

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 26 JANUARY 2017

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

Also in attendance:

Simon Warren	Interim Managing Director
Rachel Musson	Strategic Finance Director
Alison Bell	Director of Environment and Neighbourhood Services
Alan Cross	Head of Finance
Paul Harrington	Chief Auditor
Maria Grindley	Director and Engagement Lead, EY LLP

22. MINUTES

The Minutes of the meeting of 11 November 2016 were confirmed as a correct record and signed by the Chairman.

23. QUESTIONS

Councillor Duveen asked the following question to the Chairman of the Audit & Governance Committee:

Bank Reconciliation

The recent Audit Report from Ernst & Young found that there was a £35,000 discrepancy in the bank reconciliation that was unexplained. This is a not inconsiderable amount of money to go missing.

Has the Chair of this Committee found the cause of this discrepancy and if so what is the explanation?

REPLY by Councillor Stevens (Chairman of the Audit & Governance Committee):

The Committee has been made aware of issues in exactly balancing the Council's Bank Reconciliation by both the previous auditor KPMG and EY, the new auditor from this year.

The Head of Finance has provided sufficient assurance to both the auditor (previous and present) and the Committee that sufficient work has been done to establish that the absence of an exact balancing is not associated with a fundamental control failure or money having been misappropriated, or gone missing.

A very large number of transactions pass through the Council's bank account daily, and whilst the vast majority flow as intended, a small number are not referenced clearly enough to be handled automatically by the Council's systems, and officers have to get involved to allocate the money properly.

The bank reconciliation process has been further complicated as the Council was required to change banker at relatively short notice when the Co-Operative Bank exited the local authority market. Last year, the Council successfully concluded the transition to Lloyds Bank. Some of the discrepancy dates back to the Co-Operative Bank days.

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 26 JANUARY 2017

As was reported to the Committee, "we have set out for EY a structured process designed to bring the main bank reconciliation back into balance (writing off unreconciled immaterial historic differences). A range of other system reconciliation controls have also recently been improved."

The Head of Finance has been advised that officers have been able to reconcile all transactions that went through the bank account in November and December with the Council's own financial records, and officers have subsequently been working through earlier months, in order to identify the unreconciled immaterial historic difference that it would be uneconomic to pursue earlier than the transfer to Lloyds. As indicated above there is no indication that any member of the public has been disadvantaged because of the difficulty in concluding this reconciliation.

24. AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT

The Chief Auditor submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the previous quarterly progress report in September 2016.

The report set out a summary of the audit reports in respect of:

- Information Governance & Data Protection
- Overtime
- Nursing, Residential & Supported Living Care Packages
- Integrated Discharge Scheme
- Pupil Premium Funding
- MOSAIC/Oracle Fusion End of year reconciliation
- Waste Operations
- Use of cash vouchers & petty cash accounts

The report also set out a summary of investigations work relating to Benefit Investigations, Council Tax Single Person Discount (SPD) investigations, Fraud & Error Reduction Incentive Scheme, Housing Tenancy, Housing: Right To Buy, Blue Badge investigations and ID Fraud.

The Committee noted the important issues raised in the audit of Information Governance & Data Protection and requested an update to a future meeting on the progress of implementing the audit recommendations. An update on the MOSAIC/Oracle Fusion End of year reconciliation was also suggested. Information on the total number of Right to Buy applications was requested in order to provide context for the investigations work into fraudulent applications.

Resolved:

- (1) That the progress of implementing the recommendations made by the audits of Information Governance & Data Protection and MOSAIC/Oracle Fusion End of year reconciliation be reported to future meetings of the Committee;
- (2) That the Chief Auditor circulate information on the total number of Right to Buy applications.

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 26 JANUARY 2017

25. STRATEGIC RISK REGISTER

The Chief Auditor submitted a schedule updating the Committee on the Q3 status of the Council's 2016/17 Strategic Risk Register, in line with the requirements of the Council's Risk Management Strategy. The Risk Register was attached to the report at Appendix 1.

At the meeting the Committee were briefed on the current position on the risk relating to insufficient funds due to non-compliance of regulations by Clinical Commissioning Group (CCG). Members of the Committee also asked whether the increasing risk relating to the impact on staff resilience (stress and motivation) of organisational change & budget reductions was being reflected in measures such as rate of absence, and suggested that an additional risk be considered relating to the number of senior managers who were interim appointments.

Resolved:

- (1) That the Strategic Risk Register be noted;
- (2) That an additional risk relating to the number of senior managers who were interim appointments be considered for inclusion.

26. PREPARING FOR THE 2017/18 BUDGET INCORPORATING DRAFT TREASURY STRATEGY & INVESTMENT STATEMENT FOR 2017/18, CONSIDERATION OF PROPERTY INVESTMENT STRATEGY AND PROPOSAL IN RELATION TO A COUNCIL ASSET

The Head of Finance submitted a report setting out the following documents that would be relevant to the final 2017/18 Budget Report: the draft Treasury Management Strategy Statement 2017/18 (attached to the report at Appendix A), the Property Investment Strategy (attached to the report at Appendix B) and a summary of a Property Transaction Proposal (attached to the report at Appendix C).

The Treasury Management Strategy Statement was an annual statement the Council was required to approve each year of intended treasury activity, setting constraints under which that activity would (usually) operate. The Property Investment Strategy had been adopted during the closed session of the Policy Committee meeting held on 12 December 2016 (Minute 57 refers), following the purchase of a property in Central Reading. At the same meeting Policy Committee had also approved the purchase, in principle, of further investment property. The precise financial details of the proposed investment and full investment criteria were considered commercially sensitive, but Appendix B set out a summary of the Strategy without the commercially sensitive information.

The report noted that, at the Policy Committee meeting held on 16 January 2017, officers, in consultation with the Leader and the Chair of this Committee had been authorised to enter into a property transaction that would generate an immediate capital receipt. Appendix C set out non-confidential information about the proposed transaction.

Resolved:

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 26 JANUARY 2017

That the draft Treasury Strategy & Investment Statement, Property Investment Strategy and Property Transaction Proposal be noted.

15. BUDGET MONITORING REPORT

The Head of Finance submitted a report setting out the result of the detailed budget monitoring exercise undertaken for 2016/17, based on the position to the end of November 2016.

The report had also been submitted to the meeting of Policy Committee on 16 January 2017.

Resolved:

That it be noted that, based on the position at the end of November 2016, budget monitoring forecast an overspend of around £7.6m in 2016/17.

16. EXTERNAL AUDITOR UPDATE

The external auditor EY submitted the 2015/16 Audit Certificate, the Annual Audit Letter for the year ending 31 March 2016, and the Audit Plan for the year ending 31 March 2017.

Maria Grindley attended the meeting and, in answer to questions from the Committee, explained the increase in the Audit fee, and explained that actions to ensure an improved process for the next audit would begin with a joint review session with Council officers.

Resolved:

That the 2015/16 Audit Certificate and Annual Audit Letter, and the 2016/17 Audit Plan be noted.

(The meeting started at 6.30pm and closed at 7.27pm).