

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, 10 SEPTEMBER 2012

Councillors Present: Peter Argyle (Substitute) (In place of Paul Bryant), Jeff Beck (Chairman), David Holtby, Tony Linden, Julian Swift-Hook (Vice-Chairman), Tony Vickers and Quentin Webb

Also Present: Lesley Flannigan (Finance Manager: Technical and Control), Joseph Holmes (Chief Accountant), Ian Priestley (Chief Internal Auditor), Moira Fraser (Democratic Services Manager), Andy Sayer and Grant Slessor (KPMG), Councillor David Rendel

Apologies for inability to attend the meeting: Councillor Paul Bryant

PART I

11. Minutes

The Minutes of the meeting held on 09 July 2012 were approved as a true and correct record and signed by the Chairman.

Councillor Tony Vickers commented that in relation to **Item 10 (To consider Returning to the Committee System)** he felt that it would have been useful to include some additional text in the minutes. There were two points that he would have liked to have seen included. The first was that whilst there was no requirement to refer the matter back to full Council this had been agreed based on the magnitude of the decision and the relatively low number of Members on the Governance and Audit Committee. The second reason for referring it back to full Council being the high number of new Members elected to the Council after the decision was made in 2010. These comments were noted, although it was agreed that the minutes did accurately reflect the decision taken at the meeting.

12. Declarations of Interest

There were no declarations of interest received.

13. KPMG Annual Governance Report (ISA 260+)

The Committee considered a report (Agenda Item 4) concerning the Council's external auditor's (KPMG) progress in auditing the financial statements and the opinion KPMG proposed to give to the Financial Statements.

Joseph Holmes introduced Grant Slessor and Andy Sayer from KPMG. In introducing the item, Officers noted that this item was intrinsically linked with the Council's Financial Statements 2011-12. In accordance with the Accounts and Audit Regulations, the Governance and Audit Committee were being asked to consider approving the Council's financial statements after hearing the external auditor's opinion. KPMG's audit had been undertaken between July and September of this year

The Chief Accountant reported that KPMG had concluded that their audit opinion was unqualified, which was good news for the Council. Andy Sayer highlighted some key issues set out in the report:

- KPMG anticipated issuing an unqualified audit opinion by the 30 September 2012;

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- Two areas still needed to be completed namely: confirmation from the RBWM Pension Fund actuary that the longevity scheme in the pension scheme assets was appropriate and the Council's Whole of Government Accounts submission had to be reviewed;
- Five audit adjustments had been identified, the details were set out in Appendix Three to the report, but these adjustments would not impact on the general fund;
- Two key risks (related to controls around finances and implementation of accounting changes associated with the new Code) were identified in the External Audit Plan 2011/12. KPMG was satisfied that in respect of both, the appropriate actions had been taken by the Council;
- They had noted an improvement in the quality of the accounts and supporting working papers;
- One recommendation had been issued in respect of the 2011/12 audit namely : 'the Council to seek to fully reconcile their asset register with underlying records in order to confirm all remaining assets exist';
- The auditors noted that the Council was undertaking an exercise to ensure that the new asset management system was fully reconciled to the Financial Asset Register by the end of the financial year;
- The declaration of independence and objectivity of the external auditors was set out in appendix four;
- The Chairman of the Governance and Audit Committee and the Head of Finance were required to sign off the management representation letter a draft copy of the letter, was attached as appendix five to the report.

Councillor Quentin Webb noted that, although the 2011/12 ISA 260 Report stated that there had been two recommendations in the 2010/11 report, on looking back he had noted a third recommendation namely 'The Council should develop a formal structured process for preparing this note to ensure that all relevant accounts are considered with regard to whether they could be financial instruments.' The external auditors responded that the financial instruments had been considered and therefore they were implicitly clear, but they would ensure that reference was made to this in their final report.

Members thanked KPMG for the clear report and thanked Officers and KPMG for the work they had carried out in undertaking the audit.

RESOLVED that the report be noted.

14. **West Berkshire Council Financial Statements 2011-12**

The Committee considered a report (Agenda Item 5) which provided Members with a final copy of the Council's Financial Statements. Joseph Holmes advised that the Governance and Audit Committee was being asked to approve the financial statements in accordance with CIPFAs IFRS Code, as well as International Accounting Standards. The accounts had been in the public domain since the end of June 2012. Should members be minded to sign off the accounts, they would be posted as final documents on the Council's website, along with the KPMG's opinion on the accounts.

Councillor Jeff Beck noted that there was a typographical error on page 71 of the report and asked that the word 'Authority' be replaced with 'Authority'.

RESOLVED that the Financial statements and KPMG's Governance Report be approved, subject to the amendment of the typographical error.

15. Amendments to Parts 9 and 10 of the Council's Constitution (C2459)

The Committee considered a report (Agenda Item 6) concerning changes to the Financial Rules of Procedure and Protocols, in light of legislation changes and a review by the Finance and Governance Group. Joseph Holmes in introducing the report, explained that no significant changes had been made to the Constitution. This was largely a tidying up exercise and Officers had attempted to ensure greater clarity in the text.

RESOLVED that the suggested changes to Parts 9 and 10 of the Constitution be referred to Full Council for approval.

16. Bribery Act 2010 (GA2534)

The Committee considered a report (Agenda Item 7) concerning a proposed Bribery Policy for the Council. Ian Priestley explained that the policy had been drafted to respond to the Bribery Act 2010. The Chief Internal Auditor noted that the risk of bribery at the Council was low, due to the effective governance arrangements that were already in place, the adoption of the anti fraud strategy and the existence of a whistle blowing policy.

Although the risk of bribery was low the penalties attached to the Act were significant and included unlimited fines for an organisation or up to ten years imprisonment.

Members welcomed the adoption of the policy. A number of minor amendments were proposed including:

- Page 165, paragraph 5.1 (8) delete the word 'and' at the end of the sentence;
- Page 168, paragraph 7.2(5) delete the word 'and' at the end of the sentence;
- Page 169, paragraph 10.2(1) delete the word 'and' at the end of the sentence;
- Page 169, paragraph 12.1 second sentence include the words 'and elected Members' after the word 'staff'; and
- Page 169 12.1 first sentence should be amended to say 'to refresh routinely' rather than 'to routinely refresh'.

Members noted that this document would need to be considered in conjunction with other documents, including the Members and Officers Code of Conduct references to Gifts and Hospitality and the Council's Contract Rules of Procedure. Members felt that it was important that the policy be interpreted in a pragmatic way. They felt that it would be useful to review the document in twelve months time, to ensure that it was fit for purpose. *(Note post meeting: This item has been added to the Forward Plan for September 2013).*

RESOLVED that the Policy be approved and it be reviewed in twelve months time.

17. Heads of Service Assurance Statements (GA2525)

The Committee considered a report (Agenda Item 8) which outlined the issues of concern highlighted by the Council's Heads of Service in their Annual Assurance Statements. The document would be used as evidence to support the Annual Governance Statement.

Ian Priestley explained that Heads of Service were asked to complete an Assurance Statement annually. The risks they identified were then considered by their Corporate Directors and Portfolio Holders. 'Red risks' were then included on a Service Risk Register (SRR). Risk Registers and Action Plans were reviewed by Heads of Service on a quarterly basis. The SRR were then presented to Corporate Board for consideration. The table set out in paragraph 5.2 of the report highlighted the 'red risks' that Corporate Board felt might have a strategic impact.

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A Risk Strategy Group had been set up to look at SRRs more closely.

Members noted that they did not have enough information to review the SRR and were also concerned that they did not have enough information about the mitigation measures that had been put in place to reduce the net scores.

RESOLVED that:

- **after reviewing the Service Risks considered by Corporate Board to be significant, the implications for the Annual Governance Statement be noted;**
- **the Risk Strategy Group be tasked with conducting a review of service risk registers.**

18. Annual Governance Statement - Statement in Support by the Section 151 Officer (GA2539)

The Committee considered a report (Agenda Item 9) which provided evidence and independent verification of governance matters, which might impact on the Annual Governance Statement from the viewpoint of the Section 151 Officer.

Overall, the s151 Officer's assessment was that all parts of the Council were acting in accordance with the budgetary and policy requirements in connection with the setting of the budget and were meeting financial administration standards as set out in legislation. There had been no formal reports required by the s151 Officer to Council under the relevant legislation. The KPMG report provided further evidence to support this view.

Councillor Tony Vickers raised some concerns in respect of drafting of some S106 agreements and the governance associated with oversight of them. It was noted that the Resource Management Working Group would be looking into specific instances and lessons learnt from the emerging issues,

RESOLVED that the report be noted.

19. Annual Governance Statement - Statement in Support by the Monitoring Officer (GA2540)

The Committee considered a report (Agenda Item 10) which provided evidence and independent verification of governance matters, which might impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.

Moira Fraser explained that the report set out the Monitoring Officer's view of the Council's governance arrangements. The Monitoring Officer had concluded that they were robust and effective. There had been no necessity to report formally to Council under Section 5 of the 1989 Act. Ethical matters were being managed by the Standards Committee.

Councillor David Holtby requested that the first sentence in paragraph 4.3 of the report be amended as follows: remove the words 'relatively static' and replace with 'low'.

RESOLVED that the report be noted.

20. Annual Governance Statement 2011/12 (GA2524)

The Committee considered a report (Agenda Item 11) concerning a review of the Annual Governance Statement (AGS). Ian Priestley noted that the AGS was underpinned by a number of documents included on this Agenda (the Head of Service Assurance Statements, Service Risk Registers, the Monitoring Officer's Annual Report and the S151

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Officer's Annual Report) as well as the Head of Internal Audit Annual report which had been considered at the previous meeting.

Service Resilience had been identified as a significant governance issue in 2010/11, and had been identified as an issue again in 2011/12. A new governance issue that had emerged in 2011/12 were challenges that had been made to the Council's decisions via the Judicial Review process.

Members thanked Officers for the concise summary and the good work that had been done.

RESOLVED that the Annual Governance Statement be approved.

(The meeting commenced at 6.00 pm and closed at 7.12 pm)

CHAIRMAN

Date of Signature