

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 17 APRIL 2018

Present: Councillors Stevens (Chairman), Lovelock, McKenna, Page & Terry.

Apologies: Councillor Duveen.

Also in attendance:

Kirsty Anderson	Income & Assessment Manager
Adrian Balmer	EY LLP
Alan Cross	Head of Finance
Matt Davis	Head of Finance
Maria Grindley	Director and Engagement Lead, EY LLP
Anthony Kearns	Principal Auditor
Rachel Kennedy	EY LLP
Kevin Parker	Principal Auditor
Jean Stevenson	Chief Accountant
Jackie Yates	Director of Resources

33. MINUTES

The Minutes of the meeting of 25 January 2018 were confirmed as a correct record and signed by the Chairman.

Further to Minute 25, Internal Audit Quarterly Progress Report, the Committee noted that the monthly Bank Reconciliations were now being completed and work was ongoing to clear the backlog of historic reconciliations.

34. ACCOUNTS 2016/17

Further to Minute 29 of the meeting held on 25 January 2018, Jackie Yates, Director of Resources, submitted a report on the continuing work to sign off the accounts as a true and fair view of the Council's finances and the action being taken to remedy the current situation. As previously reported, the Council's 2016/17 Accounts should originally have been audited and signed off by the end of September 2017. However, due to issues arising during the audit process, that had not been possible. The Committee had subsequently received regular updates on the progress being made towards completing the audit. In part as a consequence of the issues outlined above, the Council had agreed to undertake a fundamental review of its Finance function. All staff put at risk by the review had been through the recruitment process and those that had been successful would transfer to their new roles on 1 May 2018. An active recruitment process to fill the vacancies subsequently arising had begun and a number of key posts had already been filled, albeit not all appointees had as yet started due to notice arrangements.

The report also stated that an amended set of Accounts, which rectified all known errors as at that point, had been presented to the Council's External Auditors Ernst & Young (EY) on 20 March 2018. The Committee's attention was drawn to two key issues, which had been identified from EY's technical review, namely: Property Plant and Equipment valuation bases; and the carrying value of the Council's PFI contracts.

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 17 APRIL 2018

The work of the Council's Finance Team had been reprioritised to provide an increased impetus to resolving all outstanding issues and facilitating EY concluding the 2016/17 audit in May 2018, subject to their internal peer review process not raising any additional concerns.

Resolved: That the progress made in closing the 2016/17 accounts be noted.

35. ANNUAL CERTIFICATION REPORT

Maria Grindley and Adrian Balmer of EY submitted the certification of housing benefits subsidy claims and returns annual report 2016/17. 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. The report explained that local authorities claimed money in grants and subsidies from central government and other grant-paying bodies and had to complete returns providing financial information to Government departments. In some cases these grant-paying bodies and Government departments required appropriately qualified auditors to certify the claims and returns submitted to them. From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work had been delegated to the Public Sector Audit Appointments Ltd by the Secretary of State for Communities and Local Government. For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying the claim, EY had followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim. Section 1 of the report outlined the results of EY's 2016-17 certification work and highlighted any significant issues. From 2018/19, the Council would be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process requirements that were being developed by the DWP.

The Committee noted that the Housing Benefit subsidy loss in 2016/17 due to overpayments as result of local authority error or administrative delay was £223,876, which represented 0.29% of the total value of the claim of £74,990,371. This figure compared favourably with losses of £659,793 in 2014/15 and £525,062 in 2015/16 respectively. Kirsty Anderson, Income & Assessment Manager, reported that benchmarking was taking place with neighbouring authorities to ensure quality and performance of the service. However, this information was not always easy to find and further efforts would be made to try and identify more comparative data for the Committee.

Resolved: That the report be noted.

36. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Kevin Parker, Principal Auditor, presented a report by the Chief Auditor, providing the Committee with an update on key findings emanating from Internal Audit reports and investigations issued since the last quarterly progress report in January 2018.

The report set out a summary of the audit reports in respect of Accounts Receivable, Accounts Payable, Foster Care recruitments, Financial Deputyship and Culture

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 17 APRIL 2018

Services Income. The report also referred to a school audit which had been carried out, two follow-up reviews on Subject Access Requests and Information Governance & Data Protection and contained a table showing the audit reviews currently in progress and those planned for the next quarter.

The Committee was concerned that the audits of Accounts Receivable, Accounts Payable and Foster Care recruitments had revealed significant issues relating to following processes and procedures and in some cases there had been failures to implement previous audit recommendations. Jackie Yates, Director of Resources said she proposed bringing a 'Recommendation Tracker' report to future meetings to provide an increased focus on implementation of both internal and external audit report recommendations. Additionally, it was recommended that reports issued with low levels of assurance be presented to the Committee in full and that service managers be required to attend to respond to the reports. The Committee endorsed receiving a report to 'track' the progress and timescales for responding to internal and external audit reports. In the event that timescales for implementation of recommendations were not met, it was noted that the Committee could require senior managers to appear before them to explain the reasons for not making the agreed changes to practice within a reasonable timescale.

Resolved: That the report be noted.

37. EXTERNAL AUDITOR UPDATE

The Committee noted that the external auditor had commented, as necessary, during consideration of the items listed above and had no further contributions to make.

38 HEAD OF FINANCE

The meeting was advised that this would be Alan Cross' last meeting of Audit & Governance Committee, prior to leaving the Council on 30 April 2018. The new Head of Finance, Matt Davis, was also present at the meeting. The Chairman and the Leader of the Council put on record their appreciation for Alan's contribution and dedication to Reading over many years of service. The Committee concurred with these sentiments and wished Alan every success in his future endeavours.

(The meeting commenced at 6.30pm and closed at 7.35pm).