

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 19 APRIL 2017

**Present:** Councillor Stevens (Chairman), Lovelock, McElligott, McKenna, Page & Terry.

**Apologies:** Councillor Steele; and  
Maria Grindley, Director and Engagement Lead, EY LLP.

**Also in attendance:**

Peter Lewis	Strategic Finance Director
Alan Cross	Head of Finance
Paul Harrington	Chief Auditor
Zoe Hanim	Head of Customer Services
Sharon Warner	Entitlement and Assessment Team Leader
Alan Witty	EY LLP

### **29. MINUTES**

The Minutes of the meeting of 26 January 2017 were confirmed as a correct record and signed by the Chairman.

### **30. INTERNAL AUDIT QUARTERLY PROGRESS REPORT AND ANNUAL SUMMARY OF INVESTIGATIONS FOR 2016/2017**

The 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 January 2017.

The report set out a summary of the audit reports in respect of Bank and Cash Reconciliations, NNDR, Subject Access Requests, Council Tax Support, Childcare Operations, Payroll and Health & Safety Review; it outlined the findings of four school audits and nine audit investigations. The report also contained a table showing the audit reviews currently in progress and those planned for the next quarter.

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

### **31. 2015/2016 ANNUAL GOVERNANCE STATEMENT - ACTION PLAN FOLLOW UP**

The Chief Auditor submitted a report following up implementation of the 2015/16 Annual Governance Statement (AGS). The report explained that the Council was required to prepare and publish an AGS each year as an accompaniment to the authority's financial statements.

The report explained that the Council was responsible for ensuring that its financial management was adequate and effective and that it had a sound system of internal control, which facilitated the effective exercise of the Council's functions, including arrangements for the management of risk. The AGS was a record of the overall effectiveness of governance arrangements within the Authority; it reflected the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrated how the key governance requirements had been met. The report had appended the plan showing progress against the actions identified in the AGS.

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Overall, thirteen actions had been identified, all of which had been or were in the process of being implemented.

**Resolved:** That the progress made to implement the actions reported in the 2015/16 Annual Governance Statement, as detailed in the appendix to the report, be noted.

### **32. INTERNAL AUDIT CHARTER 2017-18**

The Chief Auditor submitted a report, in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), presenting the annual Internal Audit Charter for 2017/18, which was appended to the report for the Committee's information. The Charter set out the purpose, authority and responsibility of the Council's Internal Audit function.

**Resolved:** That the Internal Audit Charter 2017/18, which had been prepared in accordance with the requirements of the PSIAS and was appended to the report, be noted.

### **33. INTERNAL AUDIT PLAN 2017/18**

The Chief Auditor submitted a report setting out the work that Internal Audit planned to undertake during the financial year 2017/18. The Indicative Internal Audit Plan was attached as Appendix A to the report. The Chief Auditor had the responsibility to produce an audit strategy of how the internal audit service would be delivered and how it linked to the organisational objectives of the Council.

The report explained that Internal Audit was responsible for forming opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. It stated that in the context of the Public Sector Internal Audit Standards, 'opinion' did not mean simply a view, comment, or observation; it meant that Internal Audit would have done sufficient, evidenced work to form a supportable conclusion about the Council's activities they had examined.

**Resolved:** That the Internal Audit Plan for the period April 2017 to March 2018, which was attached to the report at Appendix 1, be approved.

### **34. PROGRESS IN IMPLEMENTING EXTERNAL AUDITOR'S (SECTION 24, REPORTED AT BUDGET COUNCIL) RECOMMENDATIONS**

The Head of Finance submitted a report setting out the progress that had been made in responding to the actions identified in letter issued by the Council's external auditor, EY, in accordance with Section 24 of the Local Audit and Accountability Act 2014. The letter and the Managing Director's response to the recommendations had been considered by the Council at its meeting on 21 February 2017. The report had appended the external auditor's recommendations, the Council's initial response and details of the current position.

**Resolved:** That the initial progress in implementing the external auditor's recommendations, which had been reported to the Council on 21

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**February 2017, be noted and that the intention to update the Committee at each meeting on the latest position until further notice be endorsed.**

### **35. EXTERNAL AUDITOR UPDATE**

The external auditor EY submitted the Audit progress report for 2016/17 and the certification of housing benefits subsidy claims and returns annual report 2015/16. The certification of claims report detailed the errors that had been found in the Council's administration of the Government's housing benefits scheme for tenants. Alan Witty of EY attended the meeting to present the report and answer questions from the Committee. He provided an explanation of the auditor's role in the process of checking the claim and classification of benefits awarded to claimants during the year and reporting the findings to the Council and DWP. He also explained the increase in the actual auditor's fee being sought compared to the indicative fee.

The Committee was concerned that the process of claiming housing benefit subsidy from the DWP was penalising local authorities generally and more importantly Reading in particular, because of Reading's proliferation of complex and fluctuating circumstances amongst its benefit claimants (which led to frequent benefit changes). It was suggested that the Local Government Association could be contacted to encourage lobbying of Government for reform of the Housing Benefits Subsidy claim scheme. It was also suggested that further 'invest to save' proposals could be pursued to determine whether there was any scope to reduce the level of error in administering the Government's housing benefits scheme for tenants and reduce the sum being clawed back by the DWP in the future and avoid a subsidy penalty. In view of the Committee's interest, it was also suggested that it might be appropriate to have a presentation to a future meeting on the complexity of the arrangements for administering the Government's housing benefits scheme for tenants in order to highlight the challenges being faced by the Council in order to keep within the permissible threshold for error before a financial penalty was activated.

#### **Resolved:**

- (1) That the Audit progress report for 2016/17 Audit Plan be noted;**
- (2) That, in respect of reporting of the housing benefits subsidy claim certification, it was requested that future reports should provide the information in a more digestible format to assist the Committee's understanding and enable more scrutiny of the process, and in particular the report should, if possible, contain the following:**
  - Initial number of cases reviewed;**
  - Final number of cases reviewed;**
  - The number of errors that had been identified in the cases examined;**
  - An assessment of the proportion of errors compared with the number of cases being processed;**
  - An indicative total value of the errors that had been identified, together with monitoring information to show the**

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Council's performance against the threshold after which the Department for Work and Pensions (DWP) would restrict the amount claimed in housing benefits subsidy;

- (3) That the Committee's concern at the process that had to be followed to claim housing benefit from the DWP be noted and the Strategic Finance Director, Head of Finance and Head of Customer Services, in consultation with the Leader of the Council and the Chairman of the Audit and Governance Committee consider any further action that could be taken to address the concerns raised by the Committee.

(Councillor Terry declared a personal non-pecuniary interest in this item. Nature of interest: Councillor Terry was the Chief Executive of Berkshire Women's Aid, which was referred to in the report).

(The meeting started at 6.30pm and closed at 7.30pm).