

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 19 SEPTEMBER 2019

Present: Councillors Stevens (Chairman), Davies, Edwards, Emberson, Gittings, Warman & J Williams.

Apologies: Councillors McKenna;

In attendance: Councillor Page (Deputy Leader of the Council).

11. MINUTES

The Minutes of the meeting of 23 July 2019 were confirmed as a correct record and signed by the Chair.

12. QUESTIONS

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

	Questioner	Subject	Answer
1.	Colin Lee	Internal Audit Investigations	Cllr Stevens
2.	Colin Lee	Accounts 2016/17	Cllr Stevens
3.	Colin Lee	Audit of Partner Enterprises	Cllr Stevens

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

13. 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 July 2019.

The report set out a summary of the audit reports in respect of Freedom of Information (FOI); Eligibility, Risk & Review Group; Crematorium and Cemeteries; Cash payment processes (Cedar Court); and Journal Testing. As the Chief Auditor had given 'limited assurance' to the way the Council dealt with FOI enquiries and 'no assurance' to cash payment processes at Cedar Court, the full internal audit reports for those audits were appended to the report.

In relation to FOIs, the report stated that only 73.8% of requests had been dealt with by the prescribed 20 day timeline in the 2018 calendar year. The figure had improved to 87% in the period to July 2019 and was now approaching the Information Commissioners Office (ICO) expectation that at least 90% of requests would be dealt with on time. The report also described the scale of the task, noting that about 1,500 FOI requests had been received during the period of the review, which was an increase of 9% on the previous calendar year. The Committee was advised that the vast proportion of FOI requests came from businesses seeking information in which they had a commercial interest and phishing requests from journalists seeking comparative national data. If possible, a disaggregated breakdown of requests would be provided to a future meeting, which would highlight the number of requests that

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were coming from local people who had been the cohort originally intended to benefit from entitlement to seek information in accordance with the Freedom of Information Act 2000. In order to reduce the workload associated with processing FOI enquiries, the Committee endorsed the audit recommendation to consider purchasing software to track FOI requests and make previously disclosed information available on the Council's website to which other similar enquiries could be signposted.

In relation to Payment Controls at Cedar Court, the audit found that although there was no evidence of funds being misappropriated, it had been unable to give any assurance that all funds had been accounted for because of the poor cash processes being used. The Committee was concerned that as a result of the review all petty cash expenditure, the use of guest rooms and the amenity shop had ceased with immediate effect, which would obviously be detrimental to the residents of the sheltered housing facility. In response to a question about the likelihood that similar poor cash processing existed at other facilities in Housing, it was stated that the Executive Director and Assistant Director had received the report, which would give them the opportunity to review practice elsewhere in this service area. The audit report had also been circulated to the Corporate Management Team for its information. It was requested that the Assistant Director for Housing & Neighbourhoods should be invited to the next meeting to update the Committee on the progress made to address the finding of the audit.

The report also listed the audits that were currently in progress, or were planned for 2019/20, and gave a summary of investigations work between April and August 2019.

Resolved:

- (1) That, in respect of the Freedom of Information audit findings:
 - (a) the recommendations set out in the full audit report be endorsed, including considering making better use of the Council's website to share publicly information provided in response to FOI requests and potentially reduce the time spent reproducing information for similar or related enquiries;
 - (b) an update on the progress made to implement the audit recommendations be submitted to the meeting on 14 April 2019;
 - (c) a disaggregation of the categories of FOI request be provided, if possible, as part of the update report;
- (2) That, in respect of Payment Controls at Cedar Court, the Assistant Director of Housing & Neighbourhoods be invited to attend the next meeting on 30 January 2019 to provide assurance that the poor practice identified at Cedar Court by the audit had been addressed and that there were not similar practices elsewhere within the Housing Service.

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14. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Further to Minute 8 of the meeting held on 23 July 2019, Matt Davis, Assistant Director of Finance, 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 72 high and medium risk recommendations from Internal Audit, of which 32 (44%) were currently green, 23 (32%) were amber and 17 (24%) were red. Twelve recommendations had now been completed and would be removed from the next report.

Resolved: 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.

15. TREASURY MANAGEMENT HALF YEARLY REPORT

Matt Davis, Assistant Director of Finance, submitted a report providing an update on the activity of the Treasury Management function for 2019/20 as at 31 August 2019. The report had appended a commentary on the economic backdrop for 2019/20 and a list of approved counterparties showing the limits of exposure to financial risk that might exist in terms of cash and time period.

The report stated that the Council was required to receive a report on its Treasury Management activity at least twice a year, in accordance with CIPFA's Code of Practice on Treasury Management, which should include:

- a review of the Council's financial investment portfolio for 2019/20 as at 31 August 2019;
- a review of the Council's borrowing strategy for 2019/20;
- a review of compliance with the Council's Treasury and Prudential Limits for the first five months of 2019/20; and
- an economic update for the first part of the financial year.

The report confirmed that the Council had complied with all elements of its Treasury Management Strategy Statement (TMSS), as agreed by Council on 26 February 2019 (Minute 34 refers).

The report stated that the Minimum Revenue Provision (MRP) Statement for 2019/20 had been approved as part of the Council Tax and Budget Setting on 26 February 2019 (Minute 47 refers) and would be reviewed by Council on 25 February 2020, as part of its Treasury Management Strategy alongside consideration of the Medium Term Financial Strategy 2020/21 - 2022/23.

Resolved: That the performance of the Treasury Management function for the five months to 31st August 2019 and the key issues emerging be noted.

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16. CLOSURE OF ACCOUNTS UPDATE

Matt Davis, Assistant Director of Finance, submitted a report providing an update on progress with the completion of the Council's Accounts for 2017/18 and 2018/19. The Committee was advised that following the formal certification of the 2016/17 accounts in July 2019, the 2017/18 draft accounts had been completed and handed to the Council's external auditors (EY). The formal period of public inspection of the 2017/18 Accounts had commenced on 12 August 2019 and would be concluded on 20 September 2019. A technical review of the 2017/18 accounts had already been undertaken by EY and officers were currently preparing responses to these initial queries. Officers were also fully engaged in completing the 2018/19 accounts. At this stage it was anticipated that the draft 2018/19 accounts would be completed for submission to EY at the end of September 2019 and available for public inspection shortly thereafter. The external auditors were due to arrive on site to commence the substantial work for the formal audit of both the 2017/18 accounts and the 2018/19 accounts on 30th September 2019.

Resolved:

- (1) That the 2017/18 accounts had now been handed over to the Council's external auditors and that the statutory 30 day public inspection period for the same had commenced be noted;
- (2) That the progress being made in closing the 2018/19 accounts be noted;
- (3) That the external auditors would be on-site at the Civic Offices from the 30th September 2019 to audit both the 2017/18 and the 2018/19 accounts be noted.

17. EXTERNAL AUDITOR UPDATE

This item was not discussed.

(The meeting commenced at 6.30pm and closed at 7.50pm).