

**GOVERNANCE & AUDIT COMMITTEE
28 MARCH 2018
7.30 - 8.10 PM**



Present:

Councillors Allen (Chairman), Thompson (Vice-Chairman), Heydon, McLean, Ms Miller, Peacey and Worrall

Apologies for Absence were received from:

Councillors Leake and Mrs Temperton

30. Apologies for Absence and Substitute Members

Councillor Peacey substituted for Councillor Leake.

31. Declarations of Interest

There were no declarations of interest.

32. Minutes of previous meeting

RESOLVED that the minutes of the meeting of the committee held on the 31 January 2018 be approved as a correct record, and signed by the Chairman.

33. Urgent Items of Business

There were no urgent items of business.

34. External Audit Update

Justine Thorpe, Auditor, Ernst & Young attended the meeting to present the External Audit Update Report.

Good progress had been made in completing the planned programme of interim substantive testing, with samples being tested for income and expenditure, payroll, and property, plant and equipment (PPE). The challenge of meeting the faster close deadline of 31 July remained considerable, but the work completed during the interim audit would make a significant contribution to doing so.

Regular catch-up meetings had been held with the Borough Treasurer and the finance team to update on audit progress, to discuss and resolve audit issues promptly, and to identify any further steps which may need to be put in place for the year-end audit visit. The year-end audit was due to commence on 4 June 2018. In advance of this visit, the Committee noted that the External Auditors would meet with finance staff again on 3 April to discuss their detailed working papers request to help ensure the audit could commence promptly on the agreed date. An open dialogue with officers would also be maintained to understand any issues emerging from the production of the financial statements and the supporting working papers.

The Committee's attention was drawn to the fact that the Accounts and Audit Regulations 2015 had introduced a significant change in statutory deadlines for the 2017/18 financial year. This meant that the timetable for the preparation and approval of accounts would be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. This meant the Council now had less time to prepare the financial statements and supporting working papers and the External Auditor would have a more significant peak in their audit work and a shorter period to complete the audit. To mitigate these risks, the Committee were advised that the External Auditor required good quality draft financial statements and good supporting working papers by the agreed deadline of 4 June and for appropriate Council staff to be available throughout the agreed audit period. In return, Ernst & Young would work with the Council to engage early to facilitate early substantive testing where appropriate and provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes were removed.

The Committee were advised that work to implement the EY Client Portal was progressing well which would lead to a streamlining of audit requests as a result of a reduction in emails and an improved means of communication.

RESOLVED that the External Audit Update be noted.

35. **Internal Audit Plan 2018-19**

Sally Hendrick, Head of Audit and Risk Management, Bracknell Forest Council, presented the Committee with the Internal Audit Plan 2018-19.

The Committee were advised that the planned IT audits were provisional as proposals would be discussed with the new Chief Officer: ICT once he was settled into post.

The Committee noted that a total of 454 days was scheduled to complete the 2018-19 Internal Audit Plan and incorporated Council-wide audits, Resources, Environment, Culture & Communities, Adult Social Care, Health & Housing and Children, Young People & Learning.

As with the previous year, the Committee were advised that Mazars LLP were expected to deliver approximately three quarters of the 2018-19 general internal audit reviews and the Council had no concerns with this arrangement.

The Head of Audit and Risk Management was asked to clarify whether change management in respect to transformation was included in the Plan. It was confirmed that this was included in individual audits such as the audit of programme management for the Enterprise Agreement scheduled for 2018/19 and the 2017/18 audit of the adult social care pathway including the three conversations model which is currently ongoing. The Committee were advised that IT audit specialists would be auditing the Enterprise Agreements.

A number of comments were made on Strategic Risks which had been mapped to specific audits in the Audit Plan although it was pointed out that this was not part of the matter on which a decision was being sought. In particular there was some discussion on whether changes to MRP in respect to commercial properties were statutory or advisory. The Head of Audit and Risk Management advised she would raise this with Stuart McKellar.

RESOLVED that the Internal Audit Plan 2018-19 be **APPROVED**.

36. Internal Audit Charter

Sally Hendrick, Head of Audit and Risk Management, Bracknell Forest Council, presented the Committee with the updated Internal Audit Charter.

The Committee were reminded of the background to the creation of the Council's Internal Audit Charter:

With effect from 1st April 2013, a common set of Public Sector Internal Audit Standards (PSIAS) were introduced which are applicable to and mandatory for all UK public sector organisations including local authorities. PSIAS require the Council to formally define the purpose, authority and responsibility of internal audit in an internal audit charter which must be presented to and approved by senior management and "the Board". The role of "the Board" is undertaken by the Governance and Audit Committee at Bracknell Forest Council. The Internal Audit Charter was developed in accordance with PSIAS and approved in January 2018. This was now due for review and the updated Charter with tracked changes was attached at Appendix 1 of the report for review and approval.

The Committee reviewed the tracked changes to the Internal Audit Charter and noted a couple of grammatical and spelling errors. Sally said she would review the changes and amend as appropriate to ensure the tracked changes correctly reflected the amendments.

Sally advised the Committee that the amendments to the Charter had been reviewed by CMT and that the purpose of bringing it to the Governance and Audit Committee was to seek formal approval.

The Committee were pleased to note that the mission statement of the Internal audit set out its purpose, authority and responsibility as well as the value of the internal auditing process.

Clarification was sought on the use of the word 'independent' under the heading Core Principles:

- *Is objective and free from undue influence (independent).*

Sally clarified that the fundamental objective of undertaking internal audits was for the auditor(s) to be free from the view of other parties and to have an independent view.

It was clarified that to maintain audit independence and avoid conflict with the Head of Audit and Risk Management's role in respect of risk management, any audits of risk management undertaken by the internal audit providers are quality reviewed by the Contracts Manager and reported to the Borough Treasurer. Audits of risk management arrangements had not been undertaken for some years although risk management is included in the brief for most audits particularly in respect of fraud risk.

RESOLVED that the Internal Audit Charter with the tracked changes be approved once corrected.

CHAIRMAN