

AUDIT AND PERFORMANCE REVIEW PANEL

MONDAY, 26 FEBRUARY 2018

PRESENT: Councillors Sayonara Luxton (Chairman), Malcolm Alexander, Derek Wilson, Edward Wilson and Paul Brimacombe

Officers: Shilpa Manek, Richard Bunn, Andy Jeffs, Catherine Hickman and Rob Stubbs

APOLOGIES

Apologies were received from Councillor Lilly Evans. Councillor Grey was substituting.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on Wednesday 6 September 2017 were approved as a true and correct record.

Councillor Ed Wilson asked if action i had been completed,

The Lead Member for Finance in conjunction with the Head of Finance and Insurance and Risk Manager, and in consultation with relevant Lead Members, to review and update the risk register to reflect the issues discussed at the Panel meeting and provide more comprehensive linkage and transparency, particularly to the annual budget commentary.

Rob Stubbs, Head of Finance and Deputy Director Place, confirmed that this was taken account of in the budget papers and as also covered when the internal audit plan was put together.

Rob Stubbs informed the Panel that there had been two meetings cancelled. There would now be an annual programme where items would be identified for each meeting. Directors could bring items to the panel too.

RBWM ANNUAL REPORT ON GRANTS AND RETURNS 2016/17

Duncan Laird, Senior Manager, KPMG, presented the report that summarised the results of work that had been carried out on the Council's 2016/17 grant claims and returns. This included the work completed under the Public Sector Audit Appointed certification arrangements, as well as the work completed on other grants/returns under separate engagement terms. The work completed in 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim –the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £35.5 million.
- Under separate engagements we issued reports on two claims/returns as listed below.
 - Teachers' Pensions Return; and
 - National College of Teaching and Leadership (NCTL) Annual Grant Report and Initial Teacher Training Annual Accounts.

Certification and Assurance Results

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter for differences in the in year reconciliation cells.

Our work on the other grant assurance engagements resulted in unqualified certification reports.

No adjustments were necessary to the Council's grants and returns as a result of our certification work this year.

The overall level of errors identified in 2015/16 across all claims was lower than in previous years.

The following recommendation was made:

Issue	Implication	Recommendation	Priority	Comment	Responsible Officer and Target Date
Funding agreement documentation					
The Council was not able to provide a copy of the signed Grant Funding Agreement with NCTL.	The Grant Funding Agreement issued by NCTL provides information on what grants have been given to the Provider, the terms and conditions under which the grant can be spent, and the purpose for which the grant funding for 2016/17 can be spent. Without a copy available, it is not possible to identify any conditions attached to the funding or confirm that they have been complied with.	Obtain a copy of the Grant Funding Agreement in place to evidence the terms and conditions associated with the grant funding received.	Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

Duncan Laird informed the Panel that it had been a good year, the findings were better compared to previous years.

The Panel discussed using a traffic light system for the reports. This had been used but since reports had been printed in black and white, this was not visible.

ACTION: Clerk to print reports in colour for future meetings.

Councillor Brimacombe highlighted that if the signed Grant Funding Agreement with NCTL was not available, were there other documents that were not available too, was there a fault in the system? Rob Stubbs reassured the Panel that a grant schedule was being built with electronic links.

Councillor Ed Wilson was reassured by the report and asked how we compared with other public bodies. Duncan Laird informed the Panel that we compared very well, other public bodies had made significant errors. In previous years, the teacher's pension had been returned but this year there had been no returns. The NCTL was purely around supporting documentation as a new test had been set up this year.

Other points discussed included:

- How was the selective sample set? The protocol for housing benefits, a random sample testing minimum of 20 cells.
- Technical complexity, what were the means for catching errors, was there a mechanism in place? Assurance tests were carried out.
- Collective information was held in one place from a number of people, was there a formal database. There were process notes in finance for processes such as completing returns.

RBWM EXTERNAL AUDIT PLAN 2017/18

Duncan Laird, Senior Manager, KPMG, presented the report summary for the Audit and Performance Review Panel. There were no significant changes to the Code of Practice on LA Accounting in 2017/18. The deadline for the production and signing of the financial statements had been significantly advanced in comparison to year ended 31 March 2017. Whilst the Authority chose to advance its own accounts production timescale last year, the Authority would be required to produce Group accounts for the first time and further advances would be required in order to ensure that deadlines were met. As a result, a significant risk had been recognised in relation to this matter.

In order to meet the revised deadlines it would be essential that the draft financial statements and all prepared by client documentation was available in line with agreed timetables. Where this was not achieved there would be a significant likelihood that the audit report would not be issued by 31 July 2018.

Materiality for planning purposes had been set at £4.6 million for the Authority and £25 million for the Pension Fund.

KPMG were obliged to report uncorrected omissions or misstatements other than those which were 'clearly trivial' to those charged with governance and this had been set at £0.23 million for the Authority and £1.25 million for the Pension Fund.

Those risks that required specific audit attention and procedure to address the likelihood of a material financial statement error had been identified as:

- Valuation of land and buildings
- Pension Liabilities
- Group accounts and faster Close

In relation to the Pension Fund audit, those risks requiring specific audit attention and procedures have been identified as:

- Valuation of hard to price investments
- Valuation of the longevity hedge

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- Valuation of the longevity hedge

We had not completed our detailed risk assessment regarding the arrangements to secure value for money, however our initial VFM audit planning has identified the following significant VFM audit risks to date:

- Delivery of Budgets
- Management of contracts

The work would be completed in four phases from January to July and the key deliverables were the Audit Plan and the report to those charged with Governance.

The fee for the 2017/18 audit was £81,803 for the Authority and £24, 831 for the Pension Fund. The fees were in line with the scale fees published by the PSAA, with additional fees in 2016/17 for work on behalf of other admitted body auditors and work on the revised longevity hedge model, subject to approval by PSAA.

Points discussed by Panel Members included:

- There were two main functions, financial statements and value for money arrangements.
- Group accounts had been produced this time, including AfC and Optalis.
- There were three significant risks.
- Did the Electoral have the right to challenge the Audit Fees, this had been challenged before, about a total cost of £1500. Not too many at this council.
- The report was classified as confidential, this was a public document.
- “Materiality” was discussed by the Panel. Below £230K would be trivial and anything above would be brought to the Panel.
- If the accounts were incorrect, could they be corrected? A pre audit was carried out of the statements of accounts, if any errors were found, they were corrected, materiality was not a consideration.
- Land Assets and redevelopment, the land value was as of today and not what they might be. Once there was more certainty on what the land would be used for, significant valuations could be carried out.
- Are agreements in place to get access to the right people and places for the accounts at AfC and Optalis? They had opted out of RBWM therefore it was easier to access their accounts. We had contact details of their auditors. At present all the significant information was in place.

- RBWM was a very distributed council, this brought additional risks for us. We were distributed to AfC, Optalis, free schools, academies, should all assets be looked at? This was currently not a risk.
- First we did the accounts three months earlier, now it was two months earlier, how are the deadlines met? Were there any Concerns? There were no real concerns, the Finance team had tried it last year and did very well. Trying to bring everything forward by doing earlier and shifting burden of work away from the busy period of June/July. It was a challenging timetable but achievable,
- This was KPMG's last audit, the reason was asked. KPMG had put a bid in but had not been selected. Deloitte had been selected for 2018/19.

2018/19 AUDIT AND INVESTIGATION PLAN

Andrew Moulton, Chief Audit Executive, Shared Audit and Investigation Service, presented the report to the Panel. The report recommended that the Panel considered the report and approved the 2018/19 Draft Audit and Investigation Plan. The recommendation was being made to ensure that the council met its statutory requirements and that the Panel met the requirements of its terms of reference by ensuring that the work of the Shared Audit and Investigation Service was focused appropriately with adequate resources and was delivered in accordance with recommended best practice. If adopted, it would be effective from 1 April 2018.

Five key areas had been identified, Key Financial Systems, Governance building blocks, Key strategic and Key Operational Risks, Statutory Duties and Auditor Judgement.

The following points were discussed by the Panel:

- What was the frequency of undertaking audits? The frequency was annually for Key Financial Systems. There was a cycle for other areas and if an issue was raised, a plan would be triggered to do a follow up review..
- Homelessness was discussed, forward plan had been consulted.
- What was the percentage of the Plan for work to be covered at short notice? This was covered from the contingency element of the Plan.
- What would happen if more days were required than those allocated? The contingency days was a total of 50 days, these would be used.
- The implementation of CIL was September 2016, if a new online development was submitted, how would the payment work? They would not pay immediately, could delay the payment. It would last a total of three years.

ACTION; Catherine Hickman to provide more information on tree management.

Councillor Ed Wilson asked for reassurance by adding something in the plan about community agreements. There would be data protection issues but reassurance was required.

ACTION: Andrew Moulton to look into this.

A Key area was Information Governance and we were still awaiting further guidance on this. GDPR had raised the profile and put on top of the data protection process. This required focus. It was more complex with the operational boundaries now in place. More confidence was required in data sharing agreements. The council had provided training on GDPR.

The Panel Considered and Unanimously Approved the 2018/19 Draft Audit and Investigation Plan.

REVISED ANTI FRAUD AND ANTI CORRUPTION POLICIES

Andrew Moulton, Chief Audit Executive and Catherine Hickman, Lead Specialist, Shared Audit and Investigation Service, presented the report to the Panel. The report consisted of the Prosecution and Sanctions Policy, Anti Fraud and Anti Corruption Policy, Anti Bribery Policy, Anti Money Laundering Policy, Regulation of Investigatory Powers Act Policy and the Whistleblowing Policy. All the policies had minor changes.

The Regulation of Investigatory Powers Act Policy reflected changes suggested following an Inspection by the Surveillance Commissioner in this financial year.

The Panel were asked to consider the minor changes and approve all the policies.

The Panel Unanimously Agreed to remove the words in brackets (Including independent members) from the Anti Bribery Policy Scope.

Other points that were discussed included:

- Gifts and Hospitality, expected in policy – speak to monitoring officer since its not in policy.
- Who was the Money Laundering Officer, not in policy? – Rob Stubbs, Deputy Director Place and Head of Finance (S151 Officer)
- Whistleblowing – It was very difficult to say something with having broken the contract because of the confidentiality clause. The policy was very descriptive and further assistance needed to be provided to officers. More support was required with all the risks associated.

The Panel Unanimously considered all the minor changes and approved the policies.

The meeting, which began at 7.00 pm, finished at 8.30 pm

CHAIRMAN.....

DATE.....