

**NOTE: These Minutes have been amended.
Please see Minutes of 5 January 2010 for amendments.**

GOVERNANCE AND AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 28 SEPTEMBER 2009

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

Substitutes: Brian Bedwell (SP), Adrian Edwards, Roger Hunneman, Keith Lock

Also present: Andy Walker (Head of Finance), Ian Pearson (Head of Education Services – Item 5), Kevin Griffin (Head of ICT – Item 6), Greg McIntosh (KPMG – Item 4), Joseph Holmes (Accountancy Manager – Item 4), Moira Fraser (Democratic Services Manager), Ian Priestley (Assurance Manager), Lesley Flannigan (Finance Manager – Item 4)

PART I

21. APOLOGIES.

An apology for inability to attend the meeting was received on behalf of Councillor Tony Linden. Councillor Brian Bedwell substituted for Councillor Linden.

22. MINUTES.

The Minutes of the meeting held on 07 September 2009 were approved as a true and correct record and signed by the Chairman subject to the following amendment:

Item 17 last paragraph – the words calendar days (8 weeks) should be enclosed in inverted commas.

23. DECLARATIONS OF INTEREST.

Councillor Julian Swift-Hook declared an interest in Agenda Item 6 but reported that, as his interest was personal and not prejudicial, he was permitted to take part in the debate and vote on the matter.

24. KPMG (EXTERNAL AUDITORS) – ISA 260+ REPORT TO THOSE CHARGED WITH GOVERNANCE.

The Committee considered a report (Agenda Item 4) concerning the outcome of the audit of the financial statements for 2008-09, and on the Use of Resources assessment for 2008-09.

Greg McIntosh noted that the external auditors (KPMG) were required to prepare the report in accordance with the Code of Audit Practice and the International Standard of Auditing.

The report was generally very positive. The report focussed on two key areas – Use of Resources and the Financial Statements. Use of Resources had been assessed using the Audit Commission's framework and would form part of the Council Comprehensive Area Assessment.

KPMG had concluded that the Council had effective arrangements in place to ensure effective use of its resources in order to secure value for money. The Council had scored 3 in terms of managing finances and managing business and 2 in terms of managing resources. The overall score was a 3, under the harder test, which would compare favourably both locally and nationally. And was likely to be a in the top quartile of authorities.

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In respect of the financial statements the auditors would be issuing an unqualified audit opinion. Greg McIntosh felt that the process had been much smoother this year and the audit had gone well. He wanted to convey his thanks to Joseph Holmes and his team for the excellent job they had done in preparing the reports and answering the auditor's questions.

Greg McIntosh explained that the audit would be closed down in the next couple of days and the Council had a requirement to publish its financial statements by the 30 September 2009. While it would be useful to include the audit opinion with the statements there was no requirement to do so. Once the audit was closed and the certificate issued residents would no longer have the opportunity to challenge the audit. A notice had been placed in the Newbury Weekly News on the 05 June 2009. A few queries had been received from residents.

In respect of the audit differences (Appendix 5) Greg explained that these were included in the document for completeness and did not signify any issues.

Greg McIntosh explained that new emphasis was being placed on the commissioning and procurement of services (KLOE 2.1) and the auditors were tasked with establishing if the Council was achieving its desired outcomes in respect of this area of work. This was a new issue in Local Government and the auditors were satisfied that they were being met.

Councillor Tony Vickers queried the issue of the impairment review of fixed assets. The auditor confirmed that both Officers and KPMG were satisfied that the value of the assets were fairly stated and that it had to be accepted that this was a very fluid time in respect of property values. The request for management representation was just a further level of assurance being sought. Officers confirmed that this issue was covered off in the management representation letter (appendix 11) which Andy Walker had signed off.

Councillor Paul Bryant noted that the report did not provide the Council with any steer as to how it could improve its score from a 3 to a 4 in the following year. It was explained that this was a new assessment and this was therefore a rebasing year. While a score of 4 was attainable not many Councils would achieve this. In order to achieve a score of 4 the Audit Commission had indicated that an authority would have to be an exemplar to the rest of the authorities and would therefore need to be doing something cutting edge. It was therefore difficult for the auditors to provide any suggestions which they had been able to do when the scoring regime had been process driven.

Members requested that:

- the recommendations within the report be aligned to the recommendations set out in Appendix 7 to the report;
- the first sentence in recommendation 2 be completed prior to publication;
- all acronyms be set out in full the first time they were mentioned in the report;
- a statement be included in the report (Appendix 6) issue 1 that the qualification statement had been received;
- the explanation below the tables for KLOE1 and KLOE 2 be amended to say 'level 2 or above' rather than 'scored above level 2' for all criteria;
- KLOE 2.3 second tick insert the word 'Executive' in front of each reference to 'Members';
- KLOE 3.1 second tick to be put into the past tense.

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Members thanked the Officers for this very positive report and the good work that had been done by Officers to get to this situation. Members also thanked the auditors.

RESOLVED that the Governance and Audit Committee would endorse the report (unanimously) provided that the requested amendments set out above were incorporated.

25. WEST BERKSHIRE SCHOOL BALANCES 2008/09.

The Committee considered a report (Agenda Item 5) concerning information on West Berkshire school balances.

Ian Pearson explained that the origins for the request of this report were concerns raised following consideration of the Statement of Accounts which had been discussed at a previous Governance and Audit meeting. The Head of Education explained that the Schools Forum had considered a similar report at a meeting on the 06 July 2009. All local authorities were required to have a School's Forum. The West Berkshire forum was comprised of school representatives (governors and heads teachers), Learning and Skills Council, representatives from the Early Years sector, officers and Members.

Members noted that the schools funding (both balances and deficits) were ring fenced within the Dedicated Schools Grant (DSG). Balance control mechanisms were in place and balances greater than 5% or £25k (secondary schools) and 8% or £20k (primary schools) of the budget share were reported. Schools had to provide an explanation as to what the balances would be used for the School's Forum had the power to remove the funding if they were not satisfied with the reasons. This had not happened to date. Schools were being encouraged to plan ahead.

West Berkshire Council's balances totalled 2.6% of the planned budget which compared favourably with the 6.15% for statistical neighbours, 6.61% for the South East Region and 7.05% for England.

Ian Pearson explained that the level of balances had increased from £2.827m in 2008 to £3.117m (10.3%) in 2009. There were 19 schools with an excess balance. While the number of schools had increased from 16 the value of the balances had decreased from £471k to £310k.

Members had requested that due to the current economic situation this area of the budget should be looked at more stringently. Members were now satisfied with the arrangements in place and that their concerns had been assuaged. Members thanked the Schools Forum for the work they were undertaking.

RESOLVED that the school balances 2008/09 report be noted.

26. RISK MANAEMENT IN ICT.

(Councillor Julian Swift-Hook declared a personal interest in Agenda item 6 by virtue of the fact that he was the shadow portfolio holder for ICT. As his interest was personal and not prejudicial he was permitted to take part in the debate and vote on the matter).

The Committee considered a report (Agenda Item 6) concerning how risks were assessed and managed in ICT and why some Net Risk items remained red.

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Members thanked Officers for producing the briefing note requested at the last meeting following consideration of the confidential report included on that agenda. They were reassured that processes were in place to deal with these issues.

Kevin Griffin in introducing the item reported that due to the reliance of the Council on ICT any risks associated with availability were likely to have a large impact. For this reason this service monitored and measured more areas than most other services. The current risk register contained 51 risks some of which had sub-risks attached to them.

The February 2009 version of the register had contained 9 red risks which had been reduced to 2 red risks by June 2009. A large number of orange risks remained but they were unlikely to become green due to the high impact element of the score. Work was underway to encrypt the hard drives of laptops and other mobile devices and additional internet feed through the Turnhams Green office could help to eliminate the last of the two red risks. Members congratulated Kevin Griffin and his team on the work they had undertaken to reduce the number of red risks to date. They accepted that risk management was not an exact science and that it was necessary to continually manage the changing risks associated with ICT.

The Governance and Audit Committee unanimously supported the request for the £20k of Capital Funding and £26k revenue funding to run the additional feed through the Turnhams Green office. Councillor Quentin Webb suggested that it could be used to support the emergency operations room at this location in due course.

RESOLVED that the Risk Management in ICT report be noted.

27. STRATEGIC RISK REGISTER Q1 2009/10.

The Committee considered a report (Agenda Item 7) concerning an update on the Council's Strategic Risks.

Ian Priestley noted that the Committee had not considered the Strategic Risk for some time. Ian explained that the format had been revised and a new Appendix C had been included. This appendix highlighted risks with high gross scores and relatively low net scores. If the controls failed quite significant risks could come to pass and officers were therefore being invited to reassess the controls.

Members felt that it would be useful to log information setting out the reasons for the change in the score since it was previously reviewed (the direction arrows).

Ian noted that Appendix D was an attempt to provide managers with a framework to base their scores on thereby making the process a little more objective.

Councillor Tony Vickers noted that there were two major public sector employers within the district (AWE and Institute for Animal Health). Given the current economic climate he was concerned about the risks to the Council should they decide to reduce staffing levels. Councillor Brian Bedwell noted that it was the Committee's role to discuss the processes in place for delivering and monitoring the Strategic Risk register and not to be looking at individual risks contained within it. Councillor Vickers felt that it was important to include any known external risks in the risk register.

Councillor Paul Bryant queried whether it was possible to include the financial risks associated with the major risks in the register. Officers felt that this would mean adding another layer of complexity to the report and the effort to do this work would be difficult to justify, given that the results would be very subjective.

RESOLVED that the Strategic Risk Register Q1 2009/10 be noted.

28. INTERNAL AUDIT – Q1 REPORT 2009/10.

The Committee considered a report (Agenda Item 8) concerning an update on the outcomes of Internal Audit work for quarter one. Ian Priestley in introducing the report noted that during the first quarter of the year there had been one weak audit and one unsatisfactory follow up.

In respect of processing of payments Members queried whether the invoices not being processed within 30 days were of a significant value or not. Officers noted that the statistics reported on the number of individual transactions and not the values. Members felt that if the value of these invoices was small it might not be worth increasing the resources to deal with this issue as it would not represent good value for money.

Andy Walker stated that moving to Agresso had resulted in a much more robust procedure than when the system was generated manually. The Head of Benefits and Exchequer had raised the need to produce purchase orders with Heads of Service and it was a standing item on CMT agendas. Steve Duffin produced data for the Directorates and any weaknesses were brought to the attention of relevant Heads of Service.

West Berkshire Council's speed in processing invoices compared favourably with other local authorities in the comparator group.

Members queried whether it would be useful to amend the performance indicator to measure those invoices that were valid i.e. a purchase order had been produced.

Councillor Tony Vickers was concerned about the unsatisfactory follow up report in respect of the Fixed Asset Register. He noted that listed companies were required to revalue their properties every six months and he was concerned that the reconciliation between the two data systems (Agresso and the asset data held by Property Services) had not been completed. Members requested that Steve Broughton produce a briefing note of no more than two pages setting out the basis of the valuation of the Council's assets, including the frequency .

RESOLVED that:

- (1) the Internal Audit quarter one of 2009/10 outcomes be noted;
- (2) Steve Broughton be asked to compile a briefing note setting out the basis and frequency of the revaluation of the Council's assets;
- (3) The follow up of the audit into processing of payments be incorporated into the quarter three Internal Audit report which would be considered at a future Governance and Audit meeting.

29. DATE OF THE NEXT MEETING.

The Committee noted the next meeting would take place on the 16 November 2009 at 6.00pm.

The Chairman also reported that an additional meeting had been arranged for the 22 February 2009.

(The meeting commenced at 6.00pm and closed at 7.55pm)

CHAIRMAN

Date of Signature: