

AUDIT AND PERFORMANCE REVIEW PANEL

MONDAY, 30 JULY 2018

PRESENT: Councillors Sayonara Luxton (Chairman), Malcolm Alexander, Dr Lilly Evans, Wesley Richards, Derek Wilson, Edward Wilson and Paul Brimacombe.

Also in attendance: Duncan Laird, KPMG

Officers: Ruth Watkins, Richard Bun, Rob Stubbs and David Cook.

APOLOGIES

Apologies for the inability to attend the meeting were received from Cllr Smith and Cllr Saunders (Lead Member for Finance).

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 12 June 2018 were approved as a true and correct record.

(Cllr Brimacombe provided the clerk with a couple of typing amendments prior to the meeting).

EXTERNAL AUDIT - IAS260 REPORT

The IAS260 report and the Audited Accounts report were considered together.

Duncan Laird, KPMG, introduced the IAS260 report that summarised the key findings in relation to 2017-18 external audit at the Royal Borough of Windsor an Maidenhead and the Berkshire Pension Fund. The report covered work, which was completed by KPMG on the Authority's significant risk areas, other areas of the financial statements, and the control environment in place to support the production of financial statements.

The Panel were informed that there had been no significant issues found with the council's organisational control environment. KPMG found that the controls over the majority of the key financial systems were sound and no recommendations were made. Work to fully implement the recommendations raised in 2016/17 ISA260 report were still ongoing.

With regards to Financial Statements the Panel were informed that KPMG expected to issue an unqualified audit opinion on the Council's financial statements and value for money before the deadline of 31 July 2018.

KPMG also anticipate issuing an unqualified audit opinion on the Pension Fund's financial statements by 31 July 2018. There was a risk that the assumptions and methodology used in the valuation of the pension obligation were not reasonable and therefore the information sent to the actuary was reviewed. Following the review KPMG were satisfied that the assumptions applied were reasonable and that the methodology used by the actuary to calculate the pension liability was appropriate. KPMG were also satisfied with the assumptions and valuation of the longevity hedge.

Cllr Brimacombe mentioned that it was good to see an unqualified audit opinion and that KPMG had reported that they had not identified any matters that would require them to issue a public interest report.

Cllr Brimacombe asked for clarification on what PPE stood for and was informed that this was the valuation of the authorities property, plant and equipment. Cllr Brimacombe said he was happy with the valuation methodology used however as this was subjective and given the transfer of land as part of regeneration projects he felt that it was important that the new auditors paid particular attention to PPE.

Cllr E Wilson said that PPE in local authorities was difficult to value as there were the buildings and equipment owned by the council and the commercial assets run by the RBWM Property Company. It would be a challenge for the new auditors to focus and explain the difference to the public.

Cllr E Wilson asked what the approach had been to auditing the RBWM Property Company. The Panel was informed that there had been a limited approach this year as at the end of March there were only £2million of assets with the company. There would be a greater focus as more assets were transferred.

Cllr D Wilson asked if all aspects of the property portfolio were looked at and was informed that KPMG only audited property that had been revalued during the audited year. Cllr D Wilson mentioned that the value of land owned by the council may need to be checked as its value may be increasing due to the impact of work such as regeneration and crossrail.

The Chairman mentioned that IT controls had been an assessment score of 2 as there had been control deficiencies identified, she asked if these had been resolved and was informed that they had.

The Chairman asked for clarification as to why there had been two assessment scores of two for our financial controls. The Panel were informed that this was a result of the control deficiencies identified in relation to the preparation and review of control account reconciliations around payroll and cash. This had been raised as an issue as the monthly monitoring process had been impacted by staffing issues.

Cllr Alexander raised concern that on agenda pack page 35 it mentioned that there was a balance of £1.02m within cash and cash equivalents that related to longstanding unreconciled items. Depending on the outcome of a review a proportion of this may be written off. The Head of Finance informed that there was a significant amount of work required going back to 2014 and that writing off the cash would be the last resort. The Chairman requested that the Panel receive an update on progress at the appropriate time.

Cllr Brimacombe mentioned that there had previously been issues with cheques and that measures had been put in place to prevent fraud, he asked if these had been successful. The Panel were informed that the measures had been implemented and that there had been no further instances over the past financial year.

Cllr Brimacombe mentioned that with regards to the general fund there had been a £1.8 million improvement from March 2017 to March 2018 and that he would not like to see the current £7 million carry forward drop below £5 million.

Cllr E Wilson questioned the risk of the dedicated schools grant being under pressure and who would be responsible once the Schools Forum ceased to exist. The Panel were informed that any deficit in the DSG would be cleared over a period of three years. Cllr E Wilson mentioned that at the Children's Services O&S Panel the director had reported that there had been an increase of £300,000 in the maintained schools balances.

Cllr L Evans said that as the council maintained a number of statutory duties carried out by Optalis and AFC that the funding for these services needed to be explained in a clear way for our residents.

Cllr E Wilson said that it would be beneficial to bring AFC, Optalis and the RBWM Company to future meetings of the Panel to discuss if there were offering good value for money and their governance arrangements.

Cllr Brimacombe mentioned that if the Panel reviewed the aforementioned than officers needed something to focus the review on by looking at service delivery trends, operational variables. When looking at delivering differently there were three options; keeping in house, commissioning to Optalis or AFC or going to the market. The Panel could reflect if the best choices were made.

Cllr Brimacombe recommended that the public look at the charts on agenda pack pages 61 to 63 as they showed expenditure per directorate and funding. The charts highlighted value for money of service delivery as there was a decrease in grants received. The report could show spend per unit of work.

The Chairman thanked KPMG for their work as the council's auditors over the years and was pleased to see that they had reduced their rates considerably. The Panel noted that it had not been the council's decision to change their auditors.

The Panel noted the IAS260 Report.

POST AUDIT STATEMENT OF ACCOUNTS 2017-18

The Panel considered the audited accounts during their discussion on the ISA260 2017/18 report.

Resolved unanimously: that the Audit and Performance Review Panel notes the report and approved the audited accounts, a copy of which is then signed by the Chairman before the 31st July 2018.

The meeting, which began at 7.00 pm, finished at 8.15 pm

CHAIRMAN.....

DATE.....