

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 24 SEPTEMBER 2015

Present: Councillor Lovelock (in the Chair), McElligott, Page, Steele & Terry.

Apologies: Councillors Debs Absolom and Stevens (Chairman).

Also in attendance:

Alan Cross	Head of Finance
Russell Dyer	Corporate Finance Business Partner
Paul Harrington	Chief Auditor
Grant Slessor	KPMG
Ian Wardle	Managing Director

6. MINUTES

The Minutes of the meeting of 8 July 2015 were confirmed as a correct record and signed by the Chair.

7. APPROVAL OF 2014/15 ACCOUNTS, KPMG AUDIT MEMORANDUM & AUDIT OPINION

Alan Cross, Head of Finance, submitted a report stating that in accordance with the Accounts & Audit Regulations, the Committee, on behalf of the Council was required to approve the Council's accounts by the end of September 2015. As part of the annual external audit process of the Council's accounts, KPMG had produced an Audit Memorandum to those charged with 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, the conclusion of outstanding areas of their work 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 2014/15.

Grant Slessor, KPMG, presented their report.

The Management Representation 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.

KPMG's audit had not found any individually material misstatements but had identified seven audit adjustments, three of which had been corrected by the authority, the remaining four were not being made (the reasons for this had been set out in the report in three cases, and the 4th had only arisen that day). There was no material impact on the Council's General Fund or Housing Revenue Account as at 31 March 2015 as a result of the seven audit adjustments identified by KPMG. However, there was a small decrease in the net worth of the authority of £0.3m for 2014/15, as a result of the three adjustments made, which was not seen as being significant. The Committee noted that KPMG had received elector notices raising questions on the Council's accounts to which a response had been given by the Head of Finance. KPMG expected to be able to issue its audit opinion to the expected timetable but would

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not be able to issue a certificate of closing the audit until the elector's questions had been resolved satisfactorily.

The Committee noted that this would be the last year that KPMG would be the Council's auditor as the Audit Commission, prior to its abolition, had decided to appoint EY (formerly Ernst Young) for the 2015/16 and 2016/17 accounts. On behalf of the Authority the Chair thanked KPMG for their many years' service as the authority's auditor.

Resolved:

- (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 2014/15 be approved, on behalf of the Council, in the knowledge that in doing so the Council's external auditors, KPMG, subject to the Committee making minor adjustments, and the conclusion of outstanding areas of their work, anticipate being in a position to issue an unqualified opinion in advance of the national deadline.

(NOTE: KPMG issued their opinion on the Council's accounts and the Whole of Government Accounts Return on 30 September 2015).

8. AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT

Paul 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:

- Early Years & Play Centres
- Disabled Facilities Grant
- Waste PFI
- Business Rates
- Better Care Fund
- Additional Salary Payments
- Local Pinch Point Fund - Reading Bridge

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.

As part of the Audit Plan 2015/16, which had been developed to allow adequate coverage of the key risks faced by the Council, the report highlighted the areas that the Corporate Management Team (CMT) had identified to be subject to some

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targeted reviews to ensure proper processes were being followed and the Council could demonstrate it was spending appropriately.

The report also provided details of work which the Council's Corporate Investigations Team and Internal Audit had undertaken in respect of benefit fraud, blue badge offences, housing tenancy fraud and other corporate investigations.

Resolved: That the report be noted.

9. TREASURY MANAGEMENT 2015/16 ACTIVITY TO AUGUST

Alan Cross, Head of Finance, submitted a report containing information about the Council's treasury activities to the end of August in 2015/16. The report was based on a template provided by Arlingclose, the Council's treasury adviser, for Q1 activity updated to cover developments in July and August.

Alan 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. The presentation demonstrated the action being taken to minimise net borrowing costs; ensure money was available and securely invested whilst being flexible to respond to changes in interest rates; and the general approach to manage treasury risk overall. The Committee was updated on the development of the Municipal Bond Agency, the minimum revenue provision position and the successful conclusion of the transfer of the Council's banking to Lloyds Bank.

Resolved:

- (1) That progress in implementing the 2015/16 Treasury Strategy be noted;**
- (2) That Alan Cross be thanked for his presentation.**

10. BUDGET MONITORING 2015/16

Alan Cross, Head of Finance, submitted a report which would be updated for consideration by the Policy Committee at its meeting on 8 October 2015 setting out the results of a detailed budget monitoring exercise undertaken for 2015/16, based on the position to the end of July 2015.

The report stated that the final General Fund Balance at the end of 2014/15 had been £5.62m. Assuming remedial action highlighted in the Directorate commentaries was carried out, there was now expected to be an overspend on revenue budgets of £445k. Children's, Education and Early Help Services and Adult Care and Health Services both had significant forecast overspends and would need to use their respective Strategic Demand Reserves, which was not sustainable to meet the cost of overspending. As a result, there was a requirement to seek mitigating measures to reduce significantly the call on those reserves. These cost pressures were partly offset by a favourable treasury position, which was estimated to leave the General Fund balance at slightly above its minimum level at £5.43m at 31 March 2016.

Resolved: That the report be noted.

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(The meeting started at 6.30pm and closed at 7.20pm).