

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
25 SEPTEMBER 2014**

Present: Councillors Stevens (Chairman), D Absolom, Lovelock, McElligott and Page.

Also in attendance:

Alan Cross	Head of Finance
Paul Harrington	Head of Audit & Risk Management
Grant Slessor	KPMG
Steve Stimpson	Finance Officer
Ian Wardle	Managing Director
Tamas Wood	KPMG

8. MINUTES

The Minutes of the meeting of 2 July 2014 were confirmed as a correct record and signed by the Chairman.

9. APPROVAL OF 2013/14 ACCOUNTS, KPMG AUDIT MEMORANDUM & AUDIT OPINION

A Cross submitted a report stating that in accordance with the Accounts & Audit Regulations, the Committee, on behalf of Council was required to approve the Council's accounts by the end of September 2014. As part of the annual external audit process of the Council's accounts, KPMG had produced an Audit Memorandum to those charged with Corporate Governance prior to issuing their opinion. KPMG had indicated that subject to the approval of the accounts by the Committee, the receipt by them of a Management Representation letter, and the receipt by the Committee of the Report to those Charged with Governance, they would be in a position to issue an unqualified audit report on the (amended) Council's accounts, thus concluding the accounts and audit process for 2013/14.

Tamas Wood and Grant Slessor, KPMG, presented their report.

The Management representations letter and the Report to those Charged with Governance (ISA 260) were attached at Appendices 1 and 2. For reasons of size the formal accounts had not been included in the agenda papers but had been made available on the Council's website.

The report gave KPMG's opinion that "the Authority has good processes in place for the production of the accounts and good quality supporting working papers" and went on to confirm that the Council had "dealt efficiently with audit queries and the audit process has been completed within the planned timescales." The Committee was reassured that KPMG would be able to issue an unqualified opinion of the final accounts. The Committee asked whether KPMG could provide any guidance, using their experience of other local authorities, on potential areas of risk in the future, especially bearing in mind the requirement on local government to deliver significant ongoing savings.

Resolved:

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
25 SEPTEMBER 2014**

- (1) That the Management Representations letter, as appended to the report, from the Head of Finance be noted;
- (2) That KPMG's (ISA 260) Report, as appended to the report, to those charged with governance be noted;
- (3) That the final accounts for 2013/14 be approved, on behalf of the Council, in the knowledge that in doing so the Council's external auditors, KPMG, had been in a position to issue an unqualified opinion;
- (4) That the Chairman of the Committee and relevant Lead Councillors be advised of 'early warning' signs of potential financial difficulties that could arise as a result of Councils' needs to deliver significant savings to their budgets, and whether there were any risks likely to occur in Reading and what action could be taken to mitigate the effect on the accounts that were identified.

10. STRATEGIC RISK REGISTER

P Harrington submitted a report updating the Committee on the Q2 status of the Council's 2014/15 Strategic Risk Register, in line with the requirements of the Council's Risk Management Strategy. The Register was attached at Appendix 1.

The report stated that the Corporate Management Team (CMT) maintained the Register on behalf of the Council, through the Head of Audit and Risk Management. The Register was reviewed on a quarterly basis by officers and formally refreshed six-monthly by CMT. The Register was presented to the Audit & Governance Committee approximately every six months, or more frequently if circumstances required an update. It had last been presented to the Committee at its meeting on 14 April 2014 (Minute 29 refers).

The report stated that although guidance was provided to officers in relation to the scoring of risks, with a view to providing consistency, it still remained a subjective process. An extensive consultation process had been undertaken involving CMT, Directorate Management Teams (DMTs) and Directorate Risk Champions. CMT had reviewed the scores to ensure reasonable consistency of approach. The primary aim of the report was to identify the key vulnerabilities that the officers considered needed to be closely monitored in the forthcoming months or years.

The Register was compiled from risks identified at directorate level, which had been escalated, along with high-level generic risks which required strategic management. Entries within the Register reflected the risks identified by CMT, thereby strengthening their strategic perspective, management response and controls. The inclusion of risks within any level on the Register did not necessarily mean there was a problem. On the contrary, it reflected the fact that officers were aware of potential risks and had devised strategies for the implementation of mitigating controls.

AUDIT AND GOVERNANCE COMMITTEE MINUTES

25 SEPTEMBER 2014

The mitigating actions taken to address the risks identified were set out in the Strategic Risk Register. These risks were monitored on a monthly basis by DMTs for directorate risks and by CMT for strategic risks.

Resolved: That the Q2 status of the Council's 2014/15 Strategic Risk Register be noted.

11. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

P Harrington submitted a report informing the Committee of the Council's self-assessment of its performance against the Public Sector Internal Audit Standards (PSIAS) which had come into effect on 1 April 2013. The report stated that Compliance with these Standards was a requirement of the Audit & Accounts Regulations (2011) and should underpin the Internal Audit arrangements within the Council. The Head of Audit would be expected to report on conformance with the PSIAS in the annual report.

The PSIAS was derived from international standards and set clear principles for professional practice. In order to satisfy proper internal audit practices, there was a requirement to comply with the Standards and the Local Government Application Note. The Application set out the detailed checklist of individual areas that needed to be considered when coming to a view of the level of conformance with the PSIAS. The checklist included 330 items and the internal assessment found full or partial compliance in 96% of the items. Where the authority did not comply there was a requirement to set out an improvement programme to bring the Authority into compliance or seek an exception for non-compliance where it was not appropriate to comply. The Quality Assurance and Improvement Programme (QAIP), which was appended to the report, set out the areas of non-compliance and the proposed action to be taken.

Resolved: That the actions identified in the Quality Assurance and Improvement Programme, as appended to the report, be noted.

12. INTERNAL AUDIT & CORPORATE INVESTIGATIONS QUARTERLY PROGRESS REPORT

P Harrington, Chief Auditor, submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in July 2015.

The report set out a summary of the audit reports and an assurance finding for audits carried out of the following service areas:

- General Ledger (Journals)
- Creditors (Accounts Payable)
- Culture & Sport Income Generation
- School Places Capital Programme
- Charging Arrangements for Adult Social Care
- Home to School Transport
- Special Educational Needs & Disabilities (SEND)
- Troubled Families Programme

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
25 SEPTEMBER 2014**

The report also provided details of forthcoming follow up audit reviews and the status of programmed audits, and set out progress on the response to audit reports and the implementation of agreed audit recommendations.

The report also provided details of work which the Council's Corporate Investigations Team and Internal Audit had undertaken since July 2015 in respect of benefit fraud, housing tenancy fraud and other corporate investigations. This included investigations into the remaining few benefit fraud cases still with the local authority, following the establishment of the national Single Fraud Investigation Service and the transfer of investigation work on Housing and Council Tax Benefit to the Department for Work and Pensions along with some Council staff from

The report had appended details of the progress made in implementing the actions which were reported in the 2014/15 Annual Governance Statement (AGS). There were 14 actions identified in the 2014/15 AGS, all of which had been implemented or were in the process of being implemented. There were six actions that remained appropriate and it was recommended that they should be carried forward to the 2015/16 AGS, which would be reported to the Audit & Governance Committee in July 2015.

Resolved: That the report be noted.

13. TREASURY MANAGEMENT 2014/15 ACTIVITY TO AUGUST

A Cross submitted a report containing information about the Council's treasury activities to the end of August in 2014/15. The report was based on a template provided by Arlingclose, the Council's treasury advisor, for Q1 activity updated to cover developments in July and August.

A Cross also gave a presentation at the meeting to accompany the report, which included information on the Council's borrowing costs in the short and long run and returns on investment with comparative data to measure performance against other local authorities.

Resolved:

- (1) That progress in implementing the 2014/15 Treasury Strategy be noted;**
- (2) That A Cross be thanked for his presentation.**

14. BUDGET MONITORING 2014/15

A Cross submitted a report which had also been considered by the Policy Committee at its meeting on 22 September 2014 setting out the results of a detailed budget monitoring exercise undertaken for 2014/15, based on the position to the end of July 2014.

The results of Directorate and Housing Revenue Account budget monitoring exercises were attached at Appendices 1A-1D.

The report stated that the final General Fund Balance at the end of 2013/14 had been £5.5m. Assuming remedial action highlighted in the Directorate commentaries was

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
25 SEPTEMBER 2014**

carried out, there was now expected to be an overspend on revenue budgets of £306k. Cost pressures in Environment & Neighbourhood Services were offset by Corporate Support Services and Treasury, which would leave the General Fund balance at its £5m minimum level at 31 March 2015.

The Policy Committee had noted the report and the implementation of measures to keep overall net expenditure within the Approved Budget and ensure that the minimum general fund balance was maintained.

Resolved: That the report be noted.

(The meeting started at 6.30pm and closed at 7.31pm).

SIGNED:

DATE: