

**Audit and Corporate Governance Committee – Meeting held on Thursday, 29th September, 2016.**

**Present:-** Councillors Sadiq (Chair), Bedi (Vice-Chair), Hussain, Rana, Sarfraz and Swindlehurst.

**Co-Opted Independent Members:** Mr Roberts and Mr Sunderland

**Parish Council Member:-** Councillor Jackson (Colnbrook with Poyle)

**Apologies for Absence:-** Councillor Amarpreet Dhaliwal, Davies and Dr Lee

**PART 1**

**10. Declarations of Interest**

None were received.

**11. Minutes of the Last Meeting held on 12th July, 2016**

**Resolved** – That the minutes of the meeting held on 12<sup>th</sup> July 2016 be approved as a correct record.

**12. Presentation: arvato Contract Progress Update**

The Interim Chief Executive, Roger Parkin, reminded the Committee that the arvato contract had entered the fifth year of the partnership and introduced John Wybrant, Key Account Director and Kevin Hales, Slough Site Director to present an overview of contractual performance for the Thames Valley Transactional Services Partnership for the year ending March 2016.

Mr Wybrant advised that arvato had succeeded in transferring its headquarter operations to Slough and the arvato Farnham Road site now employed in excess of 600 staff. New business had been created, including the recent addition of BMW to its contact centre and it was expected that the premises would be full at the end of the year.

In terms of performance, there was a 1.2% improvement in the council tax collection rate for the financial year 2015/16 compared to previous years and this had equated to collecting more than £7m revenue for the council.

The Committee noted that arvato continued to engage in the local community and was a member of Slough Aspire and Slough Business Community Partnership. Members were informed that the end of Year 5 target of employing 36 apprenticeships had been exceeded with 46 currently in post. The Partnership had also been nominated for the 2016 National Outsourcing Awards.

A Member asked what challenges arvato faced in terms of delivery of service. Mr Wybrant stated although significant improvements had been made in ICT

infrastructure, keeping abreast of technological developments was vital in terms of delivery of service. arvato would also assist in supporting the Council on its digital transformation framework. It was highlighted that a Robotic Process Automation Programme would be piloted in early October. The scheme would initially be used within the Revenue and Benefits Section following which it would be applied to a number of other areas.

**Resolved** – That arvato Officers be thanked for their presentation and details of the presentation be noted.

### **13. Financial Statements 2015/16**

The Head of Financial Reporting, Mr Stratfull, outlined details of the report. Over the summer period the Council's external auditors, BDO (independently appointed by the Audit Commission for the 2015-16 financial year), conducted a review of the Council and the financial statements produced.

BDO were required to provide an opinion on the Financial Statements and a Value for Money opinion to the Council by the 30<sup>th</sup> September.

The report from BDO covers the two opinions that they provide and detail how the Council complies, or otherwise, with these opinions. BDO also include recommendations for the Council going forward.

It was highlighted that the outcome of the audit by BDO revealed that there had been no adjustments to the bottom line level of general reserve that the Council had available. The proposed material adjustments reported by BDO had been made to the financial statements and were accounting adjustments to the presentation of the financial statements. The Committee were informed that any errors or omissions identified by BDO had been amended. However, some audit amendments remained unadjusted as these were all immaterial and often based upon extrapolated errors. Management had decided not to adjust for these as they would be difficult to post to the financial statements with supporting evidence.

BDO also audits the Council's arrangements for putting in place arrangements for securing Value For Money (VFM). BDO were due to qualify this opinion on the basis of the Children's Social Care service and it was anticipated that the VFM conclusion would state that in all significant respects, the Council secures value for money in its use of resources except for this matter.

Ms Combrinck, Engagement Lead, BDO, provided the Committee with a summary of the key audit and accounting matters which included -

- Significant scope for improvement in the quality of the financial statements and the quality and timely availability of the underlying working papers. A number of the issues identified by the audit were similar to those reported in the previous years.

## Audit and Corporate Governance Committee - 29.09.16

- Identified a large number of misstatements and management had agreed to amend the financial statements for the majority of these issues. This included one material misstatement of £9.235 million in respect of an overstatement of property, plant and equipment, as replaced components were not derecognised when capital expenditure was incurred on council dwellings.
- A number of presentational misstatements in the notes for dedicated schools grant, financial instruments, senior officers' remuneration and exit packages and amounts reported for resource allocation decisions, which we consider to be either quantitatively or qualitatively material.
- Nine unadjusted audit differences identified by our audit work (including one combined misstatement brought forward from the prior year audit) which would decrease the surplus on the provision of services in the revised financial statements by £457,000, from £8.214 million to £7.757 million, if adjusted.

Referring to the Council's Use of Resources Ms Combrinck stated that BDO were satisfied that proper arrangements had been made to secure economy, efficiency and effectiveness. The Medium Term Financial Strategy was considered realistic in terms of achieving the savings required and taking action to minimise the impact of overspends.

Ms Combrinck reminded the Committee that the national deadline for the Council to publish its final audited Statement of Accounts was 30<sup>th</sup> September. Members were informed that a number of audit tests and enquiries were yet to be completed or resolved. There had been delays in obtaining appropriate working papers and supporting documentation which was partly due to a change in the general ledger system, from Oracle to Agresso during the year. Given the amount of work that remained in progress the Committee were informed that the submission deadline would not be met.

A number of questions were asked in the ensuing discussion including what measures had been implemented to ensure the deadline for submission of accounts was met in the future and the consequences for the Authority in having missed the deadline this year. Mr Fitzgerald, Interim Assistant Director, Finance and Audit, reiterated that a change in the Council's financial system mid way through the year had had a significant impact in submission of information to BDO. Ms Combrinck stated that although there were no financial penalties imposed on the Authority for not submitting the accounts by the specified date, the matter would be reported in the National Audit Office Report.

Members discussed the Council's Asset Register and concern was expressed that the matter had been raised by the external auditors given that there two reviews of the Council's asset base had recently been conducted. Officers stated that the register had been included in the new financial system, Agresso, and an annual review would be conducted to ensure that details contained within were up to date.

## **Audit and Corporate Governance Committee - 29.09.16**

It was agreed that authority would be delegated to the Chair of the Committee and Interim Assistant Director, Finance and Audit, to approve the Financial Statements 2015/16. It was anticipated that the financial statements would be signed by the 21 October 2016, prior to which a copy of the final version would also be circulated to the Committee for information.

**Resolved** – (a) That a copy of the final Financial Statements 2015/16 to be circulated to Committee Members.

(b) That authority be delegated to the Chair of the Audit & Corporate Governance Committee and the Interim Assistant Director, Finance and Audit to approve the Financial Statements 2015/16.

### **14. Schedule of Activity - Code of Conduct**

Members were informed that the report had been withdrawn from the agenda. A report would be scheduled for the December Committee meeting.

### **15. Capital Projects Benefits Realisation Reviews Update**

Roger Parkin, Director of Customer and Community Services provided the committee with a summary of the Benefits realisation reviews undertaken by the Programme Management Office (PMO) for the Capital Strategy Board. The reviews related to projects that had been concluded and the review assessed whether the Benefits stated in the Business Case had been realised or were on track to be realised. This included financial and non-financial benefits. The review also examined whether the project's objectives were met, and if there were any lessons learned and unresolved issues/follow on actions that required attention.

Projects considered as part of the benefits review to date were outlined -

- Plymouth Road Industrial Units
- The Lodge, Lascelles Park
- Expansion of Littledown School
- 2 Year Old Places

A Member asked what measures were in place to address slippage in implementation of projects and sought clarification regarding the future use of Plymouth Road Industrial Units. The Interim Assistant Director Finance and Audit, Mr Fitzgerald, acknowledged that more could be done to close the gap between capital expenditure and actual delivery of projects. Members were informed that a summary report reviewing progress of/delays in scheduled capital projects would be circulated to the Committee for information.

**Resolved** – That the Committee note and endorse the work on benefits realisation.

### **16. Members Attendance Record 2016/17**

**Resolved** – That details of the Members Attendance Record be noted.

**Audit and Corporate Governance Committee - 29.09.16**

**17. Date of Next Meeting - 15th December 2016**

The date of the next meeting was confirmed as 15<sup>th</sup> December 2016.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.25 pm)