

GOVERNANCE & AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON

26 JUNE 2007

Councillors: Jeff Beck (*Chairman*) (P), Paul Bryant (P), Mike Johnston (P), Irene Neill (P), Julian Swift-Hook (A), Tony Vickers (*Vice Chairman*) (P) and Quentin Webb (P).

Also present: Councillors Graham Jones and Laszlo Zverko, John Bull (Audit Commission), Shannon Coleman (Group Auditor), Lesley Flannigan (Group Accountant), Simon Freeman (Service Head – Accountancy), Kevin Griffin (Head of ICT), David Holling (Head of Legal and Electoral Services), Julie Gillhespey (Group Auditor), Charles Morris (Risk Manager), Ian Priestley (Service Head - Assurance), Mick West (Audit Commission) and Lee McQuade (Policy & Research Officer).

PART I

4. APOLOGIES.

Apologies for inability to attend the meeting were received on behalf of Councillor David Rendell.

5. MINUTES.

The Minutes of the meeting held on 26th March 2007 were approved as a true and correct record and signed by the Chairman subject to the following amendments;

Item 39, paragraph 4, Resolution 2 be deleted.

The Committee noted that several actions arising from the previous minutes had not been achieved:

- Item 43: In relation to Red Risks it was noted that a comment had not been added to reflect the seasonality of certain risks. Charles Morris, Risk Manager, reported that the register would be reviewed in July.
- Item 40: In relation to further information regarding the Council's low score for managing the asset base and the actions in place to combat concerns, Ian Priestley, Service Head, Assurance, noted a report would be presented to the Committee at a future meeting.
- Item 44, Resolution 2: It was reported that a report on the first local authority insurance pool would be brought to a future meeting. The Committee requested that this be included as an item on the work programme.
- Item 46, Resolution 2: Ian Priestley, Service Head – Assurance, would endeavour to present a report relating to whether s106 contributions were being spent at a future meeting.

The Minutes of the meeting held on 10th May 2007 were approved as a true and correct record and signed by the Chairman.

RESOLVED that

1. Items highlighted be carried forward as topics on the agendas of future meetings.
2. Item on the local authority insurance pool be added to the Committee work programme.

6. DECLARATIONS OF INTEREST.

There were no interests declared.

7. TRAINING: THE ACCOUNTS PROCESS AND STATEMENT OF ACCOUNTS.

The Committee received a briefing on the Statement of Accounts from Simon Freeman, Service Head – Accountancy.

Simon Freeman reported that:

- The Statement of Accounts were produced in accordance with statute – the Local Government Act 2003 and Accounts and Audit Regulations 2003 – to provide information for local rate payers, as good business practice and to inform the decision making process,
- The Statement of Accounts contained the financial position of the Authority at a set date and listed the assets and liabilities of the Authority. They also recorded Service performance.
- The timetable used in the production of the Statement of Accounts was highlighted. The Statement must be approved by the Council no later than 30th June 2007 and the Auditor's opinion received by 30th September 2007.
- The Statement of Accounts would feed into the CPA Assessment as part of the Use of Resources Key Lines of Enquiry.

In response to Members questions it was reported that:

- Commitments were raised via Purchase Orders on the Agresso system. To be included in the Statement of Accounts the service or goods had to be received or delivered before the 31st March 2007. Those commitments without Purchase Orders were those not within the financial system, these included utility bills.

RESOLVED that

1. The Accounts process and Statement of Accounts Training be noted.

8. STATEMENT OF ACCOUNTS.

The Committee received the Statement of Accounts 2006/07 (Agenda item 5). Simon Freeman, Service Head - Accountancy, presented the Statement of Accounts and requested that Members approve the Statement subject to the changes required by the external audit process. There was a thorough review of the papers.

Simon Freeman reported that:

- The Accounts embodied significant changes relative to previous years as a consequence of changes in the guidance – Statement of Recommended Practice (SORP), for example; the notional interest charge was no longer required to be made to Services.
- The Income and Expenditure Revenue Account was previously the Consolidated Revenue Account.
- A net surplus of £240,000 was reported.
- The Income and Expenditure Account (previously the Consolidated Revenue Account) showed a net deficit of £22,101,000.
- It was reported that the Notes to the Core Financial Statements appeared at the end of the document; this more closely followed the way the private sector operated.
- The Miscellaneous Adjustments (Note 5), as noted in the General Fund Budget, amounted to £205,514.
- The Net Movement between 1st April 200 and 31st March 2007 was £9,860,000.

In response to Members questions it was reported that:

- No members of the public had previously raised objections to the Accounts. The Statement of Accounts was placed on the website and hard copies made available on request. A summary leaflet was also available.
- It was confirmed that UKGAPP should read UKGAAP (p.6, para.6)
- Non Domestic Rates were based on population but it was not known what figures were used. Simon Freeman would clarify.

- Authorities would be amended to read Authority's (p.9, para.5)
- The "Head of Resources and Commissioning" be amended to read the "Head of Finance" (p.13, para.7).
- The Net Expenditure on Services - £173,020,000 included expenditure on pensions.
- In terms of the valuation of land, it was reported that the method by which land was valued differed relative to use. Land which formed part of a commercial development was valued on a different basis to common land. Council owned land was often owned under the terms of specific acts and valued on that basis; therefore values might appear relatively static.
- It was reported that schools banked under the West Berkshire Council label, although school funding was ring fenced. Schools were permitted to hold balances as this allowed them to fund future investment. This depended on a financial assessment of the school's ability to make repayments.
- The Royal Borough of Windsor and Maidenhead Council administered the Berkshire Pension Fund on behalf of all the Berkshire Unitaries. The value of the fund had improved significantly.
- Short term borrowing was completed at market rates, approximately 5.25%. Preferential rates were available for long term borrowing.
- A further breakdown of Recruitment Advertising would be made available to the Committee.
- Underlining would be amended to read underlying (p.34, para.2)
- It was confirmed that should a profit be made on Building Regulation Charges the Council would be required to reduce those charges.
- The Committee queried what work had proceeded on Monkey Bridge given an expenditure of £372,000. Simon Freeman would provide a breakdown of expenditure to date.
- A further breakdown of costs was also requested on the Shaw House/Trinity dilapidation.
- In relation to Note 21: Long Term Debtors. It was reported that the Council still received mortgage payments from the Right to Buy Scheme - £86,000. This represented approximately 10 properties. Simon Freeman would confirm the number of mortgages still payable to the Council.
- In relation to Note 23: Debtors, Simon Freeman would provide further information on the increase in Sundry Debtors and the Collection Fund.
- The Greenham Reserve referred to the extraction of minerals on Greenham Common.
- It was confirmed that the Non Payment of NNDR would be offset by the contribution to the Pool. Write Offs in the Year amounted to £302,000.

RESOLVED that

1. The Statement of Accounts for 2006/07 be approved subject to changes required by the external audit process.
2. The Statement of Accounts for 2006/07 be amended with the alterations and corrections as noted previously.
2. Simon Freeman to provide further information on Non Domestic Rates, Recruitment Advertising, Monkey Bridge, Shaw House/Trinity dilapidation, Mortgages, Sundry Debtors and the Collection Fund.
4. The Committee thanked Officers for their hard work and the detailed nature of the presentation. The Committee also thanked Councillor Laszlo Zverko for his oversight of the process.

9. STATEMENT OF INTERNAL CONTROL – REPORT OF THE MONITORING OFFICER AND S151 OFFICER.

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

David Holling, Head of Legal and Electoral Services, reported that:

- The report formed part of the Statement of Internal Control.
- The report outlined the role of the Monitoring and Section 151 Officer and assessed the robustness of corporate governance arrangements and ethics and probity matters.

RESOLVED that

1. The Committee note the report.

10. STATEMENT OF INTERNAL CONTROL – REPORT OF THE HEAD OF INTERNAL AUDIT.

The Committee considered the Annual Report of Internal Audit for the Year 2006-07 (Agenda Item 7).

Ian Priestley, Service Head - Assurance, reported that:

- The report provided an update for the Committee of the findings and concerns raised by Internal Audit over the last 6 months.
- It was considered that the Council responded quickly and effectively to issues raised.
- A rating system was used to derive the overall opinion. A traffic light system was used to categorise each audit. Satisfactory and better was given a green rating, weak and very weak - amber. If satisfactory progress had not been made after 6 months the audit as rated red.

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

- The Unaccompanied Asylum Seeking Children Audit was an old and diminishing issue. A meeting was held with the Portfolio Holder in February 2007 to examine the concern.
- Unaccompanied Asylum Seeking Children were independent of Looked After Children.

In relation to Change Control Kevin Griffin, Head of ICT, noted the main types of change control.

- Regarding the more formal change control process it was reported that more progress had been hoped for but frequent requests from customers had to be met to meet the demands of customers. Change requests were now logged and attempts were being made to rationalise change control procedures. 'SourceSafe' – an I.T. program – would enable Officers to track changes.
- Changes were recorded to alleviate risk.
- The Committee was concerned that systems might fail but Officers informed that the Council had reliable systems which were tested regularly.
- The level of change control depended on risk and the activity carried out. Processes were based on external best practice.
- In terms of paperwork it was reported that staff were reluctant to complete onerous procedures when perceived risk was minimal.
- It was difficult to ascertain how Council systems compared with other Unitaries but it was reported that IT systems were less prone to breakdown than in previous years. Feedback from vendors suggested that the Council's processes were robust.
- It was envisaged that progress would be made towards the end of 2007 into the beginning of 2008.

In relation to Council Tax, it was reported that communication between Planning and Council Tax Sections had improved and joint site visits had taken place.

In relation to the turnover of staff (p.43, Paragraph 4.1) it was reported that there were currently 3 vacancies in a team of 8.

RESOLVED that

1. The Committee accepted the report.
2. The Committee requested that that IT Change Control Follow-Up be brought as an item to the IT Strategy Group.

11. STATEMENT OF INTERNAL CONTROL – HEADS OF SERVICE ASSURANCE ASSESSMENTS.

The Committee considered a report (Agenda Item 8) concerning Heads of Service Assurance Statements.

Charles Morris, Risk Manager, reported that:

- All Service Heads were required to complete an assurance statement. These supported the Statement of Internal Control.
- Areas of concern will be considered at the quarterly review of the Strategic Risk Register.
- A process of reviewing risk registers and action plans was being undertaken with Heads of Service.

RESOLVED that

1. The Committee accepted the report
2. It was suggested that a Head of Service attend the meeting to present the risks within the particular service as an example.

12. STATEMENT OF INTERNAL CONTROL.

The Committee considered a report (Agenda Item 9) concerning the Statement of Internal Control (SIC).

Ian Priestley, Service Head - Assurance, reported that:

- The report outlined the purpose of the SIC and explained how the necessary assurance to support the SIC had been obtained.
- The report would progress to the Leader and Chief Executive.

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

- The setting up of a Governance Group of Statutory Officers to manage and advise on issues of governance would be reviewed in July 2007.
- The Committee stressed the importance of improved reporting of personnel information as a cross cutting theme, highlighting the high turnover of staff.

RESOLVED that

1. The Statement of Internal Control be approved.

13. THE QUARTERLY REVIEW OF THE STRATEGIC RISK REGISTER AND RED RISKS.

The Committee considered a report (Agenda Item 10) concerning the Statement of Internal Control Strategic Risk Register 2007-2008.

Charles Morris, Risk Manager, reported that:

- The Strategic Risk Register was reviewed quarterly and was constantly being updated.

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

- Although many of the key risks identified as red were costly and difficult to counter, for example 1.6 Flu Pandemic, their presence on the Register ensured such risks were noted and action plans prepared.
- The documents were 'living documents' and updated by the Risk Strategy Group and Corporate Board.
- Projects were included on the Register, theoretically the gross score should reduce and the colour alter from red to amber and then green as the project progressed.

RESOLVED that

1. The Committee note the report
2. The Register include a direction of travel indicator.

14. QUARTERLY RISK MANAGEMENT REPORT.

The Committee considered a report (Agenda Item 11) concerning the Risk Management Fourth Quarter Report 2006-2011.

Charles Morris, Risk Manager, reported that:

- The report provided a summary of the current position relating to risk management and insurance/claims issues.
- Public Protection was no longer listed as a separate Service Area and so coloured red.

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

- Risks did not typically have a cost attached although contingencies were made in specific cases, for example, in the procurement of the Integrated Waste Management Contract.

RESOLVED that

1. The committee note the report.

15. ANNUAL WORK PROGRAMME FOR THE COMMITTEE

The Committee considered a report (Agenda Item 12) concerning the Governance and Audit Work Programme.

RESOLVED that

1. The Committee requested that the minutes be circulated quickly to ensure that items and discussions remained fresh.
2. An item was requested at each meeting to update the Committee on those actions and items carried forward from the previous meeting.

(The meeting commenced at 6.30pm and closed at 9.52pm)

CHAIRMAN

Date of Signature: