturn Report was approved by the Executive in June 2006 and this had detailed the increase in the bad debt and insurance provisions,
- In the next 12 months the Council would investigate and try to resolve large debts,
- £375k was granted to voluntary organisations in 2005/06.
 - £191k to Citizens Advice Bureau,
 - £176k to Community Council for Berkshire,
 - £38k to the Newbury Volunteer Bureau,
 - £10k to the Community Furniture Project,
 - £6k to Relate,
 - £10k to other voluntary organisations,
- The Council's land and buildings were valued at their current market value,
- The March meeting of full Council approved the Capital Strategy and calculations for the Capital Programme, which provided the prudential indicators and borrowing that the Council can support,
- Recruitment advertising costs had increased. £350k was spent by the Council and £165k by West Berkshire Schools. It was suggested the cost of recruitment advertising also be examined by the Resource Management Task Group,
- The Council's assets were subject to a five-year rolling re-evaluation programme. The value for assets had reduced by £24 million as a result of the 05/06 valuation programme, which had been offset by additions and depreciation. The net reduction was therefore £6 million,
- £1.3 million disposals resulted from the sales of 'dyso' properties, land at Mill Lane in Lambourn, land at Edgecomb Lane and George House.

RESOLVED that

1. The Statement of Accounts for the 2005/06 financial year be approved,
2. Simon Freeman provides further information for the Members on the Capital Strategy and the valuation of the Council's assets.

8. STATEMENT OF INTERNAL CONTROL 2005-2006 – ASSURANCE ANNUAL REPORT.

Ian Priestley introduced this item and explained that:

- The Council was operating a new approach to the sign off of the Statement of Internal Control (SIC - Item 9). Items 5 – 8 were all designed to support the Committee in its review of the SIC,
- The purpose of the SIC was to provide assurance to the stakeholders of the Council that it had operated within the law and proper standards and that public money was safeguarded. Also the SIC demonstrated that the Council had carried out an annual review of the system of internal control within the Council,
- The evidence that demonstrates the review of the system of internal control was contained in items 5 – 8.

The Committee considered the Assurance Annual Report (Agenda Item 5) concerning the internal control framework. Ian Priestley explained that this report set out the opinion of the “Head of Internal Audit” on the system of internal control, and explained the basis of that opinion.

Members asked a number of questions and in response it was reported that:

- 10 – 12 West Berkshire Schools were audited per year. For the 2005/06 year most of the reports were yet to be finalised, and hence did not appear in the schedule (Appendix A) of the report,
- No opinion was given advisory audits, eg IT helpdesk. These were carried out where services were in the process of change and had asked for help from Audit. Recommendations were made, however, and were followed up. Failure to implement agreed recommendations would be reported to the Committee,
- Audit was required to perform the National Fraud Initiative work for the Audit Commission, but was not required to give an opinion. Consideration would be given to providing an opinion in future,
- West Berkshire did not have a record of internal or external fraud and was considered to be at low risk.

RESOLVED that the Committee note the report.

9. STATEMENT OF INTERNAL CONTROL 2005-2006 – REVIEW OF STANDARDS & PROCEDURES.

The Committee considered the Review of Standards and Procedures of Internal Control (Agenda Item 6) by the Monitoring and Section 151 Officers.

David Holling explained:

- That this was the first time such a report had been prepared. It was designed to provide assurance to the Committee from the perspective of the Monitoring and S151 Officers on the system of internal control.

Members asked a number of questions and in response it was noted that:

- Consideration might well be given to any reports from the Ombudsman when compiling this report in future.

RESOLVED that the Committee note the report.

10. STATEMENT OF INTERNAL CONTROL 2005-2006 – HEADS OF SERVICE ASSURANCE STATEMENTS.

The Committee considered a report (Agenda Item 7) concerning Heads of Service Assurance Statements.

Ian Priestley explained that:

- The report contained a summary of the issues of concern highlighted by Heads of Service in their annual assurance statements and service risk registers. This work summarised a quarterly review by Heads of Service of their risk registers and forms a key part of the Council's system of internal control,
- The assurance statements had all been agreed and signed off by the relevant Director and Portfolio Holder,
- Action plans were in place in all services to mitigate "Red" risks.

Members noted that many of the different services had identified a similar risk related to problems with staff recruitment and retention. Charles Morris explained that he would be tabling the risks noted in this report at the next quarterly review of the Strategic Risk Register with Corporate Board.

RESOLVED that the Committee note the report.

11. STATEMENT OF INTERNAL CONTROL 2005-2006 – STRATEGIC RISK REGISTER.

The Committee considered the Strategic Risk Register (Agenda Item 8) which identified the strategic risks and associated action plans.

Charles Morris explained that:

- The Strategic Risk Register was something that was reviewed on a quarterly basis by Corporate Board and Management Board and that it was constantly being updated,
- The register includes a summary of major projects and that each major project had its own separate risk register which was updated quarterly.

Members asked a number of questions and also commended the comprehensive nature of the approach being taken to manage risk.

RESOLVED that

1. The Committee note the report,
2. The risks at 1.2 be separated,
3. Water shortages and industrial action be added to the Risk Register,
4. Corporate Board be asked to consider adding the cost of the pension fund to the Risk Register,
5. The wording in 4.1 be amended to 'A major failure of technology',
6. 4.2 be removed as the last ever IEG statement had been submitted,
7. The Committee receive an update on the progress with the action plans, designed to mitigate the red risks identified on the final page of the report, as a regular item at each future meeting of the Committee,
8. The Risk Matrix be included with the Risk Register in future.

12. STATEMENT OF INTERNAL CONTROL 2005-2006.

The Committee considered a report (Agenda Item 9) concerning the Review of the Statement of Internal Control 2005-2006.

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RESOLVED that

1. The Committee reviewed and approved the process for producing, and evidence relating to, the Statement of Internal Control,
2. Ian Priestley provides further information on the classification of major projects to the next meeting.

(The meeting commenced at 6.30pm and closed at 8.45pm)

CHAIRMAN

Date of Signature: