

GOVERNANCE & AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 7 DECEMBER 2006

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

Also present: David Holling (Head of Legal and Electoral), Ian Priestley (Service Head - Assurance), Julie Gillhespey (Group Auditor), Shannon Coleman (Group Auditor), Charles Morris (Risk Manager), Gary Lugg (Head of Planning), Kevin Griffin (Head of ICT), Tom Herring (Corporate Contracts & Procurement Manager) and Vicky Wheatley (Policy & Research Officer).

PART I

26. APOLOGIES.

Apologies for inability to attend the meeting were received on behalf of Councillors John Chapman, Sue Farrant, Denise Gaines and Emma Webster.

27. PRESENTATION ON THE ROLE OF INTERNAL AUDIT.

The Committee received a presentation on the Internal Audit Process in Detail (Agenda item 4) delivered by Julie Gillhespey, Group Auditor. She reported that:

- Internal Audit followed the CIPFA Code of Practice for Local Government,
- There were 7 stages to an Audit review from identifying or defining the nature and scope of a review (Stage 1) to following up on the review (Stage 7),
- Stage 1 determined the scope and depth of an Audit Review and took into account key risks, time budget and consultation with the client,
- In stage 2 the control objectives, key risks of the process and draft terms of reference were determined,
- In stage 3 Audit identified expected controls which provide assurance for the control objectives identified,
- In stages 4 and 5 Audit prepared a ICQ (Internal Control Questionnaire), assessed the responses against expected controls and obtained evidence and recorded the results,
- Finally, in stages 6 and 7 Auditors evaluated the test results and drew conclusions. This included making recommendations for each control weakness identified. Final reports were only issued following agreement from the relevant Head of Service,
- 6 months following the report Audit reviewed whether their recommendations had been implemented. Audits of schools were not reviewed due to lack of resources.

RESOLVED that the presentation on the Audit Process in Detail be noted.

28. MINUTES.

The Minutes of the meeting held on 11 October 2006 were approved as a true and correct record and signed by the Chairman.

29. DECLARATIONS OF INTEREST.

There were no interests declared.

30. INTERNAL AUDIT – INTERIM REPORT.

The Committee considered an interim report on Internal Audit for the six months to 30 September 2006 (Agenda item 6) delivered by Ian Priestley, Service Head - Assurance. He reported that the CIPFA Code of Practice for Internal Audit in Local Government required Audit to make interim and annual reports on Internal Audit to the Council. Appendix A summarised the completed audits and opinions. Three follow up reviews were found to be of concern; Contract letting and monitoring follow-up, ICT post project implementation reviews and Planning obligations. As requested by the Chairman, the officers responsible for those areas had been invited to the meeting to provide further information.

Tom Herring, Corporate Contracts & Procurement Manager attended the meeting to discuss Contract letting and monitoring follow-up and answer Member's questions. He reported that the Contract Rules of Procedure had been amended to take into account Internal Audit's recommendations. The amended Procedure would be brought to a future Governance & Audit Committee followed by Council to be formally incorporated in the Constitution. Procurement would then work with Internal Audit to look at those services not following the procedure, although it was felt that most managers and services simply needed education or training on the contract rules of procedure. Tom Herring explained that he did not expect the number of contract variations to decrease as a result of the new procedure, only that the procedure would be followed correctly.

The Head of Planning, Gary Lugg, attended the meeting to discuss Planning obligations follow-up. He informed the Committee that Planning had improved their services recently but he had asked Internal Audit to review developer contributions. Following the audit a new process for collecting developer contributions had been introduced and an S106 Officer employed. As a result contributions had increased from £1.5 million to £8 million a year. Officers were now inundated with the administration and a number of other outstanding recommendations identified by Audit had not yet been implemented due to lack of resources. The Head of Planning was due to meet with the Group Auditor and Executive Member for Planning to discuss the outstanding recommendations and whether additional resources could be sought or work re-prioritised.

The Head of ICT, Kevin Griffin, attended the meeting as Audit had identified a weakness in carrying out post implementation reviews of IT systems. The Head of ICT explained that Project Management Methodology (PMM) had been introduced in July 2005 and following the Audit report he had worked to improve post implementation reporting. He referred the Committee to version 2.0 of the Council's PMM Overview which illustrated that ICT had implemented the recommendations of Audit and project closure reporting had been improved. The PMM Overview and guidance notes followed Prince 2 procedures and would be considered by the ICT Strategy Board.

RESOLVED that

1. The Interim Report of Internal Audit 2006 – 2007 be noted,
2. The updates on Red Opinions from the Head of Planning, Head of ICT and Corporate Contracts & Procurement Manager be noted,
3. The Governance & Audit Committee support an approach to the Executive that the possibility of providing the Planning department with additional resources for reconciling planning contributions be considered.

31. REVIEW OF INTERNAL AUDIT 2006 - 2007.

The Committee considered a Review of Internal Audit 2006 – 2007 (Agenda item 5) presented by Ian Priestley, Service Head – Assurance. Ian Priestley informed the Committee that the Accounts and Audit Regulations 2006 require the Council (Governance & Audit Committee) to carry out an annual review of the Internal Audit service as part of the review of the Council's internal control framework. Appendix A of the report provided the Committee with a detailed self assessment of Internal Audit based on the draft CIPFA Code of Practice for Internal Audit in Local Government 2006. A table on pages 6 – 7 detailed where action was required to meet the standard set out by the CIPFA Code.

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The External Auditor would undertake a review of Internal Audit in early 2007, and the results would come to the Committee for consideration.

RESOLVED that the Review of Internal Audit and action plan be noted and approved.

32. **STATEMENT OF INTERNAL CONTROL – STRATEGIC RISK REGISTER 2006-2007.**

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

The Risk Manager confirmed that the issues raised by the Committee on 11 October 2006 had been implemented;

- The possible effects of the enlargement of the European Union had been added to the Register at 1.1b,
- Financial pressure of increasing home to school transport had been added to the Risk Register at 2.4e and 2.4f and,
- The Chief Executive and Leader had taken ownership of the Poor / Inappropriate Decisions Risk at 3.2.

The Risk Manager also asked the Committee to note further amendments and additions to the Risk Register:

- Abbotswood / Pinchington Lane (6.5b) had no score as it was part of the Waste PFI project which had it's own Risk Register and was reviewed quarterly,
- The AWE Redevelopment (6.8c) had been reinserted in the Register in order that it be monitored,
- The re-building of St Bartholomew's School (6.8d) had been added as a new risk and would be scored in due course,
- Overspending (2.4d) was not considered to be a high (red) risk as the overspend was small in comparison to the total Council budget,
- Kennet Valley Park (6.8a) was considered to be a risk to the Council due to the size of the development an impact on Council services and resources would be expected,
- Health and Safety (Fire, legionella and asbestos) (3.9b) was considered to be a red risk as a survey of all Council properties was expected to take 3 years. Following the completion of the survey it was expected the risk would reduce to amber or green.

RESOLVED that the Statement of Internal Control Strategic Risk Register 2006/2007 be noted and approved subject to the following amendments:

1. The Risk at 4.3 be titled 'Failure to achieve IT value',
2. 2.4f 'Income targets not met' be re-numbered 2.4g.

33. **REVIEW OF THE TERMS OF REFERENCE.**

The Committee considered a review of their Terms of Reference (Agenda item 8) introduced by Ian Priestley, Service Head – Assurance. Ian Priestley informed the Committee that its terms of reference should be reviewed to reflect that it had been in existence for a year and CIPFA had issued further guidance on the role of Audit Committees. He added that it would be best practice to review the terms of reference annually.

The Committee considered the proposed revised terms of reference at paragraph 2.1 of the report and debated how independent the Committee should be of the Executive, as the current membership included an Executive and a Shadow Executive Member. The Head of Legal and Electoral Services, David Holling, advised the Committee that following CIPFA guidance the Leader and Chair of the

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Overview & Scrutiny Commission were no longer Members of the Committee. Provided that the Executive and Shadow Executive Members were not the Chair or Vice Chair of the Governance and Audit Committee, this would be sufficient to satisfy the CIPFA guidance.

Ian Priestley explained that issues that the Head of Internal Audit could bring to the attention of the Committee, Chair or Vice Chair at any time during the year would be information items and would not slow up the work of the Committee. All items for decision would continue to be brought to a full Committee meeting and if necessary special meetings could be called by the Chair.

The Committee questioned how far the Governance and Audit Committee would provide 'effective challenge across the Council' and questioned whether this would conflict with the role of the Overview & Scrutiny Commission. The Head of Legal and Electoral Services explained that through Internal Audit the Commission would examine all aspects of the Council's work, but only challenge in certain areas. The Committee would therefore not conflict with the work of the Overview & Scrutiny Commission. The Committee requested that the Service Head – Assurance explore this issue further.

RESOLVED that the Committee approve and recommend to Council the revised terms of reference subject to the following amendments:

1. The general purpose of the Committee be amended to "The overall purpose of the Governance and Audit Committee is to provide effective challenge and independent assurance on risk management framework and associated internal control environment across the Council to members of the public, independently of the Executive",
2. The Committee request that the Service Head – Assurance explore the role of the Governance and Audit Committee in providing challenge, while not conflicting with the role of the Overview & Scrutiny Commission,
3. The Terms of Reference be reviewed annually by the Committee.

34. ANNUAL WORK PLAN.

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

The Chairman suggested that the quarterly report on Risk Management be considered by the Committee and added to the work plan. The report included updated information on how individual services were progressing with their risk registered and summary details of insurance claims received.

RESOLVED that

1. The work plan for the Governance & Audit Committee be noted,
2. The Quarterly Report on Risk Management be added to the work plan,
3. The future meeting dates of the Committee be:
6.30pm, Wednesday 21 March 2007
6.30pm, Tuesday 26 June 2007
6.30pm, Tuesday 25 September 2007

(The meeting commenced at 6.30pm and closed at 8.20pm)

CHAIRMAN

Date of Signature: