

## **Audit and Corporate Governance Committee – Meeting held on Wednesday, 26th July, 2017.**

**Present:-** Councillors Chaudhry (Chair), Chohan (Vice-Chair), Brooker, Sadiq (from 6.43pm), Swindlehurst and Usmani

Co-opted Independent Members: Mr Roberts, Mr Sunderland and Mr Zafar

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

Independent Person: Dr Lee (observer)

**Apologies for Absence:-** Councillor Amarpreet Dhaliwal and Parish Councillor Gahir

### **PART 1**

#### **1. Declarations of Interest**

No interests were declared.

#### **2. Minutes of the Last Meeting held on 16th March 2017**

**Resolved –** That the minutes of the meeting held on 16th March 2017 be approved as a correct record, subject to clarification under Minute 32 that all *material* misstatements in the financial statements had been corrected.

#### **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.

The process for appointing a Standards and Determination Sub-Committee was explained and it was noted that the Sub-Committee would be convened, when required, from membership of the Audit and Corporate Governance Committee and therefore did not have a fixed membership.

**Resolved –** That the Terms of Reference be noted.

#### **4. Annual Governance Statement 2016/17**

The Assistant Director Finance & Audit summarised the key aspects of the Annual Governance Statement (AGS) 2016/17 and it was clarified that the Committee was being asked to approve the document. It was a requirement

to produce the AGS to provide assurance that the organisation was well governed and had the policies and controls in place to ensure public services were well delivered and public money was spent wisely.

The AGS detailed the actions that had been taken through the year to address the issues reported in the 2015/16 AGS, including children's safeguarding outcomes, contract management and risk management; and the significant control issues identified by internal audit throughout the year. These included business continuity, information governance, voids management, fixed penalty notice enforcement and voluntary sector commissioning. Members reviewed the progress that had been made in response to the weaknesses identified. It was agreed that the Committee would be provided with a brief update on the progress of the action taken on voluntary sector commissioning.

Members commented on the number of the Council's main policies and procedures, including several contained within the Constitution, that were either in need of or currently subject to review. It was confirmed that several governance and employment related policies were being reviewed and those to be contained in the Constitution would be all be considered by the Member Panel on the Constitution before being recommended to full Council for approval. The Corporate Management Team had also identified other policies and strategies for the relevant directorates to update.

*(Councillor Sadiq joined the meeting)*

In response to a question, it was confirmed that the Whistleblowing Policy had been recently reviewed. The new Confidential Reporting Code had been approved by Council on 18<sup>th</sup> May 2017 and was in operation. Any specific matters to be raised should be reported directly to the relevant officer as set out in the code, usually the Monitoring Officer. There was a lengthy discussion about the departures of senior officers, complaints, investigations and related governance matters. Members sought assurance that the Council was dealing effectively with any complaints and ongoing investigations to conclude matters as soon as possible; either had the right policies and procedures on HR and complaints issues in place, or was actively updating them where required; and was learning the lessons at all levels. Concerns were also raised about the apparent delay in starting the recruitment process for a permanent Chief Executive, the cost of recent settlement agreements and the increased costs of the current Monitoring Officer arrangements. The Assistant Director and the Monitoring Officer responded to each of the points raised and explained that the circumstances of each case varied and were often complex, meaning that it was not unusual to take some time to fully resolve them.

In view of the general concerns raised by several Members of the Committee it was agreed that a report be provided to the next meeting that included further information on the number and status of recent and current whistleblowing complaints and investigations, noting the requirements to maintain the confidentiality of individual cases. Following a number of

## **Audit and Corporate Governance Committee - 26.07.17**

settlement agreements with senior managers in recent times, a report was also requested on the number of such agreements, robustness of HR policies and the approach being taken to learn the lessons.

At the conclusion of the discussion, it was agreed to approve the Annual Governance Statement 2016/17 and receive regular reports at future meetings on the progress of the action plan.

### **Resolved –**

- (a) That the Annual Governance Statement 2016/17 be approved.
- (b) That a standing item be added to future agendas to update the Committee on the progress being made on action plans for areas of improvement and significant control issues in the Annual Governance Statement.
- (c) That the Committee receive reports to the next meeting on the position regarding whistleblowing, investigations and settlement agreements.

## **5. Internal Audit Update Quarter 1 2017/18**

The Head of Internal Audit introduced a report that updated Members on the progress against the 2016/17 Internal Audit Plan and for the first quarter of 2017/18.

It was noted that 18 reports from the 2016/17 plan had been finalised since the last meeting of the Committee of which 1 (Fixed Penalty Enforcement) received a 'no' assurance opinion and 6 (Governance, Health & Safety, General Ledger, Creditors, Adult Safeguarding and Voluntary Sector Commissioning) received only 'partial' assurance opinions. The high and medium recommendations for these audits were set out in the appendices to the report and were discussed by the Committee. Four reports had been finalised from the 2017/18 plan and a further two were in draft. The rate of finalising reports continued to improve, and the Head of Internal Audit commented that the position was the best it had been in recent years.

Members discussed the tracking process for internal audit recommendations and asked whether the Council was more effectively implementing and monitoring recommendations. The Internal Auditors commented that there were still occasions when the expected progress had not been made when areas were re-audited, however, there was now more rigour from management in responding to reports and internal audit was being used more proactively to address identified issues. Members asked about the accountability mechanisms in place where management actions were not implemented and it was noted that processes had improved and the profile of responding to recommendations had been raised across the Council, including with increased reporting to the Corporate Management Team.

## **Audit and Corporate Governance Committee - 26.07.17**

The Committee discussed the Fixed Penalty Enforcement audit for which a 'no assurance' opinion had been provided. All of the high and medium priority recommendations were due to have been implemented by 31<sup>st</sup> July 2017 and Members sought assurance that management was addressing the issues raised. The Assistant Director Finance and Audit highlighted that the Management Update elsewhere on the agenda indicated that 6 of the 8 actions had been completed with 2 overdue. The re-audit had been delayed to November 2017 at the request of management given that the initial report had been finalised relatively recently. After discussion about the information provided in the Internal Audit Progress Report, it was requested that future reports include details of the high priority recommendations not completed beyond their due date.

The Committee received updates on a number of specific issues raised in the report including the audit into Governance – Transparency Code Compliance and Members emphasised the importance of ensuring the Council was meeting all of the requirements for openness and transparency. The Assistant Director responded that a significant amount of work had been done to comply with the Transparency Code which included publication of expenditure above £500, the contracts register and details of grants to the voluntary, community and social enterprise organisations.

At the conclusion of the discussion, the Internal Audit Update for the first quarter of the year was noted.

**Resolved** – That details of the Internal Audit Update Quarter 1 2017/18 be noted.

### **6. Audit and Risk Management Update Quarter 1 2017/18**

The Assistant Director Finance & Audit introduced a report that updated the Committee on the progress of finalising draft Internal Audit reports, implementing Internal Audit recommendations, the Council's risk register and latest counter fraud activity.

The tracking of internal audit recommendations continued to show that the improved processes and focus was leading to a higher proportion of actions being completed than in the past. The lack of progress on completing actions on the Information Governance audit was raised, and the Assistant Director explained that this was primarily because progress was reliant on a single member of staff who had been off work for some period of time. It was hoped that progress would be made and reflected in future reports. The Committee's concerns about a small number of services being over-reliant on a single member of staff were noted. In principle when progress was deemed to be too slow, it was intended that the service managers responsible for implementing recommendations attend the Committee to explain the position.

The Council's risk register was updated following the purchase of a new risk management system from RSM. However, the presentation of the reports from the new system was still being refined and it would be provided to the

Committee at the next meeting. Following a request from the Chair, it was agreed that the Corporate Risk Register be a standing item on all future agendas. The success of the counter-fraud team was noted and welcomed. A query was raised about the financial benefit to the Council from Right to Buy receipts, the notional figures in Appendix 2 was stated as £778,000, and it was agreed that the Committee would be provided with further information.

At the conclusion of the discussion, the report was noted.

**Resolved –**

- (a) That details of the Audit and Risk management Update Quarter 1 2017/18 be noted.
- (b) That the Corporate Risk Register be a standing item on future Committee agendas.

**7. Annual Internal Audit Report 2016/17**

The Committee considered the Annual Internal Audit Report 2016-17 that set out the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the organisations risk management, control and governance processes for the 12 months ended 31<sup>st</sup> March 2017.

The Head of Internal Audit had issued a qualified opinion, which was duly reflected in the Annual Governance Statement, in that there were "...weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective". The specific areas of weakness where either no or partial assurance had been provided following audits were noted. Members discussed the key areas of weakness, which included business continuity, information governance and risk management, and asked for assurance that the Council was taking the necessary action to address identified weaknesses. It was responded that action had been taken such as an increase in the amount of advisory work by RSM on the key areas of risk and the additional support to risk management processes.

The Committee discussed the implementation of internal audit management actions, as set out in paragraph 2.2 of the report, and concern was expressed about the figure that on 25% had been implemented. The Assistant Director commented that these actions primarily related to audits from the 2015/16 plan and these had since been picked up with regular reports on outstanding high priority action to the Committee. Other issues raised included the monitoring of the SPACE contract for which the outcomes framework was due to be finalised.

The Committee noted the Annual Internal Audit Report for 2016/17.

**Resolved –** That details of the Annual Internal Audit Report 2016/17 be noted.

**8. Audit Plan 2016/17**

The Engagement Lead for the External Auditor, BDO, introduced the Audit Plan for the year ended 31<sup>st</sup> March 2017 which set out the key issues and processes for the audit of the financial statements 2016-17. The report had been issued on 18<sup>th</sup> April 2017 but had not been available for the previous meeting of the Committee.

It was noted that following an initial review of the draft financial statements, the materiality had been revised down from £7,800,000 to £6,700,000. The key audits risks were reviewed, which included management override, revenue recognition, pension liability assumptions, schools transactions, group accounts, changes to the payroll system and valuation of non-current assets.

The 2015/16 use of resources conclusion had been qualified due to the significant weaknesses in children's social care services and it was possible that a qualified conclusion may be given for 2016/17 unless sufficient evidence of improvement could be provided. A Member pointed out that the services had been transferred to Slough Children's Services Trust by Ministerial Direction and the Council had limited ability to influence service improvements, which meant it was potentially unfair to penalise the Council for a service outside of its control. The Auditor commented that the 2015/16 conclusion was largely based on the risks of transfer and a conclusion for 2016/17 would focus on the monitoring of the contract and Key Performance Indicators. Members asked a number of other questions about the nature of schools transactions, the preparation of the draft financial statements and the level of fees, to which the External Auditor responded.

At the conclusion of the discussion, the Audit Plan was noted.

**Resolved –** That the Audit Plan for the year ended 31 March 2017 be noted.

**9. Grant Claims and Returns Certification 2015/16**

The Engagement Lead for BDO introduced a report that summarised the main issues arising from the certification of grant claims and returns for the financial year ended 31<sup>st</sup> March 2016.

The main area of claim was housing benefit subsidy which had a value of £75,491,382. Whilst a qualified opinion had been given, the Auditor stated that this was not unusual, and the variance of £5,328 was considered to be very low for such a major claim. The Committee discussed how the auditors and officers worked together to implement the action plan.

At the conclusion of the discussion, the report was noted.

**Resolved –** That the report on Grant Claims and Returns Certification be noted.

**10. Planning Letter 2017/18**

The Engagement Lead for BDO introduced the Planning Letter for 2017/18 that set out the proposed fees and programme of work for the 2017/18 financial year. It was noted that the fee was set at the scale level and the planning assumption was for no significant issues that would increase the level of work and therefore the fee.

A Member pointed out an apparent discrepancy between the 2016/17 Audit Fees of £152,858 on page 142 of the agenda in the Fee Letter and £153,483 on page 115 in the report on Audit Plan for 2016/17. The External Auditor would clarify the fee for 2016/17. The report was then noted.

**Resolved –** That the report be noted.

**11. Date of Next Meeting**

The date of the next meeting was confirmed as 21<sup>st</sup> September 2017.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.08 pm)