

Audit and Corporate Governance Committee – Meeting held on Wednesday, 8th July, 2015.

Present:- Councillors Chohan (Chair), Matloob (Vice-Chair), Ajaib, Amarpreet Dhaliwal, Mansoor, Nazir, Sandhu, Davies and Lee

Co-opted Independent Members:- Graham Davies

Independent Person:- Dr Louis Lee

Apologies for Absence:- Mr Kwatra, Mr Roberts and Mr Sunderland

PART 1

5. Declarations of Interest

No declarations were made.

6. Minutes of the Last Meeting held on 10th June 2015

Resolved – That the minutes of the last meeting of the Audit & Corporate Governance Committee held on 10th June 2015 be approved as a correct record.

7. Audit and Corporate Governance Committee - Terms of Reference

The Assistant Director Finance & Audit outlined the key roles and responsibilities of the new Audit & Corporate Governance Committee. The Committee had delegated authority to approve the financial statements in September each year and the Annual Governance Statement, as well as being the member forum on matters including external and internal audit, risk management, the ethical framework and corporate governance issues more widely.

A Member Development Session on 'Understanding the Accounts and Governance' would be held September and would be particularly useful for Members and co-opted independent members new to either the audit or standards strands of the Committees work. Details of this session would be circulated in due course and co-opted independent members would be invited.

Resolved – That the Audit and Corporate Governance Committee Terms of Reference be noted.

8. Quarter 4 2014/15 Audit and Risk Management Update and Approval of the Annual Governance Statement

The Assistant Director Finance & Audit introduced a report which summarised internal audit issues and the Head of Internal Audit Opinion; counter fraud activity and the Council's risk register and sought approval of the Annual Governance Statement.

Annual Governance Statement

Members considered the Annual Governance Statement (AGS) which set out the progress and key risks in the Council's governance arrangements over the past year and highlighted further improvements required for the coming year. The Committee discussed a number of issues including the responses to the areas for improvement identified in the 2013/14 AGS. The actions undertaken in 2014/15 in response to these issues was welcomed, however, a Member expressed concern that the AGS stated that both the 'Asset Register' and 'Risk Management' were not identified as issues for 2015/16 and beyond. The Assistant Director explained to the Committee that this did not mean there would be not further audit and risk activity in these areas, but that the action taken meant there was adequate assurance and control in place to manage these issues. It was proposed and agreed that a minor adjustment or note be made to the AGS to clarify this position. With this suggested amendment noted, the Committee approved the Annual Governance Statement for 2014/15.

Annual Internal Audit Report to 31st March 2015

The Annual Internal Audit Report for the period to 31st March 2015 was considered and the Committee noted that the annual Head of Internal Audit Opinion was that the Council had adequate arrangements in place in terms of governance, risk management and internal control. Thirty-three audits had been conducted where a formal assurance opinion had been offered – 6 received a 'green' opinion, 11 'amber-green', 10 'amber-red' and 6 'red'. A number of 'green' and 'amber-green' opinions had been received in respect of core financial systems and it was recognised that significant improvements had been made in these areas. In terms of the 'red' opinions, three related to schools audits and the other three related to performance and contract management issues.

Members of the Committee raised concerns about the ongoing weaknesses identified relating to contract management and in particular the definition and monitoring of key performance indicators. Negative opinions for the audits of the Educational Services Contract Management and Arvato Performance Management were noted in addition to wider concerns about the data quality in contracts. A further Advisory report on Arvato phase II contract management review remained in draft. The Committee were informed of some of the actions being undertaken to address the weaknesses identified

and noted that a new Assistant Director responsible for Procurement and Commissioning would be joining the Council in the autumn.

In view of persistence of weaknesses identified in contract management and the scale of the risk given the major contracts review, it was agreed that a report be brought to the next meeting which summarised the key issues contained in the various 'red' rated opinions on contract management and that the Strategic Director of Customer and Community Services be invited to attend this meeting.

The Committee considered the finalisation of outstanding draft audits and the monitoring of progress of implementation for 'high' and 'medium' recommendations. The overall position in relation to the implementation of recommendations was broadly unchanged from the previous committee report with 71% of non-schools recommendations implemented and a further 15% partially implemented.

Members expressed concern about the rate of finalising schools audits and the number of high and medium recommendations from these audits that had not been responded to. The Assistant Director reported that a protocol was now in place and all outstanding schools audits had now been finalised. The Committee remained concerned about the number of 'red' opinions in relation to schools and the unresponsiveness in terms of outstanding recommendations. It was agreed that officers would follow up with the relevant schools where recommendations were still outstanding and it was also agreed that the Baker Tilly summary of common issues identified during schools audits would be discussed at the next meeting to give Members a better understanding of the overall implications and risks of these issues.

Fraud Update

It was noted that no fraud activity in excess of £10,000 had been recorded in the fourth quarter of 2014/15 and that the December 2014 transfer of benefit fraud activity to the DWP had impacted on this activity. Activity to identify tenancy and right to buy (RTB) fraud was continuing and the Council had recovered four properties and witnessed six RTB withdrawals in the last quarter.

Corporate Risk Register

The current corporate risk register at Appendix B to the report was noted. A risk concerning resources and capacity to manage change had been added since the previous meeting.

Resolved –

- (a) That the Annual Governance Statement for 2014/15 be approved, noting that issues such as the asset register and risk management as per pages 54 and 55 would remain significant control issues.

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- (b) That the Internal Audit update for Quarter 4 2014/15, Counter Fraud Activity and Council's Risk Register be noted.
- (c) That the Head of Internal Audit Opinion as set out in the Annual Internal Audit Report – Year ended 31 March 2015 be noted.
- (d) That Baker Tilly's summary of common issues identified in schools audits be considered by the Committee at their next meeting.
- (e) That Internal Audit recommendations outstanding or not responded to continued to be followed up for response, particularly those such as Chalvey Early Years which had received a 'red' opinion and had several outstanding recommendations.
- (f) That the Committee receive a report at their next meeting which summarised the key issues identified in 'red' rated internal audit reports relating to contract management and the approach to future major contracts. The Strategic Director for Customer & Community Services would be invited to attend the meeting.

9. External Auditors Updated Risk Assessment

The External Auditor, Mr Grant of BDO, introduced an updated risk assessment for the audit for the year ending 31 March 2015. The auditors had reviewed the draft financial statements, which had been published on 30th June 2015, and had decided to set an increased materiality at £6.5m, up from £4.2m. The risk assessment had also been updated in relation to the classification of income and expenditure risk and a new risk regarding the defined benefit pension fund disclosures.

Members noted the updated risk assessment and welcomed the increased materiality which reflected improved presentation and compliance with accounting standards in the initial review of the draft financial statements. The Chair requested that materiality and the implications of adjustments to the accounts through external audit be covered at September's training session.

The Committee discussed the process leading up to the presentation of audited financial statements at the next meeting in September and the Council's medium term financial position more generally.

Resolved – That the Updated Risk Assessment prepared by BDO in relation to the Audit for the year ending 31 March 2015 be noted.

10. Standards Determination Sub Committee held on 22 June 2015

The Committee received and noted the Notice of Determination from the Standards (Determination) Sub-Committee hearing held on Monday 22nd June 2015 in relation to the self-referral made by Councillor Chaudhry.

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Members discussed how the recommendation to the Leader of the Labour Group to "...consider the capability and credibility of Councillor Chaudhry when assessing his suitability for future positions of portfolio or profile within the Council." It was noted that the Leader had been formally notified of this recommendation and whilst it was a matter for him to consider as part of the process of making future appointments, the Committee could monitor the implementation of the recommendation in the future.

Resolved – That the Notice of Determination of the Standards Determination Sub-Committee held on 22nd June 2015 be noted.

11. Members Attendance Record

Resolved – That the Members' Attendance Record for 2015/16 be noted.

12. Date of Next Meeting - 24 September 2015

Resolved – That the next meeting of the Audit & Corporate Governance Committee be held on 24th September 2015.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.25 pm)