

Audit and Corporate Governance Committee – Meeting held on Wednesday, 18th July, 2018.

Present:- Councillors Amarpreet Dhaliwal (Chair), Nazir and Plenty

Co-Opted Independent Member: Mr Zafar

Parish Council Representative: Parish Councillors Jackson (Colnbrook with Poyle) and Gahir (Wexham Court)

Independent Person: Dr Lee (Observer)

Apologies for Absence:- Councillors Sarfraz, Ali and Minhas and Mr Sunderland

PART 1

1. Declarations of Interest

Item 9 – Governance Review: Councillors Plenty and Nazir declared that they had previously seen an unredacted version of the Penn Report, a redacted version of which was at Appendix 4 to the report in Part II of the agenda.

2. Minutes of the Last Meeting held on 8th March 2018

Resolved – That the minutes of the meeting held on 8th March 2018 be approved as a correct record.

3. Audit and Corporate Governance Committee - Terms of Reference

The Democratic Services Officer outlined the Terms of Reference within which the Committee operated. The Committee had decision making responsibilities for the approval of the financial statements and the Annual Governance Statement.

A query was raised about the Committee's role in relation to paragraph 17 (c) – "To receive and consider reports on individual Members' performance". It was noted that this provision had previously relation to Members' attendance, which was now reported as a standing item at Committee and Panel meetings and published on the Council website.

The Committee also noted a proposed change to the Constitution (Minute 10 refers) regarding Members attendance following recent case law. The automatic removal of a member of the Overview & Scrutiny Committee or a scrutiny panel for failing to attend three consecutive meetings would be replaced by a report to their Group Leader for consideration. The amended rule would be extended to all committees and panels.

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

4. Audit and Risk Management Update - Quarter 1 2018/19

The Service Lead, Finance reported on progress made on finalising draft Internal Audit reports and implementation of recommendations. It was noted that the number of indicator of implemented recommendations had been adjusted to only include those made in the past two years and the proportion had therefore fallen to 55%.

There were currently 4 High Recommendation Actions where no action had been taken compared to 6 at the last Committee. The number of outstanding high risk recommendations had fallen from 10 to 8 since the last meeting. Members discussed and agreed some presentational amendments to the appendices of outstanding actions and recommendations to make them more user friendly and future reports would include an additional column with information regarding last update and completion notes.

It was highlighted that the Corporate Risk Register had been updated and actions to be taken and by whom were identified.

The Committee recognised the progress that was been made to continue to reduce the number of high and medium risk actions outstanding, although further work was needed to introduce greater controls and more data in the future.

Resolved – That progress on finalising the draft Internal Audit reports, implementation of Internal Audit recommendations and details of the Corporate Risk Register be noted.

5. Internal Audit Progress Report - Quarter 1

The Head of Internal Audit introduced a Progress Report that summarised the progress made against the Internal Audit Plan 2018/19 and any remaining audits from previous year's plans.

Since the last meeting, the remaining two audits from the 2016/17 plan had been finalised; eleven reports from 2017/18 had been finalised, of which Creditors, Debtors and Voids had received partial assurance opinions; and two reports from the 2018/19 plan had been finalised with only partial assurance provided on Contract Procedure Rules audit. An issue with duplicate payments had been identified. The Director of Finance & Resources stated that there had been different systems in use for adult social care payments and Agresso, the Council's main financial management system. The Council would migrate to one system in the future to address the risk and the Committee requested an update on the Action Plan for the migration of the Agresso and social care payment systems at the next meeting.

A summary of the high and medium recommendations was detailed in the report and Members also noted that there were no changes to the 2018/19

Audit and Corporate Governance Committee - 18.07.18

planned internal audit work. At the conclusion of the discussed, the Internal Audit Progress report was noted.

Resolved – That the Internal Audit Progress Report be noted.

6. 2017/18 Internal Audit Annual Report

The Head of Internal Audit introduced the Annual Internal Audit Report 2017/18 that included the annual opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes.

A positive opinion was issued in that the Council had demonstrated improvements in its overall control management in the past year, evidence by the fact that of the thirty-one reviews with a formal assurance opinion, twenty-three had received a positive opinion. This included areas such as budgetary control where a partial assurance opinion had previously been provided. There remained areas for improvement in the effectiveness of controls in place and these should be included in the Annual Governance Statement with steps set out to address the weaknesses.

A Member raised the partial assurance opinions given on Voids and Neighbourhood Anti Social Behaviour Enforcement and it was agreed that the internal audit reports on these areas be circulated to the Committee.

The Committee noted the report and acknowledged the work of Officers in the improvements to processes and controls in the past year.

Resolved – That the Internal Audit Annual Report 2017/18 and Head of Internal Audit opinion be noted.

7. Financial Statements 2017/18

The Service Lead Finance introduced a report that updated Members on the progress of the external audit of the 2017/18 financial statements.

The statements had not been signed off on time in the previous year due to issues relating to the closing of the accounts and an action plan had been in place. The statutory deadline for producing draft accounts had also been moved forward and the Council had improved processes and invested resources to ensure the new deadlines were met with the draft accounts published at the end of May 2018. Officers were asked that in future, the draft financial statements to be circulated to the Committee as soon as they had been prepared.

The external auditors reported that the audit was in a better position than in previous years and although there was more work to complete it was hoped the audit would be complete before the end of July.

The Committee was asked to give delegated authority to the Chair to approve the financial statements, subject to there being no further substantive issues raised, and this was agreed.

Resolved –

- (a) That progress made on the external audit of the 2017/18 Financial Statements be noted.
- (b) That the Chair in conjunction with the Director of Finance and Resources be delegated the authority to approve the financial statements after circulating the final audit letter and subject to no additional issues raised.

8. External Audit - Completion Report

The Engagement Lead for the External Auditor, BDO, Ms Combrinck, summarised the key areas of work, findings and conclusions in the Audit Completion Report for the year ended 31 March 2018.

The Committee noted the key audit and accounting matters and from the audit of the use of resources as set out in page 5 to 7 of the supplementary agenda. These included some material misstatements, and eight unadjusted audit difference. Management considered these matters to be immaterial in the context of the financial statements but the auditors requested that they be corrected. The control issues that had been identified were noted and an action plan had been developed that the Corporate Management Team were considering.

The auditors recognised the improvements that had been made on the previous year and the audit opinion reflected this, although it was anticipated that a modified opinion would be issued on the use of resources due to a combination in the weakness of the Council's preparation of the financial statements and continuing weakness in children's social care services.

Members asked a number of questions about the processes that had put in place to improve the audit process on previous years and welcomed the timeliness compared to previous years. The external auditor was asked whether it was appropriate to qualify the opinion on the Council's use of resources based on the ongoing issues in social care given the fact the services were not being delivered by a separate entity in Slough Children's Services Trust. The Council retained statutory responsibility for the service and Ms Combrinck stated that after consultation with the National Audit Office it was considered this element of partnership working should form part of the audit conclusion.

A Member asked whether the payments forming Senior Officers' Remuneration and exit packages at Note 2 of the statements complied with the Council's policy that any packages above the statutory minimum required approval of full Council. The Service Lead confirmed that none of the

packages were in excess of the statutory minimum. It was agreed that the Committee be provided with a summary breakdown of the payment awarded.

At the conclusion of the discussion, the Committee welcomed the improved processes and the fact the audit had progressed more quickly than in recent years. The report was noted.

Resolved – That details of the report be noted.

9. Governance Review

The Service Lead Governance introduced a report that updated the Committee on the work being undertaken on the Council's Governance Review and sought approval of the Annual Governance Statement as at Appendix 3 to the report.

The Review of Governance had been undertaken following a cross-party Council motion of 19th December 2017 making a commitment to address a range of concerns about governance issues, including the process of recruiting a permanent Chief Executive. The review had concluded that the Council's governance arrangements were generally sound and it was noted that a significant amount of work had been undertaken to update the Council's Constitution and the culture of behaviours amongst Members and Officers. The review set out how the current recruitment process for a permanent Chief Executive had been conducted, the establishment of a new Trustee Committee and an internal Risk & Audit Board and the guidelines on Members' access to information and documents about which concerns had previously been raised. The Annual Governance Statement reflected much of this work to improve governance and address weaknesses identified through the internal audit process. The Committee received a copy of the Penn Report into governance issues arising from allegations made in 2016. The report contained exempt information and was redacted to remove any information relating to current employees.

The Committee welcomed the progress that had been made in addressing the wide range of governance issues raised with the Council in the past two years. Members discussed the implications of the delegation of the Legal Services Function to the London Borough of Harrow and it was noted that the hourly rate would be circa 30% cheaper than the external advice previously commissioned and that significant savings would be achieved whilst providing an improved service. Other matters discussed included the role of Committee in monitoring and tracking performance of the new legal services arrangements and the number of recommendations made from committees to full Council.

At the conclusion of the discussion, the report was noted and the Annual Governance Statement was approved. The monitoring of Members performance through attendance was raised and it was agreed that the Committee would receive a Members Attendance Report at its December 2018 meeting.

Resolved –

- (a) That details of the report be noted.
- (b) That the proposed Annual Governance Statement, as appended to the report, be approved.

10. Revision of the Constitution

The Service Lead Governance introduced a report that sought the approval of the Committee to revisions to the Constitution, which, if agreed, would be recommended to Council.

These revisions aimed to improve the Council's governance, give effect to the changes necessitated by the senior management restructure, update titles and reflect any relevant changes to legislation. The Service Lead summarised the key amendments and answered questions from the Committee on a number of specific issues.

At the conclusion of the discussion, the Committee agreed to recommend the revisions to the Constitution to Council on 24th July 2018 for approval.

Recommendation to Council – That the revisions to the Council's Constitution set out as tracked changes in the document appended to the report be approved.

11. Date of Next Meeting - 20th September 2018

It was agreed that, due to the Chair's non availability for the scheduled meeting on 20th September 2018, an alternative date may need to be arranged.

Resolved – That the date of the next meeting was to be confirmed.

12. Exclusion of the Press and Public

Resolved – That the press and public be excluded from the meeting during the consideration of the item in Part II of the agenda as it involved the likely disclosure of exempt information relating to the financial and business affairs of any particular person (including the authority holding that information) as defined in paragraph 3 of Part 1 the Schedule 12A the Local Government Act 1972.

Below is a summary of the matters considered during Part II of the agenda.

13. Indexation Issues Arising from the Contract with Slough Enterprise Limited

Following a request made at the previous meeting, the Committee received a report that provided information on the issue of the indexation provisions in the Council's contract with Slough Enterprise Limited (formerly known as Slough Accord Limited), a subsidiary of Amey UK Plc.

14. Governance Review - Appendix 4

The Committee noted Appendix 4 – Redacted Investigation Report (Penn Report) and discussed the lessons learnt.

Chair

(Note: The Meeting opened at 6.35 pm and closed at 9.09 pm)