

AUDIT AND PERFORMANCE REVIEW PANEL

TUESDAY, 12 FEBRUARY 2019

PRESENT: Councillors Sayonara Luxton (Chairman), Adam Smith (Vice-Chairman), Derek Wilson, Edward Wilson and Paul Brimacombe

Also in attendance: Cllr Saunders, Jonathan Gooding and Julian Reeve from Deloitte LLP

Officers: Rob Stubbs, Russel O'Keefe, Catherine Hickman, Andrew Moulton and David Cook.

APOLOGIES

Apologies for absence were received from Cllr L Evans, Cllr Alexander and Cllr Richards.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

Resolve unanimously: that the Part I minutes of the meeting held on 20 September 2019 were approved as a true and correct record.

PRELIMINARY PLANNING REPORT

Jonathan Gooding and Julian Reeve from Deloitte LLP attended the meeting to introduce the Preliminary Planning Report to the Panel as Deloitte had been appointed as the external auditor for the Royal Borough of Windsor & Maidenhead. It was noted that a more detailed report would be presented in support of the audited accounts.

The Panel were informed that the scope of the audit would be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office. They would be required to give an opinion on the statement of accounts, including its pension fund, and a conclusion on the arrangements for value for money. The scope of our work would not be largely changed from the scope of work set by the previous auditor and would include covering the Statement of accounts, Annual Governance Statement, Whole Government Accounts and Value for Money conclusion.

One area that will be different from previous audits would be the approach to capital expenditure as the authority were undertaking a number of large capital projects and determining capitalised expenditure was a judgement call that had the potential for misreporting fraud. They would be reviewing the authority's capital plans as part and discuss with officers potential risks or issues identified.

The auditors would also be looking at pension liabilities and accounts as the regulations meant they had to have the assumption that revenue recognition was a significant risk.

Appendix 2 of the report highlighted the auditors independence and fees.

Cllr Brimacombe reported that the Panel had been concerned when the new audit arrangements were introduced and thus he was pleased that Deloitte had been appointed as it meant the authority continued to be audited by a significant branded auditor.

Cllr E Wilson mentioned that there was a lot of large projects planned that could have capitalisation of costs and asked how this would be reported. The Panel were informed that the starting point was reviewing and understanding capitalisation of costs and that any concerns would be reported to this Panel. Balance sheets would be examined and risks explored. As much as possible would be presented at the next meeting, however most would be presented at the end of the audit.

Cllr Brimacombe asked if the auditors looked at underlying assumptions of financial income streams and was informed that it varied dependent on the income streams. The starting point would be looking at the risk assessments for the income before producing their procedures.

Cllr E Wilson asked how the RBWM Property company would be audited and was informed that they had their own auditors but they would also be audited as part of the audited accounts. It was also confirmed that the same applied for AFC and Optalis where they would also take a risk based approach looking at VFM.

Cllr D Wilson asked if an update could be provided on the pension fund and was informed that this was planned and would be reported back to Panel.

Cllr E Wilson said that it was fine having a risk based approach but the Panel needed reassurances about what controls were in place given the level of commissioning. It was noted that this area of work would be undertaken by internal audit.

Cllr Saunders mentioned that reviewing AFC and Optalis was outside the scope of the external auditors but the Panel may wish to consider what it would be appropriate for them to review.

Cllr E Wilson said that it was important to see VFM out of the commissioned services and this could be placed on the new panels work programme.

Cllr Brimacombe mentioned that as most local authorities were now commissioning authorities then auditors needed to adjust to meet changing practices. The Panel were informed that VFM and governance arrangements would be looked at as part of the risk assessment. Other areas such as assurances regarding internal audit and contract management would also be examined.

Cllr Saunders said that in the past there had been issues regarding the valuation of land and buildings that required a major adjustment. It was noted that external auditors were used and that a discussion could take place on how to mitigate any risk.

Cllr Saunders also mentioned that there was a significant amount of regeneration and this carried an amount of risk and required transparency in audits.

The Panel noted the report.

2018-19 AUDIT AND INVESTIGATION INTERIM REPORT (1 APRIL 2018 – 31 DECEMBER 2018) AND 2018/19 REVISED INTERNAL AUDIT CHARTER

The Panel considered the report that summarised the Shared Audit and Investigation Service activity, including progress in achieving the 2018/19 Internal Audit and Investigation Plan, during the first nine months of 2018/19 to 31 December 2018. The report complemented the 2018/19 Annual Audit and Investigation Report due to be presented in June 2019.

The Panel were asked to note the report and approve the 2018/19 Audit Charter. The report provided an update on work undertaken since the last review. Changes to the Internal Audit Charter were made to bring it in line with the CIPFA / IIA Public Sector Internal Audit Standards, that were revised in 2017, and were tracked in the document.

Table 1, on agenda pack page 41, showed work undertaken. This included proactive work to identify property occupation and rate reviews for business rate relief and exemptions. The report showed identified losses in this area as £215,862 but since publication this had risen to £260,000.

Cllr Brimacombe highlighted that flood prevention had been delayed for 9 months and asked why. The Panel were informed that the contractor had been short of resources and thus there had been a delay. The issue had been identified but not addressed quickly enough.

Cllr E Wilson asked if line manager had started to challenge audits and it was confirmed that challenges are made and that there was the option to make corrections prior to the final audit.

Cllr Smith mentioned that the department had been effected by sickness and was informed that the audit plan had been re-aligned to meet resources and any deferred audits would still be undertaken.

Cllr Smith asked if the summary of audit opinions awarded in table 1, with two achieving the highest audit category, was an improvement or a low achieving year. The Panel were informed that it was anticipated that more would be added to the highest category following management action.

Cllr Saunders asked what reassurances the Panel could have that governance arrangements presented to them were happening and effective. The Panel were informed that the Panel can add to the internal audit plan and also the external audit would look at VFM.

Resolved unanimously: that the Panel notes the report and:

- i) Notes the Shared Audit and Investigation Service activity for the nine months ending 31 December 2018.**
- ii) Approves the 2018/19 Audit Charter.**

2019/20 DRAFT INTERNAL AUDIT AND INVESTIGATION PLAN

The Panel considered the 2019/20 Draft Internal Audit and Investigation Plan.

The Panel were informed that a number of audit reviews within the 2019/20 Draft Internal Audit and Investigation Plan were considered as mandatory (key financial systems, particularly high risk items etc.), others entered or left the Draft Internal Audit and Investigation Plan based on their risk rating and the views of officers and Members. Agenda pack pages 65 to 69 showed the plan.

Cllr E Wilson asked how we got assurances, as a commissioning authority, to areas such as Optalis and joint venture partners. The Panel were informed that audit would look at the contractual arrangements and the duties agreed.

Cllr Saunders said that if they wished the Panel should be able to review the audit reports for Optalis as we were joint owners of the company. With regards to AFC the Panel could ask to see their audit reports. I

Cllr Brimacombe asked that with regards to project compliance, including; pre, current and post project, what was being done for 'current' project compliance. The Panel were informed that internal audit would look at governance arrangements and evidence of good project management.

Cllr Saunders reported that he was pleased to see project compliance on the plan. The Panel had previously looked at project management within the borough and noted that there was evidence of consistent methodology being applied to larger projects, however there were a

number of smaller projects that had inconsistent approaches that would not be picked up by the risk register and therefore may not be audited.

Cllr E Wilson mentioned that the Panel would like more assurance throughout the year on financial management including budget setting and monitoring.

Cllr Saunders said that during the year there had been a number of pressures, such as children in care increased costs, that had not been identified and reported early enough. During this year's budget setting better projection of these pressures had been included along with more commentary in the budget report. Internal Audit had a role to support Cabinet and the senior management team in reporting these pressures as they happened rather than when it is too late to take effective action.

Cllr Brimacombe reported that there could be a change in methodology behind the budget. The base budget made a number of assumptions with low sensitivity areas and high sensitivity areas. We should not get overly concerned when there are variances in areas of high sensitivity as that would be expected.

Resolved unanimously: that the Audit and Performance Review Panel notes the report and approves the 2019/20 Draft Internal Audit and Investigation Plan.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PRESS AND PUBLIC

Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.

Minutes

Resolved unanimously: That the Part II minutes of the meeting held on 20 September 2018 be approved.

The meeting, which began at 5.00 pm, finished at 6.25 pm

CHAIRMAN.....

DATE.....