

# DRAFT

Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

## GOVERNANCE AND AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD ON MONDAY, 28 MARCH 2011

**Councillors Present:** Jeff Beck (Chairman), Tony Linden, Tony Vickers and Quentin Webb

**Also Present:** Joseph Holmes (Chief Accountant), Ian Priestley (Chief Internal Auditor) and Andy Walker (Head of Finance), Stephen Chard (Policy Officer) and Moira Fraser (Democratic Services Manager)

**Apologies for inability to attend the meeting:** Councillor David Holtby

**Councillor(s) Absent:** Councillor Paul Bryant and Councillor Julian Swift-Hook

#### PART I

#### 36. Minutes

The amended Minutes of the meeting held on 14 February 2011 were circulated at the meeting, approved as a true and correct record and signed by the Chairman.

#### 37. Declarations of Interest

There were no declarations of interest received.

#### 38. International Financial Report Standards - Accounting Policies and Prior Year Comparators (GA2212)

The Committee considered a report (Agenda Item 4) concerning approval of accounting policies for the 2010-11 financial statements and the restated prior year comparator figures.

There had been some recent changes made to the Accounting and Audit Regulations 2003. Joseph Holmes noted that these changes meant that this report no longer needed to be included on this agenda but following discussions with KPMG both they and Officers felt that it would still be appropriate for Members to have sight of the document at this time.

Joseph Holmes presented the accounting policies for the 2010/11 financial statements and the restated prior year comparator figures. The 2010/11 financial statements would be significantly different, in both format and detail, from the 2009/10 statements. The report set out some of the changes in advance of the publication of the financial statements in the Summer of 2011. Joseph Holmes explained that the Committee would no longer be required to approve the financial statements in June and September as had previously happened. The revised procedures would mean that Officers would present the financial statements in September after they had been considered by the S151 Officer and the External Auditors. This would mean that Members would be able to consider the Auditor's opinion before they signed off the documents.

Joseph Holmes noted that he would still circulate the statements to Members of the Committee towards the end of June as members of the public would have an opportunity to comment on the financial statements from the 01 July 2011.

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Joseph Holmes explained that the prior year's figures would be presented in a revised format in June, but this revision would have no effect on the bottom line or Council Tax. IFRS meant that the statements would be presented in such a way that they were more closely aligned with those presented in the private sector. One of the consequences was that there would be changes to the way accruals would be measured notably in relation to teaching and non-teaching staff. The accrual needed to be completed on the assumption that the Council would cease trading on the 31 March 2011.

**RESOLVED** that the accounting policies for the 2010-11 financial statements be approved and the restated 2009-10 financial statements be approved.

### 39. **Anti Fraud and Corruption Strategy 2011-12 (GAC1905)**

The Committee considered a report (Agenda Item 5) concerning a review of the Anti Fraud and Corruption Strategy for the forthcoming year 2011-12.

Ian Priestley presented the review of the Anti Fraud and Corruption Strategy for the coming year 2011/12. He explained that the Strategy had to be reviewed annually. There had not been any significant changes to the Strategy but he outlined emerging issues in the covering report. The Strategy set out the key elements of the measures that the Council undertook in order to combat fraud.

Ian Priestley reported that the Bribery Act would come into force on 1<sup>st</sup> April 2011 and would introduce a corporate offence of failure to prevent bribery by persons working on behalf of a business. A conviction could be avoided if a business could show that it had adequate procedures in place to prevent bribery. It would also be a criminal offence to give, promise or offer a bribe or to request, agree or receive a bribe either at home or abroad.

The range of threats of fraud was constantly changing and the latest examples involved fraudsters faking supplier documentation. A number of Councils had been caught by this type of fraud and had lost significant sums as a result. However, West Berkshire had been aware of the risk and Officers had been able to prevent frauds of this nature occurring. Officers noted that the recently introduced Transparency Agenda which required the Council to publish details of suppliers where transactions exceeded £500 might be contributing to this type of fraud threat.

**RESOLVED** that the revised Strategy be approved.

### 40. **Internal Audit Plan 2011-14 (GAC2268)**

The Committee considered a report (Agenda Item 6) concerning an outline of the Internal Audit Strategy for the next three years.

Ian Priestley presented an Internal Audit Strategy for the next three years. The Strategy would ensure that adequate assurance was provided and that the Council's Internal Framework remained robust. The work programme for Internal Audit for the period 2011-14 was attached at Appendix B covering both Corporate Audits and Service Based Audits and was based on levels of risk. Appendix A set out the rights and responsibilities of the Internal Audit Team and Appendix C set out the protocol for reporting back on the internal audits.

Ian Priestley noted that resourcing in the team had been reduced in line with cuts taking place across the Council. This had led to a commensurate reduction in the work of

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Internal Audit. Ian Priestley was supported by 6 FTE and the two vacancies in the team were currently being recruited to. He had sought assurance from Corporate and Management Board that this level of staffing would not be further reduced. The capacity of the team was reflected in the number of audit days set out in the Internal Audit Plan. Officers confirmed that the plan did make allowances for short term absence.

The Committee was concerned about the level of resourcing in the team. They noted that any long term absence would mean that the Internal Audit Plan could not be completed in year. In addition Councillor Tony Vickers was concerned about the combined effect a reduction in Scrutiny Structures and a reduction in resourcing in this area would have.

The Chief Internal Auditor explained that the plan was developed following discussions with Heads of Service and Corporate Directors and their concerns were reflected in the document where appropriate.

**RESOLVED** that the proposed plan be approved.

### 41. Review of Internal Audit (GAC2269)

The Committee considered a report (Agenda Item 7) concerning a review of the internal audit systems.

Ian Priestley informed the Committee that the requirement to carry out a review of the system of Internal Audit was a requirement of the Accounts and Audit Regulations 2006. This had been undertaken based on the CIPFA Code of Practice and latest CIPFA guidance. The Chief Internal Auditor noted that in the latest version of this guidance the reference to 'system' had been removed. This meant that only an annual review of Internal Audit was required.

Ian Priestley had therefore undertaken an assessment of how the Council compared against the CIPFA Code of Practice. This analysis was contained in the Appendix A to the report. He had not identified any areas for development. The assessment had been considered at the Finance and Governance Group who had concurred with his analysis. He also noted that in the last KPMG Annual Audit letter they had confirmed that they were able to rely on the work of Internal Audit and that Internal Audit fully complied with the CIPFA Code of Practice for Internal Audit.

In terms of resourcing, Corporate Board had determined that the staffing of Internal Audit should not be reduced below 6.5FTE. BuMP was aware of this view. Members noted that this issue had been raised a number of times during discussions relating to Internal Audit. They queried whether this item appeared on the Finance Service's Risk Register. Andy Walker noted that it did not currently appear on the risk register but that he would rectify this situation.

Members were supportive of a shared service as they felt that it would provide much needed resilience to the team.

**RESOLVED that:**

1. the review be noted;
2. Andy Walker include an item relating to staffing levels in Internal Audit on the Finance Service Risk Register.

*(The meeting commenced at 6.05 pm and closed at 6.44 pm)*

**CHAIRMAN** .....

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