



**WOKINGHAM  
BOROUGH COUNCIL**

**MEETING OF THE  
AUDIT COMMITTEE**

**ON**

**TUESDAY 16 JULY 2013**

**AT**

**7PM**

**AGENDA**

**Civic Offices  
Shute End  
Wokingham  
Berkshire**

**Andy Couldrick  
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

Chief Executive's Department

P. O. Box 150

Shute End, Wokingham

Berkshire RG40 1WQ

Tel: (0118) 974 6000

Fax: (0118) 979 0877

Minicom No: (0118) 977 8909

DX: 33506 - Wokingham



**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 **Tuesday 16 July 2013 at 7pm**

A handwritten signature in black ink, appearing to read 'Andy Couldrick'.

Andy Couldrick  
Chief Executive  
8 July 2013

**Members:-** Philip Mirfin (Chairman), Barrie Patman (Vice Chairman), Guy Grandison, Paul Swaddle, Alistair Auty and Beth Rowland

ITEM NO.	WARD	SUBJECT	PAGE NO.
1.00	None Specific	<b>MINUTES</b> To confirm the Minutes of the Meeting of the Committee held on 6 February 2013.	1-6
2.00	None Specific	<b>APOLOGIES</b> To receive any apologies for absence	
3.00	None Specific	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest	
4.00		<b>PUBLIC QUESTION TIME</b> 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](http://www.wokingham.gov.uk/publicquestions)

<b>5.00</b>		<b>MEMBER QUESTION TIME</b> To answer any member questions	
<b>6.00</b>	None Specific	<b>ERNST &amp; YOUNG EXTERNAL AUDIT PLAN 2012-2013</b> To receive the Ernst & Young External Audit Plan 2012-13.	<b>7-29</b>
<b>7.00</b>	None Specific	<b>PROJECT MANAGEMENT FRAMEWORK</b> To receive a report on the Project Management Framework.	<b>30-35</b>
<b>8.00</b>	None Specific	<b>TREASURY MANAGEMENT OUTTURN REPORT 2012-13</b> To consider the Treasury Management Outturn Report 2012/13.	<b>36-65</b>
<b>9.00</b>	None Specific	<b>ANNUAL GOVERNANCE STATEMENT 2012/2013</b> To consider the Annual Governance Statement 2012/2013.	<b>66-76</b>
<b>10.00</b>	None Specific	<b>BUSINESS ASSURANCE ANNUAL REPORT 2012/13</b> To consider the Business Assurance Annual Report 2012/13.	<b>77-107</b>
<b>11.00</b>	None Specific	<b>CORPORATE RISK REGISTER REFRESH – JUNE 2013</b> To consider a Corporate Risk Register Refresh.	<b>108-118</b>
<b>12.00</b>	None Specific	<b>WORK PROGRAMME 2013/14</b>  To consider the Work Programme 2013/14 and a request from the Constitution Review Working Group	<b>119-120</b>
<b>13.00</b>		<b>ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT</b> 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

If you need help in understanding this document or if you would like a copy of it in large print please contact one of our Team Support Officers.

#### **CONTACT OFFICERS**

**Madeleine  
Shopland**

**Principal Democratic Services  
Officer**

**Tel 0118 974 6319**

**Administrators**

**Tel 0118 974 6054/ 6053**

**Fax  
Email**

**0118 919 7757  
democratic.services@wokingham.gov.uk**

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON WEDNESDAY 6 FEBRUARY 2013 FROM 7PM TO 8.20PM**

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

*Also present:-*

<i>Rupert Bamberger</i>	<i>Principal Internal Auditor</i>
<i>Maria Grindley</i>	<i>Audit Director, Ernst &amp; Young</i>
<i>Julie Holland</i>	<i>Investigations Manager</i>
<i>Vicky Jackson</i>	<i>Senior Investigations Officer</i>
<i>Martin Jones</i>	<i>Planning Accountant – Corporate Finance (up to item 46)</i>
<i>Muir Laurie</i>	<i>Director of Business Assurance and Democratic Services</i>
<i>Paul Ohsan Ellis</i>	<i>Internal Audit Manager</i>
<i>Zac O’Neil</i>	<i>Senior Investigations Officer</i>
<i>Madeleine Shopland</i>	<i>Principal Democratic Services Officer</i>
<i>Rob Stubbs</i>	<i>Head of Corporate Finance</i>

**PART I**

**38. MINUTES**

The Minutes of the meeting of the Committee held on 28 November 2012 were confirmed as a correct record and signed by the Chairman.

Members were informed that the draft Business Assurance Strategy would be brought back to a future Audit Committee meeting.

**39. APOLOGIES**

There were no apologies for absence given.

**40. DECLARATION OF INTEREST**

Paul Swaddle declared a personal interest in item 46 Corporate Risk Register Refresh – February 2013 as he was Chair of the Decision Making Review Working Group referred to in Risk 25.

John Halsall declared a personal interest in item 43 External Audit Fees and Plan 2012 and item 44 Certification of Claims and Returns – Annual Report 2011/12 as he and family members had had links with Ernst & Young in the past.

**41. PUBLIC QUESTION TIME**

There were no public questions.

**42. MEMBER QUESTION TIME**

There were no Member questions.

**43. EXTERNAL AUDIT FEES AND PLAN 2012/13**

The Committee received the External Audit Fees.

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

- Ernst & Young had been the Council’s external auditors since 1 November 2012, when they had taken over from the Audit Commission.

- The proposed fee for the audit of the 2012/13 accounts was £139,750, as detailed in the letter from Ernst & Young dated 14 December 2012 which was attached to the report. The fee has been set by the Audit Commission as part of the five year procurement exercise, which was a substantial saving of £93,250 on the 2011/12 fee of £233,000 (approximately 40%).
- Members were informed that the Chairman would be meeting on a quarterly basis with Ernst and Young.
- The Chairman expressed disappointment that the External Audit Plan was not available. Maria Grindley (Ernst & Young) commented that planning normally began much earlier. However, Ernst and Young had been unable to start on the 2012/13 work prior to the transfer. The External Audit Plan would be brought to the next Audit Committee meeting.

**RESOLVED That**

- 1) the External Audit Fee of £139,750 in respect of the 2012/13 accounts be approved;
- 2) the Committee notes that the External Audit Plan will be submitted to a future meeting of Audit Committee.

**44. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2011/12**

The Head of Corporate Finance presented the Certification of Claims and Returns – Annual Report 2011/12.

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

- The Audit Commission certified four claims with a total value of £82.7m in 2011/12. None of the claims subject to certification were qualified or amended.
- The fee of £13,473 related to work undertaken by the Audit Commission. In addition there was a fee of £1,700 from Ernst & Young for the completion of audit certification. The total fee for certification work was £15,173
- The proposed fee of £9,900 for certification of 2012/13 grant claims and returns was a 27% reduction on the fee for certification of 2011/12 claims.

**RESOLVED That**

- 1) the Ernst & Young's Grants Audit Annual Certification Report 2011/12 be noted;
- 2) the proposed fee of £9,900 for the certification of grant claims and returns for 2012/13 be approved.

**45. TREASURY MANAGEMENT STRATEGY 2013/14**

Members considered the Treasury Management Strategy 2013/14.

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

- The Council was required to receive and approve, as a minimum, three main reports each year which incorporate a variety of estimates, policies and actuals. These were the Treasury Management Strategy and Prudential Indicators, the Mid Year Treasury Management report and an Annual Treasury report comparing actuals with estimates.
- The Head of Corporate Finance commented that the Director of Resources would ensure that training was provided to Members with responsibility for reviewing and scrutinising the budget. A training session would be arranged for Audit and Scrutiny members prior to September.
- Councillor Grandison whether the prospects for interest rates had made provision for unforeseen circumstances. The Head of Corporate Finance commented that the

figures had been prepared by industry specialists and that government targets had been followed.

- A number of indicators, in particular some relating to Wokingham Housing Limited and the Wokingham Town Centre were seeking an increase.
- Members received an update on the Icelandic bank situation.

**RESOLVED** That the Audit Committee recommend to Executive that the following be approved:

- 1) the capital Prudential indicators, 2013/14-2015/16;
- 2) the Borrowing Strategy 2013/14;
- 3) the Annual Investment Strategy 2013/14; and
- 4) the Treasury Indicators: limits to borrowing activity 2013/14.

#### **46. CORPORATE RISK REGISTER REFRESH – FEBRUARY 2013**

The Internal Audit Manager provided the Committee with an update on the refreshed Risk Register.

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

- The refreshed register contained two proposed new risks; Risk 24 – *Risk of challenge regarding delegated Executive decisions* and Risk 25 – *Risk that a decision regarding the changes to decision making is not reached*.
- Councillor Swaddle commented that the wording of Risks 24 and 25 was confusing. The Committee requested that the responsible Director be asked to explain and reword the risks.
- Risk 10 - *Risk that a business continuity incident occurs and the organisation fails to respond effectively* and Risk 22 - *Risk that the public health transition fails* had been closed.
- With regards to Risk 10 the Chairman asked whether suppliers were reviewed annually. The Internal Audit Manager commented that the Business Continuity Group reviewed service Business Continuity Plans. Risk 10 was included on the service register. The Chairman asked for assurance regarding the review of suppliers, annually. The Director of Business Assurance and Democratic Services stated that this could be included in the Internal Audit opinion.
- Councillor Grandison asked whether there were contingency plans in place for the Council's IT supplier. Members were assured that there was.
- Members questioned which Director was responsible for Risk 15 - *Proposed changes to council service delivery, policies or contracts become subject to Judicial Review by interest groups such as parish councils, county councils, residents groups, developers and landowners etc* and were informed that the Chief Executive was. The Committee questioned whether a Director such as the Director for Legal and Electoral Services who had more day to day responsibility for the matter, should own the risk.
- Councillor Rowland expressed concern at the number of high risks. The Internal Audit Manager indicated that Internal Audit were completing a review of the top three Council risks (Risks 7, 8 and 12) and the actions that were in place to mitigate against them. The remaining risks informed the Internal Audit Plan.
- Councillor Halsall commented that those risks which had been scored as high risks were not always raised at other meetings, such as the meeting of the Executive. Copies of the updated Corporate Risk Register were circulated to the Executive



members. The Director of Business Assurance and Democratic Services commented that the Executive lead members should discuss top risks in their areas with the Strategic Directors.

- Councillor Patman enquired about the level of awareness regarding the mitigating actions connected to the risks.
- The Committee asked that Business Assurance speak to the Strategic Directors and Executive Members and discuss their awareness of the risks and their mitigating actions and to feed back the outcome of the exercise to the Committee later in the year.

**RESOLVED** That the risks and mitigating actions of the Council's corporate risks as detailed in the Corporate Risk Register attached to the report be noted.

#### **47. BUSINESS ASSURANCE PLAN 2013/14**

The Principal Internal Auditor presented the Business Assurance Plan 2013/14.

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

- The 2013/14 Business Assurance Plan set out the high-level areas where Business Assurance expected to utilise its resources. Members were reminded that the Chief Executive, Strategic Directors and other Senior Officers would be consulted with regards to the individual reviews that make up each of the high-level categories.
- In previous years and quarters the Committee had been presented with a more detailed plan. A quarterly planning cycle behind the high-level plan would be retained so that there was the flexibility to respond to unforeseen circumstances. Councillor Halsall questioned what the Committee was being asked to approve as the plan was an overview of planned work rather than a detailed plan. The Director of Business Assurance and Democratic Services explained that the Committee was being asked to approve the overall principles and at a high level what Business Assurance would work on in 2013/14. The Principal Internal Auditor reminded Members that the scope of individual reviews would be discussed with managers and that details of specific reviews would be included in Progress Reports.
- Councillor Halsall asked whether Business Assurance would be required to amend its plan should the Executive request it to and was informed that they did not.
- 200 audit days were listed for External days sold/ Contingency. The Chairman asked how many days were going to be sold and was told that the estimate was 150 days, the remainder being contingency. The Committee noted that Business Assurance was now selling its audit services across four counties and congratulated them on their success.
- In response to a question as to what proportion of the 1400 audit days was dedicated to statutory work and what proportion was dedicated to discretionary work, the Director of Business Assurance and Democratic Services stated that a lot of the work was statutory but it was difficult to break down.

**RESOLVED** That the proposed Business Assurance Plan for 2013/14 be approved.

#### **48. INTERNAL AUDIT 2011-12 RECOMMENDATIONS FOLLOW-UP REPORT**

The Committee considered the Internal Audit 2011-12 Recommendations Follow up Report.

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

- In the 2011/12 audit year, Internal Audit raised 221 recommendations which had been subject to follow-up. Internal Audit did not complete a detailed follow-up of the 54 low priority recommendations due to its risk based approach.
- 82% of recommendations had been verified as fully implemented.
- 22 recommendations had not been fully implemented but management had requested more time to implement them.
- The Internal Audit Manager provided an updated position on the Project Management recommendations.
- The Chairman suggested that a letter be sent from him to those managers who still had outstanding recommendations asking them to implement the recommendation within three months of the Committee meeting or explain at the next Committee meeting why the recommendation remained outstanding. The majority of Members agreed with this proposal.

**RESOLVED** That the outcome of Business Assurance activity in following-up the 2011/12 Internal Audit recommendations and the residual risks that the Council is exposed to be noted.

#### **49. BUSINESS ASSURANCE PROGRESS REPORT**

The Director of Business Assurance and Democratic Services and Investigations Manager presented the Business Assurance Progress report to the Committee.

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

- The report detailed the main findings arising from the Business Assurance work completed in the period 27 October 2012 to 11 January 2013.
- There were no nil assurance IA reports issued during the period and only one limited assurance report issued, which related to Children's Centres –Data Quality.
- The Investigations Manager indicated that KPI – Benefits Overpayment was now back on target.
- KPI 6 – Sanctions Applied was underperforming. From 1 April 2012 to 11 January 2013 a total of 17 sanctions had been applied, against a target of 24. The Investigations Manager explained that this was for a number of reasons including lack of resources due to a staff vacancy between April and July and 86 audit days of work being carried out on behalf of Oxfordshire County Council. In addition two prosecutions cases had been prepared and the subject of the case could no longer be traced.
- In response to a query regarding Optalis, Members were notified that Optalis had had 12 Internal Audit recommendations from 2011/12 to follow-up. Further to the initial results of this work it had been agreed with the Strategic Director of Resources and Optalis that a further audit would be carried out by Business Assurance. This audit was now underway and the key findings would be reported to the Committee once finalised. The Chairman asked that the Committee be provided with assurance regarding the governance arrangements of the local authority trading companies bi-annually.

**RESOLVED** That the Business Assurance Progress report be noted.

#### **50. 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 items of business on the grounds that they

involve the likely disclosure of exempt information as defined in Paragraphs 1,2 and 7 Part 1 of Schedule 12A of the Act (as amended) as appropriate

**51. VERBAL UPDATE ON INVESTIGATIONS**

The Committee received an update regarding current investigations.

**RESOLVED** That the update on investigations be noted.

*These are the Minutes of a Meeting of the Audit Committee*

*If you need help in understanding this document or if you would like a copy of it in large print please contact one of our Team Support Officers.*