

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 28 SEPTEMBER 2017

Present: Councillors Stevens (Chairman), Duveen, Lovelock, McElligott, McKenna, Page, Rodda, Steele & Terry.

Also in attendance:

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| Kirsty Anderson | Income & Assessment Manager |
| Alan Cross | Head of Finance |
| Maria Grindley | Director and Engagement Lead, EY LLP |
| Paul Harrington | Chief Auditor |
| Anthony Kearns | Principal Auditor |
| Peter Lewis | Strategic Finance Director |
| Peter Sloman | Chief Executive |
| Sharon Warner | Income & Assessment Team Leader |
| Alan Witty | EY LLP |

11. MINUTES

The Minutes of the meeting of 18 July 2017 were confirmed as a correct record and signed by the Chairman.

12. ACCOUNTS 2016/17

Peter Lewis, Strategic Finance Director, submitted a report stating that, at this stage, it had not been possible to sign off the accounts as a true and fair view of the Council's finances. This consequently meant that the Council's external auditors, EY, had been unable to issue an audit opinion.

The report set out the ongoing and intended actions by officers of the Council to improve the quality of financial processes and systems in order to deliver a true and fair view in the future. It was now intended that the 2016/17 accounts would be revised, signed off and audited either alongside the accounts for 2017/18 or before if possible. Therefore, it was now essential to address the improvements needed to the systems, processes and skills as soon as possible to maximise the chance of securing unqualified accounts for 2017/18. It was, however, acknowledged that to move from the current situation to unqualified accounts within this accounting year would be a tough challenge, but there was strong commitment within the Finance Team to achieving this outcome. The report contained a table, which briefly described the actions underway or planned to rectify the deficiencies in the 2016/17 accounts and ensure that they were not repeated in 2017/18. A further detailed action plan would be developed to identify any additional actions and/or resources required.

Resolved:

- (1) That the actions underway or planned to rectify the deficiencies in the 2016/17 accounts and ensure that they were not repeated in 2017/18, as described in the table at paragraph 3.4 of the report, be endorsed;**
- (2) That a further detailed action plan being developed to identify any additional actions and/or resources required be endorsed, and that**

the Committee be updated regularly of the progress being made to achieve the objectives set out in the plan.

13. HOUSING BENEFIT SUBSIDY

Kirsty Anderson, Income & Assessment Manager, submitted a report providing an update on the actions that had been taken by the Housing Benefits Service to mitigate error and losses as a result of the complex subsidy regime. The report also provided details of the further actions and activity carried out within the service to increase monitoring of thresholds. Further options to mitigate risk were being explored, including increasing the level of checks carried out across the Assessment Team and benchmarking with other neighbouring authorities. Currently, there was a recruitment exercise being carried out to appoint two additional Housing Benefit Officers to provide additional resource to administer the scheme. The report stated that the Local Government Association (LGA) had been contacted to encourage them to lobby the Government over the very serious concerns the Council had about the current arrangements for the Housing Benefit Subsidy scheme (and its audit). There had been no response from the LGA to the Council's correspondence as yet.

The report highlighted that the External Audit of the 2016/17 Housing Benefit Claim was in progress and had identified some error levels that could impact on the subsidy loss. Given the volume of claims being checked, it was expected that errors would be identified. The latest indication was that there would be an improvement on the previous year but due to the complex nature of the claims there could still be a significant loss to the authority. On a positive note, the Internal Audit team had reviewed the service, and had been able to validate and evidence that there had been an overall improvement in the service in both quality and training, as well as the business processes of the team.

Resolved:

- (1) That the action taken by the Benefits Team to mitigate against future risks be endorsed as set out in paragraph 4.1 of the report;**
- (2) That the increased monitoring activities being undertaken by the Benefits Team be endorsed as reasonable actions to take in the circumstances.**

14. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports and investigations issued since the last quarterly progress report in July 2017. The report set out a summary of the audit reports in respect of Child Sexual Exploitation, Mosaic/Fusion end of year reconciliation, Housing Benefit Subsidy, Council Wide Savings - Governance, Bus Subsidy Grant, Local Transport Capital Grant 2016/17 and Pot Hole Action Fund Grant 16/17. 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.

15. INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA)

Paul Harrington, Chief Auditor, submitted a report on the requirement for the Council's Internal Audit service to undergo an external quality assessment at least once every 5 years as part of Internal Audit's Quality Assurance Framework. The report provided the Committee with information on the result of the external quality assessment undertaken in July 2017. The assessment report produced by CIPFA, which was appended to the Chief Auditor's report, showed that the Council's Internal Audit function 'generally conforms' to the requirements of the Public Sector Internal Audit Standards and the associated Chartered Institute of Public Finance and Accountancy (CIPFA) advisory note. The Assessor concluded that: *"Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice, but is itself a good example of best practice in local government internal audit"*.

The report stated that from the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards had been identified, nor were any significant areas of partial non-compliance identified, that would affect the overall scope or operation of the internal audit activity. One minor area of partial compliance and some issues relating to the Audit and Governance committee had been identified, and some recommendations had been made to address these issues.

Resolved: That the outcome of the External Quality Assessment of the Council's Internal Audit Service be welcomed, which gave assurance that the quality and effectiveness of the Service was meeting the requirements of the Public Sector Internal Audit Standards and operating in accordance with the CIPFA Advisory Note associated with the Standards and was praised as an example of best practice in local government internal audit.

16. BUDGET MONITORING 2017/18

The Strategic Finance Director submitted a report on Budget Monitoring that had been considered by the Policy Committee at its meeting on 25 September 2017 and was presented for information. The Committee noted that, based on the position at the end of July 2017, budget monitoring forecasted an overspend of around £1.781m, and that plans to address this position, if it persisted, would be presented regularly to the Policy Committee.

Resolved: That the report be noted.

17. ANNUAL GOVERNANCE STATEMENT 2016/2017 - UPDATED ACTION PLAN

The Strategic Finance Director submitted a report on the 2016/17 Annual Governance Statement (AGS), which had attached an updated action plan. The Council was required to prepare and publish an AGS each year as an accompaniment to the authority's financial statements. 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

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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. Overall, 10 headline actions had been identified, all of which had been or were in the process of being implemented.

Resolved: That the updated Action Plan associated with the Annual Governance Statement for 2016/17 be noted.

(The meeting started at 7.00pm and closed at 8.30pm).