

MINUTES OF AUDIT AND STANDARDS COMMITTEE

Tuesday, 23 July 2019
(7:32 - 8:58 pm)

Present: Cllr Princess Bright (Chair), Cllr Adegboyega Oluwole (Deputy Chair), Cllr Rocky Gill, Cllr Mohammed Khan and Cllr Faraaz Shaukat

Also Present: Stephen Warren

Apologies: Cllr Toni Bankole and Cllr Simon Bremner

1. Declarations of Interest

There were no declarations of interest.

2. Minutes (3 April 2019)

The minutes of the meeting held on 3 April 2019 were confirmed as correct.

3. Approval of the Statement of Accounts 2018/19

The Chief Operating Officer (COO) introduced a report on the Council's Statement of Accounts for 2018/19.

The draft accounts had been certified by the COO as presenting a true and fair view of the Council's financial position by the statutory deadline of 30 May 2019 and were now the subject of a detailed audit by the Council's new external auditors, BDO, who took up the role at the beginning of 2019.

Representatives of BDO were present and explained that there had been a number of challenges in conducting the audit which meant that the final accounts would not be able to be published by the 31 July deadline, although this would not have an impact on the timetable for the accounts being signed off of the individual Council-owned companies. The challenges included the production of an inaugural set of Group Accounts relating to the Council's subsidiary companies and discussions had taken place with Council officers regarding the work needed to be undertaken to the Group Accounts, as well as in several other areas, to enable the audit to be concluded. The COO added that although there was still much to be done, the audit was not expected to lead to the Council's final accounts being 'qualified' in any way.

During the discussions, Members raised a number of issues which included the cessation of Revenue Support Grant funding from 2021, the ongoing pressures on budgets and the consequential impact on the Council's reserves, the Council's borrowing arrangements and the 20% increase in complaints from the public during 2018/19 (which was referred to in the Annual Governance Statement). The BDO representative explained that the audit focussed on compliance with Council policies and accounting practice, value-for-money and 'reasonableness' considerations, the impact on the Council's medium-term financial strategy and the robustness of the arrangements, as opposed to the detail of individual decisions

taken by the Council.

With regard to the reserves and borrowing issues, the COO directed Members to the “Medium Term Financial Strategy and Reserves Policy 2019/20 to 2023/24” report to the Cabinet of 16 July 2019 and the “Treasury Management Annual Report 2018/19” to Assembly of 24 July 2019 for further information on those aspects. The COO was also pleased to confirm that the problems that had caused the 20% increase in complaints from the public during 2018/19, which primarily related to the domestic waste collection service, had been addressed and the number of complaints received had reduced significantly over the last few months.

In respect of the signing off of the final Statement of Accounts on the completion of BDO’s audit, the Committee requested that the matter be brought back for its consideration rather than delegated to the COO and Chair, as had been proposed in the report. The Committee also asked that the final papers be circulated as far in advance as possible to allow Members and the Independent Advisor (Audit) (IAA) to fully consider the documentation. To that end, officers were asked to liaise with BDO regarding the expected audit completion date and, if appropriate, to arrange a special meeting of the Committee to consider the final Accounts prior to the next scheduled meeting on 28 October 2019.

The IAA acknowledged the particular challenges of this year that had led to the delays with the 2018/19 Statement of Accounts and proposed that progress / update reports on some of the documentation that made up the Statement of Accounts could be presented to the Committee during the course of the year, to enable Members to consider matters in more detail. One of those documents was the Annual Governance Statement and the IAA suggested that the document could benefit from being reviewed to make it more meaningful to a wider audience.

Having regard to the above, the Committee resolved to:

- (i) Approve the draft Statement of Accounts for the year ended 31 March 2019 as appended to the report;
- (ii) Agree that, on the conclusion of BDO’s full audit, the final Statement of Accounts 2018/19 be presented to the Committee for formal approval prior to their publication.

4. External Audit 2018/19 Report

Following on from Minute 39 above, the Committee received a presentation from representatives of BDO, the Council’s External Auditor, on the draft audit completion report in respect of the Council Pension Fund Accounts for 2018/19, which had been circulated to members and published to the Council’s website on the day of the meeting.

Mr Indika of BDO referred to the approach taken to the audit and clarified matters in respect of ‘materiality’ and the risk assessment strategy underpinning the audit. It was noted that BDO anticipated issuing an unmodified opinion on the completion of the audit although there were some key matters that remained outstanding in respect of (i) the accounting treatment of £20m pre-paid contributions by the Council; and (ii) Pension Liability Valuation issues stemming from two recent Court

judgements, alongside a number of other 'non-material' outstanding matters as listed in the report. In response to Members' questions, the BDO representatives provided further information on the two key outstanding matters as well as the unadjusted audit differences amounting to £96,000, protection against Pension Fund fraud and the audit testing of employee contributions which had identified four cases of contributions being incorrectly calculated.

The Committee thanked BDO for the report and presentation.

5. Internal Audit Annual Report and Annual Governance Statement 2018/19

The Head of Assurance presented the Internal Audit Annual Report for 2018/19, alongside the draft Annual Governance Statement for 2018/19.

The Head of Assurance referred to the key elements of internal audit work undertaken during the year and his overall opinion for the year, which was that the Council's arrangements were "generally satisfactory with some improvements required". In respect of those areas where improvements were required, there was one classification of 'no assurance' in relation to controls and processes within the Adoptions service, although it was noted that a follow-up audit had provided greater assurance. There were also a number of 'limited assurance' findings and the Committee noted that a common theme amongst them were outdated guidance and documentation. One example was in the area of recruitment and the Head of Assurance outlined some of the steps that had been taken to address the concerns, which included mandatory training for all recruiting managers, the updating of guidance manuals and the creation of the Workforce Board, chaired by the Chief Executive, which considered all recruitment and restructure proposals.

In response to Members' questions, the Head of Assurance explained that a risk-based approach was used to determine the areas to be audited in any one year and that the timetable for implementing improvements highlighted by an audit would vary depending on the scale and nature of the improvements required. With regard to the 'limited assurance' findings from five audits carried out during the year, the Head of Assurance agreed to provide further details to the next meeting of the Committee.

In respect of the draft Annual Governance Statement for 2018/19, it was noted that the document would be considered as part of the final Statement of Accounts report at the Committee's next meeting.

The Committee noted the Internal Audit Annual Report for 2018/19, as set out at Appendix 1 to the report.

6. Counter Fraud Annual Report 2018/19

The Head of Assurance introduced the Counter Fraud Annual Report for 2018/19, which set out details of the counter fraud work undertaken by the Internal Audit team during 2018/19 in relation to housing investigations and corporate fraud matters.

The team had received 246 referrals during the year in relation to corporate fraud activity, 43 of which were progressed to the investigation stage. With regard to

housing investigations, 166 new cases were received and all but 12 had been resolved by the year end. Of the 154 cases that were resolved, 14 Council properties were recovered for re-letting via the Council's housing waiting list and over £1m was saved.

In response to a question regarding a spate of cyber-attacks that had targeted the Council and schools in January 2019, the Head of Assurance explained the methods used by perpetrators and the additional resilience measures put in place by the Council, which included the blocking of the originating ISP addresses and reminders sent to all staff advising what to look out for and where to report any concerns.

The Committee noted the Counter Fraud Annual Report 2018/19.

7. Complaints against Members Update

The Committee received and noted the six-monthly update report regarding complaints against Members of the Council, which showed that the Monitoring Officer was currently progressing one complaint that had been received alleging a possible breach of the Councillors' Code of Conduct.

8. Audit and Standards Committee Work Programme 2019/20

The Committee noted the work programme for the remainder of the 2019/20 municipal year and officers confirmed that the additional reports that had been requested during the meeting would be built into the programme.

It was also suggested that the report to the next meeting include a table showing how the Committee would fulfil its terms of reference against the annual work programme.