



**WOKINGHAM
BOROUGH COUNCIL**

**MEETING OF THE
AUDIT COMMITTEE**

ON

THURSDAY 28 JUNE 2012

AT

7PM

AGENDA

**Civic Offices
Shute End
Wokingham
Berkshire**

**Andy Couldrick
Interim Chief Executive**



WOKINGHAM BOROUGH COUNCIL

Our Vision

A great place to live, an even better place to do business

Our Priorities

Improve educational attainment and focus on every child achieving their potential

Invest in regenerating towns and villages, support social and economic prosperity, whilst encouraging business growth

Ensure strong sustainable communities that are vibrant and supported by well designed development

Tackle traffic congestion in specific areas of the Borough

Improve the customer experience when accessing Council services

The Underpinning Principles

Offer excellent value for your Council Tax

Provide affordable homes

Look after the vulnerable

Improve health, wellbeing and quality of life

Maintain and improve the waste collection, recycling and fuel efficiency

Deliver quality in all that we do

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WOKINGHAM BOROUGH COUNCIL

To: The Chairman and Members of the Audit Committee

A Meeting of the **AUDIT COMMITTEE** will be held at the Civic Offices, Shute End, Wokingham on **Thursday 28 June 2012 at 7pm**

Andy Couldrick
Interim Chief Executive
20 June 2012

Members:- Philip Mirfin (Chairman), Barrie Patman (Vice Chairman), Guy Grandison, John Halsall, Beth Rowland and Paul Swaddle

ITEM NO.	WARD	SUBJECT	PAGE NO.
1.00	None Specific	MINUTES To confirm the Minutes of the Meeting of the Committee held on 28 March 2012	1-5
2.00	None Specific	APOLOGIES To receive any apologies for absence	
3.00	None Specific	DECLARATIONS OF INTEREST To receive any declarations of interest	
4.00		PUBLIC QUESTION TIME To answer any public questions The Council welcomes questions from members of the public about the work of this Committee	

Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions

5.00		MEMBER QUESTION TIME To answer any member questions	
6.00	None Specific	UPDATE TO THE 2012/13 TREASURY MANAGEMENT STRATEGY To consider an Update to the 2012/13 Treasury Management Strategy 2012/13.	6-15
7.00	None Specific	ANNUAL GOVERNANCE STATEMENT 2011/12 To consider the Annual Governance Statement 2011/12.	16-24
8.00	None Specific	BUSINESS ASSURANCE PLAN Q2 2012/13 July-SEPTEMBER To consider the Business Assurance Plan Q2 2012/13 July-September.	25-29
9.00	None Specific	CORPORATE RISK REGISTER REFRESH JUNE 2012 To consider the Corporate Risk Register Refresh June 2012.	30-40
10.00	None Specific	BUSINESS ASSURANCE ANNUAL REPORT 2011/12 To consider the Business Assurance Annual Report 2011/12 (including Head of Internal Audit Opinion).	41-69
11.00	None Specific	AUDIT COMMITTEE WORK PROGRAMME 2012/13 To note the Audit Committee Work Programme 2012/13	70-72
12.00		ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT A Supplementary Agenda will be issued by the Chief Executive if there are any other items to consider under this heading	

This is an agenda for a meeting of the Audit Committee

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON WEDNESDAY 28 MARCH 2012 FROM 7PM TO 8.10PM**

Present:- Philip Mirfin (Chairman), Barrie Patman (Vice Chairman), Alistair Corrie, Bob Pitts, Beth Rowland and Paul Swaddle

Also present:-

James Anderson (Internal Auditor (Trainee))

Rupert Bamberger (Senior Internal Auditor)

Julie Holland (Investigations Manager)

Muir Laurie (Director of Business Assurance and Democratic Services)

Iain Murray (Audit Manager - Audit Commission)

Paul Ohsan Ellis (Internal Audit Manager)

Madeleine Shopland (Senior Democratic Services Officer)

Rob Stubbs (Head of Corporate Finance)

Adam Swain (Principal Auditor – Audit Commission)

Stephen Taylor (District Auditor - Audit Commission)

PART I

65. MINUTES

The Minutes of the meeting of the Committee held on 25 January 2012 and the Minutes of the Extraordinary Meeting of the Committee held on 23 February 2012 were confirmed as correct records and signed by the Chairman.

The Head of Corporate Finance informed Members that the external auditors had been appointed for Optalis and Wokingham Enterprises Limited. Advice had been sought and received from the Audit Commission on the matter. Members were also informed that the borough valuer had been instructed on what was expected with regards to the close down and the borough's assets. With regards to the review of the effectiveness of the Audit Committee, Councillor Pitts informed the Committee of an article that he and Councillor Corrie had written on the matter. An enquiry had already been received from another Council who were interested in carrying out a similar review.

It was noted that the Internal Audit Strategy 2012 to 2015 would now be taken to either the September or November Committee meetings, although the November meeting was more probable.

The Chairman welcomed the Internal Auditor (Trainee) to his first Audit Committee.

66. APOLOGIES

There were no apologies for absence.

67. DECLARATION OF INTEREST

There were no declarations of interest received.

68. PUBLIC QUESTION TIME

There were no Public questions.

69. MEMBER QUESTION TIME

There were no Member questions.

70. THE FUTURE OF EXTERNAL AUDIT – VERBAL UPDATE

The Committee received a verbal update on the future of External Audit

The following points were made:

- Members were informed that 70% of the work that was being carried out in-house by the Audit Commission would be outsourced to the private sector from 2012-13 onwards. Subject to consultation the south-east contract, including Wokingham Borough Council, would be under Ernst and Young.
- A new Senior Manger and District Auditor would be appointed, with the appointment taking effect from 1 September 2012.
- The Chairman asked that they meet the new external auditors at the September Committee in a handover session, if possible.

RESOLVED That the update on the future of External Audit be noted.

71. CORPORATE RISK REGISTER REFRESH – MARCH 2012

Members received an update on the Corporate Risk Register refresh – March 2012

During the discussion of this item the following points were made:

- It was noted that the refreshed Corporate Risk Register contained one new additional proposed risk, *Risk 19 – the risk that infrastructure requested by the council will not be provided.*
- Three risks, *Risk 6 – the risk that the savings element of transformation does not deliver, Risk 9 – the risk of transformation drawing focus away from the 'day job' and Risk 13 – the risk that the benefits and outcomes of the transformed organisation are not understood by key stakeholders* had been closed in this quarter.
- The wording of *Risk 4 - Risk of Partnership working stagnating due to changes at a national level* had been amended by the relevant Strategic Director to reflect that partnership changes at a national level have now been articulated locally
- The likelihood of *Risk 16 - Risk of potential loss of economies of scale from the move towards alternative delivery vehicles* had been decreased from moderate to low due to the fact that reduced sections of the Council are now planned to be hived off.
- Councillor Corrie commented that the Risk register was now much easier to understand. He suggested that further information be included on how risks had changed to help Members chart the progress of these. Councillor Mirfin asked that if risks were removed, that the date and the reason for their removal be included.

RESOLVED That the Corporate Risk Register refresh be noted.

72. BUSINESS ASSURANCE PLAN Q1 2012/13

The Committee examined the Business Assurance Plan Q1 2012/13. This plan detailed the planned Internal Audit and Investigations activity that would commence during the period 1 April 2012 to 30 June 2012. The plan was a joint plan, highlighting the work of Internal Audit and the Investigations Team.

During the discussion of this item the following points were made:

- The emergence of the new vision, priorities and principles, and a minor restructure in Business Assurance amongst other factors meant that the plan was more provisional than usual. There was some degree of flexibility built into the timing of the reviews.

The total Business Assurance planned Internal Audit and Investigation days for Quarter 1 is 225 days.

- The plan highlighted an increase in advisory Internal Audit Activity. Members were informed that this work would be highly collaborative and would attempt to add more value to management, and the council, by being involved with projects during their operation rather than reviewing processes and systems after they have changed.
- The Chairman asked that a follow up review of Shared Legal Services also be carried out in Quarter 1. Some Members felt that it was too early for the service to be reviewed. It was noted that Business Assurance had carried out an Internal Audit review of the implementation of Legal Shared Services. The Internal Audit Manager commented that the project governance rather than the operational aspects had been reviewed. Shared Legal Services had begun operating 1 June 2011. The Director of Business of Business Assurance and Democratic Services suggested that a review of the service 'one year on' be carried out. It was agreed that in order to create sufficient time for a review of Shared Legal Services in Quarter 1, the review of Community Care Project Assurance be deferred to early Quarter 2 as work had initially been programmed for late Quarter 1. Members questioned whether the review on Appraisals could be deferred but were informed that work relating to this had to be carried out in Quarter 1 in order to feed into the appraisal process for the year.
- With regards to the governance of the local authority trading companies, the Internal Audit Manager commented that three audits had been carried out on the governance of the three local authority trading companies, the results of which would be summarised in the progress report of Quarter 4.

RESOLVED That the proposed Business Assurance Plan Quarter 1 (BA Plan Q1) of 2012/13 be approved.

73. BUSINESS ASSURANCE PROGRESS REPORT Q3 2011/12

The Committee considered the Business Assurance Progress Report Q3 2011/12. The plan provided information and assurance on Internal Audit and Investigations work carried out during the 2011/12 Quarter 3 period (1 October to 31 December 2011).

During the discussion of this item the following points were made:

- There were no reviews issued with Limited or No assurance opinion during the quarter.
- The Internal Audit Manager provided an update on the work of Internal Audit. A high-level assessment had been carried out on the key financial systems within Optalis (Main Accounting, Payroll, Debtors, Creditors, Cash & Bank and VAT). A collaborative approach had been taken with management and a strong and robust action plan had been produced which Business Assurance would look to monitor. One high level recommendation had been produced but prompt action had been taken and this matter has now been closed. A reasonable assurance opinion had been issued. Members were informed that a financial director had been appointed at Optalis which had strengthened controls. The Head of Corporate Services indicated that a member of the Finance team had been seconded to focus on the financial systems of the local authority trading companies and currently dedicated 0.6 of their time to Wokingham Enterprises Limited and 0.2 to the local authority housing company. Other Finance Officers had also had involvement in this area.
- The Chair asked whether Optalis would form a model for any future companies that the Council may establish. The Director of Business Assurance and Democratic

Services commented that that one size did not fit all but Optalis could be a model to follow.

- The Committee received information on the Shared Legal Services review. The report had identified a small number of recommendations, but the main value from the Internal Audit review was the identification of 7 notable practices and an additional 7 lessons to learn that could be applied across future transformation projects.
- The Committee were pleased to note the involvement of Business Assurance team members in a number of ongoing projects.
- Members discussed the Key Performance Indicators (KPI) for Internal Audit. It was noted that whilst still rated amber *IA2 Draft IA reports issued within 15 working days of exit meeting* and *IA3 Draft IA reports issued within 50 working days from the commencement of audit testing*, had improved. Two KPI's were rated red *IA11 The internal audit added substantial value rated as agree or strongly agree (as per post audit questionnaire)* and *IA13 Medium and low risk audits completed to final report stage by 31st March*. With regards to IA11, Members questioned whether 'substantial value' needed to be better defined. The Director of Business Assurance and Democratic Services commented that other neighbouring authorities had felt this indicator to be too aspirational. Councillor Corrie commented that 65% was still a good result. In terms of IA13, the 60% actual current performance reflected Business Assurance's increased workload during Quarter 3 at the same time as a reduction in staff resources.
- With regards to *IA5 Final IA reports issued within 15 working days of draft report* the Chairman commented that he believed that the relevant Executive Member should be informed at an early stage if targets were not met. Other Members felt that the Executive Member should be the final escalation point. It was agreed that Executive Members should only be alerted if satisfactory responses were not being received by Senior Managers.
- The Investigations Manager provided an update on the work of the Investigations Team in Quarter 3.
- Despite reduced staff investigation resource available for benefit fraud investigations, over £157k of overpaid benefits has been identified in quarter 3, well in excess of the target of £62,500. The Chairman questioned whether the Council received all the money identified back and was informed that not all the money was necessarily returned to the Council, as a significant proportion goes directly to central government. Payment arrangements were put in place and it could take some time for all money to be repaid. Sometimes debts were written off if repayment was considered impossible. The Committee congratulated the Investigations Team for their hard work and their success. They also commented that they were pleased to see information on the Team's successes in the local media.
- 7 sanctions were given in Quarter 3, including £1,760 in administrative penalties and a total of 52 benefit fraud investigations were completed.
- *Inv1 Value of Overpayments detected* and *Inv2 Benefit Sanctions applied* were key to the Investigations Team work and were rated green.
- *Inv 5 Benefit cases completed within 8 weeks following acceptance (except Living Together cases – see Inv6)* was rated as red. The Investigations Manager explained the reasons behind this. It was noted that delays were often outside of Officers' control. For example if people were invited to interview and did not attend this delayed the process.
- The Committee were informed that the team was currently advertising for a Senior Investigations Officer.
- The Director of Business Assurance and Democratic Services provided an update on forthcoming matters.

- Members were informed that Business Assurance was undergoing a mini restructure. Two trainee internal audit apprentices had been appointed. The Director of Business Assurance and Democratic Services highlighted that although this change increased the number of staff the recruitment of the two audit trainees would actually save the Council at least £10,000 per year in Internal Audit costs even after taking into consideration their professional training costs.
- 9 new corporate investigations were referred to the Business Assurance Investigations Team (that passed the risk assessment) and 4 corporate investigations were completed during the quarter. The Committee noted that as at 31 December 2011 there were 14 corporate investigations in progress. There were now currently four corporate investigations in progress with an additional one on hold. In discussing the corporate investigations Members asked for further details on an investigation completed in Quarter 3 relating to financial irregularities. Due to the confidential nature of the information Members were advised to move into Part 2.

RESOLVED That the Business Assurance Progress report Q3 2011/12 be noted.

74. AUDIT COMMITTEE WORK PROGRAMME 2012/13

The Committee considered the Audit Committee Work Programme 2012/13

During the discussion of this item the following points were made:

- It would be helpful to identify training beforehand. Training on Internal Audit would be held prior to the June Committee meeting. Training on the Council's financial statements would be held before the September meeting.
- The Internal Audit Strategy 2012 to 2015 programmed for the June meeting would be taken to the September or November Committee, although November was the more likely date.
- The Business Assurance Progress Report Q4 2011/12 would be incorporated into the Business Assurance Annual Report 2012/13.
- That the Internal Audit Plan Q2 2012/13 be amended to read Business Assurance Plan Q2 2012/13.
- The Annual Audit Letter would be taken to the November 2012 Committee meeting.

RESOLVED That the Audit Committee Work Programme 2012/13 be noted.

75. EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 and 2 of Part 1 of Schedule 12A of the Act (as amended) as appropriate.

76. BUSINESS ASSURANCE PROGRESS REPORT Q3 2011/12

The Committee received an update on a particular corporate investigation relating to financial irregularities.

These are the Minutes of a Meeting of the Audit Committee

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