

Audit and Corporate Governance Committee – Meeting held on Thursday, 24th September, 2015.

Present:- Councillors Chohan (Chair), Matloob (Vice-Chair), Amarpreet Dhaliwal, Mansoor (from 7.22pm) and Sandhu

Co-opted Independent Members:- Alan Sunderland, Ronald Roberts

Independent Person:- Dr Louis Lee

Representatives of the Parish Councils:- Parish Councillor Muhammad Jarral

Apologies for Absence:- Councillors Ajaib and Nazir, Mr Davies and Mr Kwatra

PART 1

13. Declarations of Interest

None.

14. Minutes of the Last Meeting held on 8th July 2015

Resolved - That the minutes of the last meeting held on 8th July 2015 be approved as a correct record.

15. Audit and Risk Management Update: Quarter 1 2015/16

The Assistant Director Finance & Audit introduced a report which summarised internal audit issues, counter fraud activity and the Council's Risk Register, and sought Member's comments.

Internal Audit Q1 2015-16 Progress Report

Members were informed that that the overall Internal Audit reports continued to be finalised at a more appropriate rate than in the previous financial year. Of the 2014-15 internal audits, three remained outstanding for the Council:

- Procurement
- Arvato Performance Management
- Educational Services – Contract Management Arrangements

71% of the internal audit recommendations due by 31st July 2015 had been implemented. 4% of recommendations were listed as 'no progress', mainly the Data Quality: Performance Indicators within Contracts audit. Chalvey Early Years nursery and Khalsa Primary School had not yet responded to the recommendations, and were deemed as high risk.

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However, all school reports had been received on time, and the budget setting audit had been assessed as green for the second year in succession.

Fraud Update

It was noted that no fraud activity in excess of £10,000 had been recorded in the first quarter of 2015/16. A report on the revised Corporate Anti-Fraud policy would be brought to a future meeting of the Committee.

Corporate Risk Register

The current corporate risk register at Appendix B to the report was noted. Some minor changes since the previous meeting had been made, though these were not substantive.

Contract Management

Roger Parkin, Director of Customer and Community Services, introduced a report on the Council's Contract Management, requested by Members at the previous meeting.

70% of the Council's expenditure was through contracts, with most of the key contracts due for renewal within the next 18 months. It was therefore a focus for the Council to ensure that errors in the existing contracts, and management of those contracts, were not repeated when recommissioning the service contracts.

Previously, contracts were largely self-monitoring, which proved difficult to manage due to a lack of performance indicators and an inability to challenge should services not meet the expected standards. In addition, staff had not recognised the management of these contracts as a key part of their job, and staff had not been sufficiently trained to properly manage the contract.

The Council had now employed Local Partnerships to deliver contract management and value for money training. In addition, contract managers would be full time and dedicated to that specific task. Staff who were not felt to have the requisite aptitude would be moved elsewhere. All contracts were being brought into one area, to be reviewed by a group of contract managers reporting to the Director, to provide visibility and oversight of performance. A change order notice would also need to be approved at Director level, whenever a change to a contract was sought.

Newly commissioned contracts would have increased performance reporting tools and the Council would have increased power to challenge moving forward, e.g. a refusal to settle bills should issues raised not be addressed. An exception to this would be the Children's Services contract. As the contract was a result of an intervention, the Council's legal capacities were limited, and an external agency, Sharpe Pritchard, was being used to drive up efficiencies and improvements.

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All new contracts would be tendered for in line with the 5 Year Plan, supported by the Legal and Finance teams, and would be focussed on the outcomes required by the Plan. Contracts would be designed to include clauses to drive down, rather than increase, costs over the term of the contract.

Members sought clarity regarding the regularity of contract reviews by Baker Tilly. It was confirmed that not all contracts were reviewed on an annual basis. A risk-based plan was in effect that prioritised reviews for higher value contracts to provide assurance. A specialist contract risk team was also in place that provided mechanisms for oversight in lieu of annual reviews.

The Committee requested that regular updates on Contract Management be brought to future meetings. Information requested for inclusion in the report included a roadmap detailing the approach taken confirming what would be achieved, how it would be achieved, and what measures and controls were being put into place to provide assurance and governance. It was agreed that the Assistant Director, Finance and Audit, would liaise with the Chair to determine which meeting the next report would be brought to.

Resolved –

- (a) That the Internal Audit update for Quarter 1 2015/16, Counter Fraud Activity and Council's Risk Register be noted.
- (b) That the report on Contract Management be noted, and that a further update be brought to a future meeting of the Committee.

16. External Auditors Annual Audit Report

The Assistant Director: Finance & Audit introduced a report, the purpose of which was to provide Members with the opportunity to receive and question the Council's external auditors concerning the audit of the 201-15 Financial Statements, and to then approve the financial statements.

The Council's overall financial position was set out, showing a small underspend of £250K whilst delivering savings of £12.5m. There was a £2m shift in the amount of Business Rates debit that could be collected during the year, and if the business rates were to shrink in the future, the Council's longer term income would decrease.

There was no change to the general Fund Balance, leaving a balance of £8.1m as of 31 March 2015. This was in excess of the £3.7m minimum of non-ringfenced reserves for use in emergencies.

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.

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Members were informed that, subject to satisfactory completion of the outstanding audit work, BDO would be issuing an unqualified opinion on the financial statements for the year ended 31 March 2015.

Due to Ofsted's report on the Children's Social Care Services, and the resulting decision by the Secretary of State for Education to direct the Council to transfer the service to a new organisation, the value for money conclusion would be qualified opinion.

Three material errors had been identified, however these were technical in nature and did not affect the bottom line. The Council had agreed to amend these errors in the revised financial statements. Financial resilience had been recognised as a risk area, but the Council had adequate reserves, and the medium term financial plan was balanced.

It was confirmed that progress had been made in reducing the number of weaknesses identified in the report, in comparison to the previous year. There were less material/non-fundamental errors found, and the standard of draft accounts were greatly improved. Thusly, the opinion could be delivered in a timely fashion. However, some issues remained, particularly relating to schools, though this was an issue common to many Local Authorities.

Members requested further detail regarding the issues relating to schools. It was confirmed that the majority of issues were a result of internal processes needing improvement, certain schools not being on the Council's finance system which made reconciling information difficult, and the fact that some schools were struggling to manage the data requested.

To address these issues, the Council would be visiting other BDO clients in order to review how they managed those issues, to improve internal processes as part of a best practice initiative. In addition, there was a move to a new finance system (Agresso), which would highlight further improvements, while staff would be sent to the schools to help them declare their information properly. Members requested that the Committee be notified of any issues relating to schools early, so that it could help these to be addressed. In addition, it was requested that the Education and Children's Services Scrutiny Panel be asked to help, due to their links with the schools.

Members sought clarity regarding the under spending within the Capital Programme. Members were informed that this was part of balancing the budget, with some areas underspending, and some overspending. Housing development funding was expected to see much larger levels of expenditure in future years, with proposals to buy sites at Ledgers Road and Wexham Nursery to be developed through the Slough Regeneration Project.

Resolved – (a) That the External Auditors Annual Audit Report be noted.
(b) That the Financial Statements 2014/15 be approved.

17. Financial Statements 2014/15

The item was considered together with the External Auditors Annual Audit Report.

18. Review of Whistleblowing and Anti-Fraud Policies

Joseph Holmes, Assistant Director: Finance and Audit, introduced a report informing the Committee that the Whistleblowing and Anti-Fraud policies were being reviewed, following an audit of the Corporate Fraud team by Baker Tilly in 2014/15. It was confirmed that once the new policies had been drafted and reviewed, they would be brought to the Committee for consideration and comments.

Resolved - That the report informing the Committee that the Whistleblowing and Anti-Fraud policies were being reviewed was noted.

19. Members Attendance Record

The Member's Attendance record was noted.

20. Date of Next Meeting - 10th December 2015

The date of the next meeting was confirmed as Thursday, 10th December 2015.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.57 pm)