

## **Audit and Risk Committee – Meeting held on Tuesday, 23rd September, 2014.**

**Present:-** Councillors Chohan (Chair), Dhaliwal, Mansoor, Sandhu and Zarait (Vice-Chair)

Mr Kwatra, Co-opted Independent Member

**Apologies for Absence:-** Councillor Dhillon

### **PART 1**

#### **7. Declarations of Interest**

None were declared.

#### **8. Minutes of the last Meeting held on 10th July 2014**

**Resolved –** That the minutes of the meeting held on 10<sup>th</sup> July 2014 be approved as a correct record.

#### **9. Financial Statements**

The Assistant Director, Finance & Audit introduced a report, the purpose of which was to provide Members with the opportunity to question the Council's external auditors concerning the audit of the 2013-14 financial statements, and to then approve the financial statements.

It was highlighted that this was the first time that the Audit deadlines had been met since 2009/10.

**Resolved -**

1. That the External Auditors report on the Council's financial statements for the 2013-14 financial year and the accompanying recommendations going forward be noted.
2. That the Council's financial statements for the 2013-14 financial year be approved.

#### **10. External Auditors Report on the Financial Statements**

The external auditor, Mr Grant of BDO LLP, presented his report on the financial statements which set out the findings of the external audit to date.

Mr Grant summarised the results of BDOs audit work as set out in the report, before advising Members on the topics of Significant Matters, Value for Money, and Next Steps.

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### Significant Matters:

Mr Grant was pleased to advise Members that the deadline had been met, but a review of the data had shown a high number of errors remaining in the draft report, though there were fewer material errors than in the previous year.

The material errors were confirmed as follows:

1. Page 118 of the report, item 1, showed an adjustment of £6.193 million (from £202.804 million to £196.611 million). However, it was confirmed that this had a nil affect on the bottom line figures.
2. Page 118 of the report, item 2, set out the material adjustments following a number of mis statements. It was confirmed that the overall deficit on provision of services had been reduced by £10.331 million (from £13.334 million to £3.003 million), though there was no impact on the bottom line figures.
3. Page 121 of the report showed that ten material misstatements had been identified as a result of the audit, which management had agreed to amend.
4. In addition, there were seven unadjusted audit differences identified, which would increase the revised deficit on the provision of services by £1.995 million to £4.998 million (from £3.003 million).

### Value for Money

Mr Grant confirmed that in relation to significant risks, Ofsted reports published in December 2013 relating to child services had showed an inadequate response since the last Ofsted review in 2011. It was confirmed that it while some recent, positive outcomes had been reported, it was expected that a qualified value for money conclusion would be issued. The VFM conclusion would state that in all significant respects, the Council secures value for money in use of resources, except for this matter.

### Next Steps:

It was acknowledged that the arrangements for preparing the financial statements required further strengthening, though Management believed it now had a more stable platform to achieve this. Further work alongside the Chief Finance Officer and his team would be carried out, to ensure that the recommendations from the audit would be implemented, and that the significant matters identified by auditors would be addressed in producing the 2014/15 statements. A revised report would be circulated to the Committee before an opinion was issued, to update the Committee on the results of the work completed since drafting the report.

Subject to satisfactory completion of the outstanding audit work, it was expected that BDO LLP would be able to issue an unqualified opinion on the financial statements.

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Members asked a number of questions, including questions relating to the increase of the deficit by £1.995 million. Members were informed that these figures did not affect the bottom line, and had no impact on the Council's general fund position.

Members were concerned that the report stated that additional issues may arise. The Committee was advised that although no material issues were expected, in such an event a communication to all Committee Members would be forwarded highlighting the issue(s).

Members were also informed that discussions with management were ongoing regarding a potential increase of the audit fee due to the number of errors found. A Member was concerned that weaknesses had been identified which had arisen in 2011 and 2012 and he suggested that poor management had not been eradicated. Mr Grant advised that the Council had made progress and in comparison at this stage in the previous year he was not in a position to sign off the accounts. Only minor issues remained outstanding and he stated that the accounts were 98% complete. He also pointed out that the level of fee increase was smaller than the previous year. The Director, Finance and Audit, confirmed that the key points regarding the completion of the audit were that Officers and Auditors continued to learn and improve year on year. Improvements versus the previous could be seen in the fact that the audit was completed to deadline this year. A request was made for a report on the problems identified, and solutions instigated, be brought to the next Committee meeting.

**Resolved –** (a) that the financial statements be approved.  
(b) that a report be brought to the next Committee meeting highlighting the problems identified and solutions implemented.

### **11. Audit and Risk Management Update - Quarter 1 2014/15**

The Assistant Director, Finance & Audit, introduced a report which included the Internal Audit Plan up to Quarter 1, progress on the implementation of Internal Audit recommendations, an update on counter fraud activity, and an update on the Council's Risk Register.

The Committee was advised that contract management remained a key risk, though upon review, BDO was satisfied with the current arrangements. Nevertheless, the topic would remain on the agenda for the Committee.

The Officer referred the Committee to Appendix A which confirmed the progress in implementing the internal audit recommendations. The Committee was advised that approximately 60% of the recommended actions had been completed, though there remained a directive from management to further increase this number.

Further detail was given by Mr Harris, Baker Tilly, who confirmed that there remained three reports in draft form from 2013/14, which related to Slough

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schools. There also remained five reports from 2014/15 still in draft and updates to these reports would be brought to the next Committee meeting.

Members discussed the measures that could be put in place for those schools not fulfilling their obligations such as forwarding a letter of concern or an invitation to attend a future meeting of the Committee, and the feasibility of this was to be looked into, with the findings delivered at the next Committee meeting.

- Resolved –** (a) That the report be noted.  
(b) To review and feedback to the Committee the feasibility of inviting those Head teachers/ Chair of governors not completing recommended actions to a future meeting.

### **12. Financial and Performance Report - Quarter 1 2014/15**

The report was considered together with agenda item 5.

**Resolved-** That the report be noted.

### **13. Member Attendance Record**

**Resolved –** That the Members Attendance Record be noted.

### **14. Date of Next Meeting - 11 December 2014**

**Resolved –** That the next meeting of the Committee be held on Thursday 11<sup>th</sup> December, 2014 at 6.30pm.

Chair

(Note: The Meeting opened at 6.40 pm and closed at 7.39 pm)