

Audit and Risk Committee – Meeting held on Thursday, 12th March, 2015.

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

Apologies for Absence:- Councillors Dhaliwal, Mansoor and Mr Kwatra

PART 1

23. Declarations of Interest

No declarations were made.

24. Minutes of the last Meeting held on 11 December 2014

Resolved – That the minutes of the meeting held on 11th December 2014 be approved as a correct record.

25. Proposal to Merge Audit and Risk and Standards Advisory Committee

The Committee considered a report which proposed the merger of the Audit & Risk and the Standards Advisory Committees into an Audit & Corporate Governance Committee.

The role of the newly merged committee would be to make a positive contribution to the organisations governance and control environment and it would have a wide-ranging remit including reviewing the Council's arrangements for internal audit, risk management and standards. The reasons behind the proposal were highlighted including the synergies between the two committees on governance and transparency issues; the reduced levels of complaint activity on Code of Conduct matters; and the benefits of involving an increased number of co-opted members on audit matters. In response to a question from a Member, it was confirmed that the report would also be considered by the Standards Advisory Committee at their next meeting.

The Committee discussed a number of issues including the impact of adding standards and code of conduct matters onto the workload of the Committee. Members were informed that determination of standards investigations and detailed matters related to the code of conduct would be carried out by a Standards Determination Sub-Committee, making recommendations to the main Committee where appropriate. The role of Parish Council representatives was also considered. It was noted that Parish Council members would continue to be engaged and a member would be invited to attend and speak at the Committee on any matters relating to changes of the Code of Conduct and as an observer at a Standards Determination Sub-Committee if it related to a Parish Council Member.

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After due consideration, the proposal to merge the committees was endorsed, subject to the following amendments to 'Article 10 – Audit and Corporate Governance Committee':

- Paragraph 14 Internal Audit:
 - First bullet point to be amended to:

“To consider the Chief Internal Auditor’s annual audit opinion and the level assurance given over the Councils corporate governance, risk management and control arrangements.”
 - Final bullet point to replace the word “Panel” with “Committee”.
- Paragraph 17 Governance
 - Sub-paragraph (g) has empty brackets which need to be completed.

The Committee requested that the revised Article 10 be circulated to Members of the Committee following amendment.

Recommended – That the proposal to merge the Audit & Risk Committee and Standards Advisory Committee into an Audit and Corporate Governance Committee be recommended to Council, subject to the textual amendments suggested by the committee being incorporated into the revised Article 10 of the Council’s Constitution.

26. **Audit and Risk Management Update: Quarter 3 2014/15**

The Assistant Director, Finance & Audit introduced the Management Update for the third quarter of the year which detailed progress against the Internal Audit Plan, counter fraud activity and the Council’s risk register.

Internal Audit Progress Report

Good progress continued to be made in finalising internal audit reports more quickly and a majority of the non-schools audit outcomes during the quarter were rated either ‘green’ or ‘amber-green’. In relation to the Head of Internal Audit opinion, there were no negative opinions for key financial or business critical systems. The number of high level internal audit recommendations implemented had increased to 71%, which was up from an average of 52% to 62% during 2013-14. A Member asked about the fact that three high level and two medium level recommendations had not been responded to relating to the ‘Data Quality: Performance Indicators with within Contracts’. It was noted the fieldwork was underway for an audit of Contract Management and Procurement and an update would come to the Committee in July.

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The Chair requested that an explanatory note be added to the graph on page 29 of the agenda (page 4 of the Internal Audit Progress report) to make it clear that the pie chart excluded Advisory reports.

The Committee discussed the ongoing position in relation to school's internal audit reports. Three draft reports, including one 'red' rated report, had yet to be finalised. A letter had been sent to the schools in question and the Chair of Governors could be invited to the next meeting of the Committee if the draft was not responded to in line with the agreed protocol. The Committee reiterated their concern about continued trend of slower finalisation of reports and agreed that the protocol should be followed.

Fraud update

The Committee were updated on fraud activity as summarised in paragraph 5.5.1 of the report which detailed the sums recovered during the quarter. In addition to a number of successful prosecutions for benefit fraud, thirteen housing properties had been brought back into use through counter-fraud work.

Corporate Risk Register

No significant changes were reported since the previous quarter.

At the conclusion of the discussion, the report was noted.

Resolved –

- (a) That the Quarter 2 Management Update be noted.
- (b) That the protocol for internal audit procedures for schools be followed for the three draft reports detailed in paragraph 5.3.1 of the report, with the Chair of Governors invited to attend the next meeting of the Committee if the reports were not finalised.

27. Internal Audit Strategy 2015/16

The Head of Internal Audit introduced a report which sought approval of the Internal Audit Strategy 2015-16.

The Strategy set out the internal audits scheduled to be completed during the year ahead. It was a risk-based strategy developed following discussions with management and was based upon audits which supported the delivery of the Five Year Plan; audits focused on the risks included in the Corporate Risk Register; and audits required by the external auditor to enable them to place reliance upon the internal controls operated by the Council. The plan was the final year of a three year strategy.

The Committee discussed the mechanism the Council used to evaluate the impact of activities such as highway schemes and requested that a report be

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brought to the next meeting providing further information on the approach to Benefits Realisation and how this could be better utilised to quantify the benefits of projects and identify key learning points.

At the conclusion of the questions and discussion, the Committee approved the annual plan for 2015/16.

Resolved – That the Internal Audit Strategy 2013/14 to 2015/16, including the annual plan for 2015/16, be approved.

28. External Audit Plan 2014/15 and 2015/16

The External Auditor, Mr Grant of BDO, introduced a report on the External Audit Plan for 2014-15 and 2015-16.

The plan summarised the work that BDO would undertake in respect of the audit of Slough Borough Council including the financial statements and Value for Money (VFM) conclusion. Members' attention was drawn to the significant risks that impacted on the audit as detailed in the plan and it was noted that significant work had been undertaken with the Council's finance team to address these risks and further improve the accuracy of the financial statements. A number of specific risks would be examined as part of the audit including contract management, the introduction of the Better Care Fund and Children's Social Care Services, weaknesses in which had resulted in a qualified VFM opinion in 2013/14. The proposed core audit fee for the year was £170,030, which was with the scale fee published by the Audit Commission, plus a further £27,500 for grant returns.

The Committee asked a number of questions about the key challenges for the audit. Mr Grant responded that the production of the financial statements by the 30 September deadline would be a significant challenge and the auditors and Council officers had taken a number of steps to improve the effectiveness of this process this year. The Assistant Director responded that that last year's accounts were completed on time for the first time in four years and further work had been done to prepare for the audit and supply working papers which met the auditors needs. The Members also discussed the impact of the new Accounting Standards, impairments and future arrangements for the appointment of external auditors from 2017/18.

After due consideration, the External Audit Plan 2014-15 and the External Audit Planning Letter were approved.

Resolved –

- (a) That the External Audit Plan for the year ending 31 March 2015 be approved.
- (b) That the External Audit Planning Letter and Proposed Fee for the year ending 31 March 2016 be approved.

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29. Members Attendance Record

Resolved – That the Members Attendance Record be noted.

30. Date of Next Meeting

The date of the next meeting was confirmed as 8th July 2015.

The Chair thanked Members, Council Officers and auditors for their contribution to the work of the committee during the municipal year.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.15 pm)