

## AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 16 APRIL 2019

**Present:** Councillors Davies (Vice-Chair, in the Chair), Brock, Gittings, McKenna, Terry and Warman

**Apologies:** Councillors Stevens

**In attendance:** Councillor Brock

### 29. MINUTES OF THE PREVIOUS MEETING HELD ON 24 JANUARY 2019

The Minutes of the meeting of 24 January 2019 were confirmed as a correct record and signed by the Chair.

### 30. QUESTIONS

Questions on the following matters were submitted, in accordance with Standing Order 36(2):

	Questioner	Subject	Answer
1.	Colin Lee	Accounts 2016/17	Cllr Davies
2.	Colin Lee	Management Data	Cllr Davies
3.	Colin Lee	Accounts 2016/17	Cllr Davies

(The full text of the questions and replies was made available on the Reading Borough Council website).

### 31. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January 2019.

The report set out a summary of the audit reports in respect of Sundry Debtors; Bank Reconciliation; Budgetary Control & Savings Programme; Homes for Reading; Accounts Payable; Direct Payments (follow up); and Data Storage. The audits of Sundry Debtors; Accounts Payable; Direct Payments (follow up); and Data Storage had been given limited assurance, and the full audit reports were therefore attached as appendices to the report as well as the responsible officers being in attendance to provide an update on the progress being made to address the issues of concern.

The report also listed the audits that were currently in progress, or were planned for the remainder of 2018/19, and gave a summary of investigations work between April and December 2018.

**Resolved:** That the report be noted and an indication of the 'direction of travel' be included in future reports for audits undertaken on the key financial systems, to provide reassurance that issues identified by internal audit were being addressed appropriately by the services.

### **32. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER**

Further to Minute 24 of the meeting held on 24 January 2019, Jackie Yates, Executive Director of Resources, submitted a report setting out, at Appendix 1, the Implementation of Audit Recommendations tracker report.

The report explained that each recommendation was marked with a percentage complete which correlated to a red/amber/green rating (up to 25% complete: red, between 26% and 75%: amber, over 75% complete: green). Any recommendations that were less than 50% complete but had exceeded their agreed completion date were also marked red. In the tracker report at Appendix 1 there were 90 high and medium risk recommendations from Internal Audit, of which 48 (53%) were currently green, 26 (29%) were amber and 16 (18%) were red. Twenty seven recommendations had now been completed and would be removed from the next report. The 'red' rated risks had fallen from 19 to 16 since the last report to the meeting on 24 January 2019, but had increased in percentage terms as a result of the number of risks decreasing overall from 116 to 90.

The Committee noted that audit reviews specific to children and education, which included schools, were being reported directly to the children's company, Brighter Future for Children (BFfC). The Company had 'bought back' into the Council's internal audit service and Paul Harrington was reporting regularly to BFfC's audit committee. The Committee requested an update on the children and education related 'risks' that had been removed from the tracker presented to this meeting to provide reassurance that they were now being monitored through the Company's procedures.

In response to a question, Matt Davis, Assistant Director of Finance provided an update on Audit Recommendation 15, 'Debtors'. Written updates on progress with Audit Recommendations 15, 'Debtors', 28 'Governance and Data Protection' and 37 'Mosaic' would be provided to Councillor Warman, as requested.

#### **Resolved:**

- (1) That the high and medium risk Internal Audit recommendations and the responses to those risks be noted as set out in Appendix 1 to the report;**
- (2) That a report from the Council's Contract Manager be provided to the next meeting setting out the audit arrangements for Brighter Futures for Children to provide assurance that children and education service related risks that had previously been reported to this Committee were being appropriately monitored and acted on by the Company.**

### **33. UPDATE ON 2016/17 AND 2017/18 ACCOUNTS**

Further to Minute 25 of the meeting held on 24 January 2019, Matt Davis, Assistant Director of Finance, submitted a report providing an update on progress with the audit of the 2016/17 and 2017/18 accounts. The Committee noted that the 2016/17 Accounts should originally have been audited and signed off by 30 September 2017, and that

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regular reports had been made to the Committee since then providing updates on progress.

The report stated that the revised accounts containing new valuations had been submitted to the External Auditors (EY) in the first week of March 2019. This had been later than anticipated due to further issues with property valuations, in particular with the accounting treatment of historic Council Dwellings valuations. Whilst significant work had been undertaken to provide suitable evidence to the external auditors so that they could form an opinion on the 2016/17 accounts, it had not been possible to provide sufficient evidence retrospectively to prove fully the debtor and creditor balances carried forward at the end of March 2017. As a consequence, EY had advised that the accounts would be qualified for both these balances and as a result the Comprehensive Income & Expenditure Statement would correspondingly also be qualified. Specific additional work had been undertaken by staff to verify the closing 2017/18 debtor and creditor balances to ensure as far as possible this qualification did not continue into 2018/19.

The final set of accounts for 2016/17 had been sent to EY on 16 April 2019 and would be subject to their final checking procedures. The accounts for 2017/18 would be handed to EY as soon as it was practical, once the 2016/17 accounts had been finalised. The external auditors had advised that due to their commitments to other clients they would be unable to complete the audit of the 2017/18 accounts until later in the year. It had therefore been agreed that the 2017/18 and 2018/19 audits would be run concurrently in the late summer.

**Resolved:**

- (1) That the progress made by the External Auditor and officers in finalising the 2016/17 accounts be noted;**
- (2) That the expected qualification to the accounts for 2016/17 be noted;**
- (3) That, following consultation with the Section 151 officer, the Chairman of the Audit and Governance Committee be authorised to sign the final version of the 2016/17 accounts.**

### **34. EXTERNAL AUDITOR UPDATE**

Maria Grindley, EY, said that the full version of EY's Audit Results report would be issued once the audit of the 2016/17 financial statements had been completed. The report would detail all the issues of control and weakness which had been identified and would set out recommendations for the future.

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

(The meeting closed at 7.23 pm)