

**Audit Committee – Meeting held on Tuesday, 19th October, 2010.**

**Present:-** Mr Kwatra (Chair), Councillors Chohan (until 7.15pm), Dhillon and Haines

**Apologies for Absence:-** Councillor Small and Walsh

**PART 1**

**12. Election of Vice-Chair**

**Resolved** - That Councillor Haines be elected Vice-Chair of the Committee for the ensuing year.

**13. Declarations of Interest**

None were declared.

**14. Minutes of the last meeting held on 17th June, 2010**

The minutes of the meeting held on 17<sup>th</sup> June 2010 were agreed as a correct record and signed by the Chair.

**15. Matters Arising**

The Director of Education and Children Services was in attendance at the meeting to discuss school issues including local policy issues, school balances and the national regulatory framework as had been requested by members of the Audit Committee at their meeting in June 2010.

Members were informed of the work that had been undertaken with schools in general across the Borough to support their financial management systems. With regard to issues raised regarding Slough and Eton School, specific measures taken to address concerns included the appointment of a new bursar and the implementation of an interim executive board to oversee the school's funds. In addition, regular budget monitoring reports, via the school Headteacher were issued to all members of the governing body to ensure that they were informed of the financial situation of the school.

Members of the Committee were informed that work had been carried out with all schools across the Borough, which included a self assessment exercise. It was noted that this had highlighted that there were certain areas of weakness that needed to be addressed. Members were informed that robust systems were being implemented and training provided to governors to ensure that they had the skills and capacity to provide an effective challenging role to schools with regard to financial monitoring. It was noted that this was a rolling programme and that initial feedback from governors had been very positive. It was stressed that governors were made aware of the importance of their role

**Audit Committee - 19.10.10**

as a governing body and that Internal Audit would monitor to check whether schools were complying with these requirements.

**16. Terms of Reference of the Audit Committee**

Members noted the revised terms of reference of the committee, which incorporated comments made at the previous meeting. It was noted that the terms of reference more accurately reflected the role of the committee.

A Member queried as to why matters that had previously been reported to the Audit Committee, were now considered by Council, following which they were then reported to the Audit Committee. The Director of Resources stated that the terms of reference of the Audit Committee did not include approval of the Statement of Accounts and that this was a matter reserved for Council. It was clarified that no changes to the decision making powers of the Audit Committee had been made and that in previous years the Annual Governance Statement (AGS) had been reported to the Audit Committee in a draft version. Members were informed that unless Council resolved to delegate powers to the Audit Committee to approve the AGS, this would continue to be a decision taken by full Council.

Training for members of the Audit Committee was raised and the Director of Resources agreed that she would investigate further the type of training that could be delivered specifically to members to assist them in their role as Audit Committee members.

**Resolved** – That the Terms of Reference of the Committee be approved.

**17. Internal Audit Progress Report - October 2010**

Members were provided with a update and summary of key activities with regard to delivery of the approved 2010/11 Internal Audit Plan. It was reported that Internal Audit had taken a number of steps to ensure that counter fraud arrangements within the borough were effective. These included both proactive and reactive anti fraud arrangements.

Members were informed that in reviewing the internal audit plan it was apparent that the size of the audit plan exceeded that of other local authorities. Whilst the plan had always been focused on risk, there was a need for further productivity to be obtained from the team which could result in delivery of the service with fewer resources, whilst still obtaining the required level of assurance. Through this exercise the following approach had been adopted:

- Review of the current audit plan to identify where audits had not yet commenced and to identify in these areas if there had been any change in risks / service delivery to allow audit days to be reduced/ removed.
- Identification of arising risks, coverage within the current plan and updating the plan for additional auditable areas.

**Audit Committee - 19.10.10**

- Update the plan with additional or reduced audits.
- Update corresponding risk registers.

Members were informed that as a result amendments had been made to the current year internal audit plan to ensure that it now suited the needs of the Borough and to secure value for money in delivery. In particular, this revision had resulted in a reduction of 332 days against a plan approved at the beginning of the financial year. Details of the revised Internal Audit Plan were outlined for Members comment and consideration.

In providing Members with a summary of audit reports issued, it was highlighted that limited assurance opinions had been issued for emergency planning and appointeeship (power of attorney). With regard to emergency planning a total of six recommendations had been proposed to address areas of significant control weaknesses which included reliability and integrity of records, testing and post exercise programme and business continuity. Four recommendations in relation to appointeeship were proposed to address weaknesses in guidance, procedures and lack of succession planning and control and management of funds. In both areas it was noted that management had accepted and agreed to the recommendations raised. It was agreed that the directors responsible for these service areas would be invited to the next meeting of the Audit Committee to discuss these matters in further detail.

Members were informed that in September 2010, Internal Audit were alerted to a suspicion that BACS details for Housing Benefits recipients were being fraudulently amended by a member of the Customer Services team to divert money to their own account. The matter was promptly identified through the management checks that were undertaken prior to actual BACS amendments being processed and the investigations team were notified accordingly. In order to prevent future occurrences, Internal Audit had undertaken a review of the current process and BACS amendment form and advised changes in evidence requirements and authorisation to attempt to control this further. Members were assured that checks in place had revealed the irregularity, which showed that the current system was adequate in identifying any irregularities.

A Member queried as to what controls were in place with regard to identifying benefit fraud. The Director of Resources stated that the Council's benefits performance compared well in relation to neighbouring local authorities and that this was a result of an increase of resources being invested to this particular area. It was agreed that the issue would be discussed in further detail at the next meeting of the Committee.

**Resolved:**

- (a) That the revised Internal Audit Plan 2010/11 be approved
- (b) That the Directors responsible for the service areas relating to Emergency Planning and Appointeeship be invited to the next meeting

**Audit Committee - 19.10.10**

to discuss the audits relating to these areas, which had received Limited Assurance Opinions.

- (c) Housing Benefits Payments and work in conjunction with the fraud team be discussed at a future meeting.

**18. External Audit Progress Report - October 2010**

Mr Rankine introduced the audit progress report dated October 2010. The report summarised the main outputs from the 2009/10 audit together with the indicative dates for the production of final audit reports. Members were reminded that the Annual Governance report had been reported to Council in September 2010. It was noted that the Annual Audit Letter 2010 was scheduled for completion in November 2010 and would be reported to Cabinet.

**Resolved** - That the Audit Progress Report October 2010 be noted.

**19. Annual Governance Statement**

Mr Sharman commented that the Council's arrangements to manage its finances and resources and govern its business were consistent with established professional practice and guidance and met statutory requirements and operated effectively. It was noted that an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources had been issued. In particular, it was noted that the Council had strengthened its accounts review processes in line with the recommendations made by External Audit from the previous year and that this had resulted in a number of improvements, including a reduction in the number of post approval adjustments to the financial statements compared to the previous year.

However a number of weaknesses in the design or operation of an internal control had been identified that may have resulted in a material error in the financial statements. Specific attention was drawn to the Housing Rent Account rental income where it was highlighted that there was inadequate control over the transfer of rent information to the new Housing Rent system, part way through the year and reconciliations were not carried out on a timely basis. As a consequence External Audit were unable to obtain the required level of assurance that rent details had been correctly transferred to the new system and that the rent debit for the year was correctly stated. However the Council had carried out a review of its financial management arrangements and had introduced improvements that would realign responsibilities and increase accountability for the operation of system controls.

Recommendations proposed by External Audit were outlined for Members information and included maintaining the momentum in improving internal control in the significant financial systems to address areas highlighted from the review including income collection systems, reconciliation with general ledger future systems and housing revenue accounts rental income systems.

**Audit Committee - 19.10.10**

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

**20. Members Attendance Record**

Noted.

**21. Date of the next meeting - Thursday 11th November, 2010**

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.30 pm)