

GOVERNANCE AND AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 26 SEPTEMBER 2007

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

Substitutes: Lee Dillon (P), Pamela Bale (P)

Officers present: John Bull (Audit Commission), Lesley Flannigan (Group Accountant), Simon Freeman (Service Head – Accountancy), David Holling (Head of Legal and Electoral Services), Julie Gillhespey (Group Auditor), Charles Morris (Risk Manager), Lee McQuade (Policy & Research Officer), Ian Priestley (Service Head – Assurance) and Andy Walker (Head of Finance).

PART I

20. APOLOGIES.

Apologies for inability to attend the meeting were received on behalf of Councillors Irene Neill and Tony Vickers with Councillors Pamela Bale and Lee Dillon substituting respectively.

It was reported that Councillor Tony Linden had replaced Mike Johnston as a Member of the Committee.

21. MINUTES.

The Minutes of the meeting held on 20th August 2007 were approved as a true and correct record and signed by the Chairman.

22. DECLARATIONS OF INTEREST.

There were no declarations of interest declared.

23. TRAINING PROGRAMME

Julie Gillhespey (Group Auditor) delivered a presentation on the Anti Fraud and Corruption work undertaken by the Council in respect of housing benefits and the National Fraud initiative.

In response to Members' questions the following responses were provided:

- There had been cases where an individual had been found to be receiving payment for two positions within an organisation.
- It was confirmed that only 1 case of overpayment had been found during the previous data matching exercise, although it was noted that other cases were known but had not proceeded to Court.

Members thanked Julie for her informative presentation.

Resolved that Members of the Committee be provided with an e-version of the presentation.

24. ANNUAL GOVERNANCE REPORT

The Committee received the Annual Governance Report (Agenda Item 5).

Lesley Flannigan (Group Accountant) presented the Annual Statement of Accounts (Item 5 – Appendix 1) and reported that there had been a number of amendments following discussions with the Audit Commission:

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- General Fund Budget, p14; the revised budget net expenditure on services was revised to £173,405.
- Statement of Accounting Policies, Pension Costs, p.16; a note had been included which highlighted the pension reserve in the balance sheet.
- Statement of Accounting Policies, Depreciation, p.18; a paragraph had been included to clarify how depreciation had been calculated.
- Statement of Accounting Policies, Prior Period Adjustment, p.20; a paragraph had been added to note how the changes to the SORP for 2006/07 had impacted on the Income and Expenditure Account.

In response to Members' questions the following responses were provided:

- The Audit Commission had requested the corrections but none of the changes impacted on the Council's 'bottom line'.
- It was noted that 2006/07 was the first year that the Accounts had been organised using this methodology and several Councils had been required to make similar alterations.
- Note 4, in the Notes to the Core Financial Statement (p.29) highlighted the Statement of Movements on the General Fund Balance.
- Related Party Transactions highlighted the influence of Central Government on the general operations of the Council.
- The Environment Agency fulfilled certain responsibilities on behalf of the Council. It was noted that the levy had declined for £108,000 (2005/06) to £68,000 (2006/07) per annum.
- In relation to Analysis of Movement in Fixed Assets, a figure had been included for those leases which expired after 2011/12.

John Bull (Audit Commission) noted the key messages from the Annual Governance Report. It was reported that the Audit Commission proposed to issue an unqualified audit opinion on 28th September 2007, subject to the receipt of a signed copy of the accounts.

In the view of the Audit Commission, the Statement of Internal Control had been prepared in accordance with proper practice, as specified by CIPFA guidance.

The Audit Commission were reviewing the governance arrangements in respect of the Western Area Planning Committee decision of 21st February 2007, regarding the Abbotswood and Pinchington Lane planning applications. It was not thought that this would impact on the value for money judgement. It was confirmed that this related to the process through which that decision was reached. Officers and Members would receive a view by the November meeting of the Committee.

Councillor Bryant reported that there were minor issues to resolve in relation to the Fire Authority. John Bull reported that more detailed separate reports would be provided in the next few weeks and that the Annual Governance Report related only to the 2006/07 audit of accounts.

John Bull thanked the Authority for the positive and constructive approach which had been shown.

Resolved that the Committee received the Annual Governance Report and adopted the amended accounts.

25. STRATEGIC RISK REGISTER

Charles Morris (Risk Manager) presented the Statement of Internal Control: Strategic Risk Register 2007-08 (Agenda Item 6).

In relation to the Action Plan, which highlighting red risks, it was noted that the report related the first quarter 2006/07 and therefore several of the comments from responsible Officers were already out of date. The Committee would receive a more up to date report in November.

In response to Members' questions the following responses were provided:

- Red risks in the Strategic Risk Register were reflected in the Action Plan.
- The gross risk score related to the risk without controls and the net risk score included controls. In some cases these were the same.
- Members noted that some of the risks identified could not realistically be addressed and the scores did not reflect the hard work the Council was undertaking; specifically in relation to recruitment. In many instances scores reflected a judgement call. Officers would raise Members' concerns with Corporate Board.
- Seasonality was reported to influence risk.
- It was thought that a Memorandum of Understanding, soon to be signed between the Council and Fire Authority, might address risk 3.7c regarding fire risk.
- It was reiterated that the risk register was a live document and risk could emerge or be eliminated. The document was reviewed quarterly.
- It was reiterated that a revised document would be presented to the Committee on the November 27th meeting.
- Members noted that it would be helpful to view the document as soon as possible each quarter. Members requested that they receive a soft copy of the document in advance of the next meeting, as soon as available.

Resolved that:

1. Members noted that report.
2. Members to receive an updated version of the Strategic Risk Register as soon the document was completed.

26. RISK MANAGEMENT QUARTERLY REPORT

Charles Morris (Risk Manager) presented the Committee with the Risk Management Quarterly Report (Agenda Item 8).

Charles Morris highlighted the following points:

- It was reported that the deductible on liability losses had increased from £25,000 to £100,000, with effect from 1st November 2007.
- Project risk was reviewed quarterly and reflected in the Risk Register.
- Risk Management training for Management Board had been delayed but would run in October 2007. Training for more junior Officers would be held early in the New Year.

In response to Members' questions the following responses were provided:

- It was thought that the Council was increasingly risk aware.

- Internal provision was assessed annually by independent bodies.
- It was not expected that recent flooding would significantly impact on figures.

Resolved that Members accepted the report.

27. REVIEW OF THE COUNCIL'S ANTI FRAUD POLICY

Members received an update on the Anti Fraud and Corruption Policies (Agenda Item 8) including the Confidential Reporting Code.

Ian Priestley (Service Head – Assurance) reported that the Council's Anti Money Laundering Policies were undergoing amendment and would be brought to the Committee once completed. Changes were required to reflect the 2006 Fraud Act and CIPFA Anti Fraud Guide.

Members noted the Actions to Counter Fraud and Corruption Guide 'Managing the Risk of Fraud' and agreed that the document offered a means to self assess how the Council's policies matched best practice.

It was reported that the Council's policy would be publicised amongst all staff once the literature had been amended to reflect the corporate style.

The lack of corruption cases within the Authority was thought to reflect the way the Council operated. Cases were noted elsewhere.

Resolved that CIPFA's Guidance 'Managing the Risk of Fraud' be adopted as the Council's standard and a basis for further review.

28. GOVERNANCE AND AUDIT WORK PROGRAMME

Members received the annual Governance and Audit work programme (Agenda Item 9).

The Training Programme for the November meeting would provide Members with a briefing on the management of resources in schools.

It was hoped that the review of Anti-Money Laundering Policies, to reflect the 2006 Fraud Act, would be completed and available for the November meeting.

Members reiterated a previous request for a report on the steps necessary to achieve a four star rating on the use of resources. It was hoped that this would be available at the November meeting.

The March meeting would include a report on the review of the system of internal audit and might include the District Auditor's report. The training programme was likely to cover the use of resources.

Resolved that Members noted the work programme and the dates for future meetings.

(The meeting commenced at 6.30pm and closed at 7.50pm)

CHAIRMAN

Date of Signature: