

# **GOVERNANCE & AUDIT COMMITTEE**

## **MINUTES OF THE MEETING HELD ON 11 OCTOBER 2006**

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

**Substitute(s):** Sally Hannon

**Also present:** David Holling (Head of Legal and Electoral), Ian Priestley (Head of Assurance), Julie Gillhespey (Group Auditor), Charles Morris (Risk Manager), Robert O'Reilly (Head of Human Resources), Tom Herring (Corporate Contracts & Procurement Manager) and Vicky Wheatley (Policy & Research Officer).

### **PART I**

#### **17. APOLOGIES.**

Apologies for the inability to attend the meeting were received on behalf of Councillors Alex Payton, Denise Gaines and Emma Webster. Councillor Sally Hannon attended the meeting as a substitute.

#### **18. MINUTES.**

The Minutes of the meeting held on 28 September 2006 were approved as a true and correct record and signed by the Chairman.

A note from Simon Freeman, Head of Accountancy, was circulated in response to questions raised at the Committee meeting on 29 June 2006. It was reported that:

- i) The full Capital Strategy 2006 – 2012 was available to Members by entering the words “Capital Strategy” in the search bar on the WBC intranet and searching for Articles and Documents.
- ii) The Councils Assets were valued under the requirements of the Royal Institute of Chartered Surveyors (RICS) in their guidance document “Statements of Asset Valuation Principles and Guidance Notes”. The guidance took into consideration a wide range of issues including the use to which the assets were put for example.

#### **19. DECLARATIONS OF INTEREST.**

There were no interests declared.

#### **20. PRESENTATION ON THE ROLE OF INTERNAL AUDIT.**

The Committee heard a presentation on the role of Internal Audit (Agenda item 4), delivered by Julie Gillhespey, Group Auditor. She reported that Internal Audit:

- Was defined as an independent appraisal function to examine, evaluate and report on the internal control system of an organisation as a contribution to the proper, economic, efficient and effective use of resources,
- Looked at the whole system of internal control, not just financial control, and was a statutory requirement in local government. It was important that Internal Audit was impartial and always had evidence to support their conclusions,
- Aimed to ensure an organisation’s objectives and goals could be accomplished, resources were used efficiently and effectively, assets and resources were safeguarded, information was reliable and the organisation complied with policies, plans, procedures, laws and regulations,
- Provided advice across the Council and ad-hoc advice on controls that needed to be put in place,

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- Had a 3 year rolling Strategic Internal Audit Plan, which was re-assessed each year. Proposals were discussed at Senior Management Team meetings, and agreed with Corporate Board and the Members. The work was then split between the 2 audit teams,
- Had standards for carrying out audits (Specific to West Berkshire Council) which were set out in the Internal Audit Manual. Every stage of each audit was reviewed by a Group Auditor,
- Was subject to an annual review by External Auditors. The next review was due in February 2007.

In response to questions from the Committee, Julie Gillhespey confirmed that not all audits were carried out internally as some outsourcing did occur. Internal Audit would join a bench marking group to compare and learn from Auditors in similar local authorities. Services were not charged for internal audit work carried out in their departments as it was felt fairer that the overall charge was shared.

The Committee also heard a briefing on the Financial Management Standard in Schools (FMSIS) from Ian Priestley, Head of Assurance. He reported that:

- Schools had been granted greater financial freedoms in the last 20 years, although the Council's Head of Finance and Section 151 Officer retained overall financial control,
- The FMSIS was launched by the DfES in April 2004, and became a requirement from June 2006,
- Internal Audit would focus on working with secondary schools and help them to gain accreditation where possible,
- The DfES had not yet determined whether any sanctions would apply if schools did not comply with the FMSIS.

Councillor Hannon felt that schools were happy to work with Internal Audit, but believed the FMSIS would create extra work for their finance departments and they would write to the DfES.

**RESOLVED** that the Committee note the presentations from Internal Audit.

### **21. ANTI FRAUD AND CORRUPTION POLICY – REVIEW AND UPDATE TO INCLUDE AN ANTI MONEY LAUNDERING POLICY.**

The Committee considered a review of the existing anti fraud policies and the new anti money laundering policy (Agenda item 5) presented by Ian Priestley, Head of Assurance. Ian Priestley informed the Committee that:

- Although the Council needed to have an anti money laundering policy it was a very low risk,
- The anti fraud and confidential reporting policies had been reviewed as they formed part of the Use of Resources,
- The leaflets at p35 – 39 had been designed by the Audit Commission and then tailored to West Berkshire Council. They would be e-mailed to all employees and be made available on the Council's intranet.

The Chairman thought that a summary for each of the policies would be useful and David Holling, Head of Legal & Electoral, informed the Committee there would be a frequency asked questions page on the Intranet with respect to money laundering.

Councillor Hannon suggested that in the introduction of the policies it was made clear who the policy applied to; officers, leisure centres, schools or partner organisations. This was particularly important when joint working arrangements with partner organisations were in place.

**RESOLVED that**

1. The revised Anti Fraud and Corruption Policy, Confidential Reporting Code and Anti Money Laundering Policy be approved subject to the following amendments:
2. An executive summary be included in each policy,
3. Who each Policy applies to be made clear in the introduction of each Policy,
4. The process for informing the Head of Human Resources of a concern raised in the Confidential Reporting Code be clarified.

**22. DECISION MAKING AUTHORITY FOR HR POLICIES & PROCEDURES.**

The Committee considered a report on the Decision Making Authority for HR Policies and Procedures (Agenda item 6). The report was presented by Robert O'Reilly, Head of Human Resources, who explained that the recommendations in the report would clarify in the Council's Constitution who was responsible for making certain HR decisions.

It was recommended that the terms of reference for the Personnel Committee be extended to include the decision making power to approve new or revised HR policies and procedures. Also, that decision making powers be delegated from the Personnel Committee to the Chief Executive under the Scheme of Delegation.

**RESOLVED that** the report be approved.

**23. THE QUARTERLY REVIEW OF THE STRATEGIC RISK REGISTER AND RED RISKS.**

The Committee considered the Statement of Internal Control Strategic Risk Register 2006-07 (Agenda item 7) presented by Charles Morris, Risk Manager.

Charles Morris informed the Committee that the issues raised at the meeting on 29 June 2006 (Detailed at paragraph 1.4 in this report) had all been implemented. The only major change to the Risk Register was that the AWE Redevelopment was no longer considered a significant risk and had been managed out of business.

David Holling, Head of Legal & Electoral, reported that major projects, such as Kennet Valley Park were considered to be major risks to the Council as due to their size they had a major impact on Council resources and were beyond what the Council would normally expect to manage.

Charles Morris drew the Committee's attention to the Red Risks on p57 of the agenda and circulated information on the selection criteria for the risks.

The Committee discussed potential new risks the Council faced, such as the effects of the enlargement of the European Union and financial pressure of increasing home to school transport. The Committee also considered whether it would be more appropriate for the Chief Executive and the Leader to take ownership of the Poor / Inappropriate Decisions Risk at 3.2.

The Risk Manager thanked the Committee for their comments which he would raise with the Chief Executive at their next meeting.

**RESOLVED that**

1. The Quarterly Review of the Strategic Risk Register and Red Risks be noted,
2. The Risk Manager and Chief Executive consider whether to include the effects of the enlargement of the European Union and financial pressure of increasing home to school transport in the Risk Register and whether it would be more appropriate for the Chief Executive and the Leader to take ownership of the Poor / Inappropriate Decisions Risk at 3.2.

**24. A PROTOCOL FOR MEMBER INVOLVEMENT IN PROCUREMENT IN CONTRACTS VALUED OVER £50,000.**

The Committee considered A Protocol for Member Involvement in Procurement in Contracts Valued Over £50,000 (Agenda item 8) presented by Tom Herring, Corporate Contracts & Procurement Manager.

Tom Herring explained that in May 2005 the Executive had requested a protocol outlining how Member involvement could be ensured in procurement decisions over £50,000 in value. In the protocol, at the beginning of each financial year Heads of Service would identify expected procurements for the year ahead in a Service Procurement Planner. Portfolio Holders and Shadow Portfolio Holders would review this and indicate in which procurement exercises they wished to be involved in, and to what extent.

The report included recommendations of the Resource Management Task Group. Portfolio and Shadow Portfolio holders would have 5 working days to approve or reject a proposal. If they were unavailable, the proposal would be sent to the Leader or Leader of the Opposition.

The protocol included all capital projects, emergency procurements (when possible) and placements in special schools.

The Committee asked that procurement proposals are sent to Members in their Member's Bags as well as electronically, and followed up with a telephone call.

**RESOLVED that**

1. A protocol for member involvement in procurement in contracts valued over £50,000 be approved subject to the amendment below,
2. Officers be requested to send procurement requests by e-mail and in Members bags, and telephone Members when necessary.

**25. ANNUAL WORK PROGRAMME.**

The Committee discussed a draft annual work programme (Agenda item 9).

The Committee agreed that the first main item of each meeting would be a training and development, and suggested that all Members be notified and invited to attend.

**RESOLVED that**

1. The work plan for the Governance & Audit Committee be approved,
2. All Members be notified of the training session at the beginning of each Committee,
3. The future meeting dates of the Committee would be:
  - 6.30pm, Thursday 7 December 2006
  - 6.30pm, Wednesday 21 March 2007
  - 6.30pm, Tuesday 26 June 2007
  - 6.30pm, Tuesday 25 September 2007

*(The meeting commenced at 6.00pm and closed at 7.30pm)*

**CHAIRMAN** .....

**Date of Signature:** .....