

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON WEDNESDAY 24 JULY 2013 FROM 7.30PM TO 8.30PM**

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

Also present:-

<i>Mark Catlow</i>	<i>Senior Manager, Ernst & Young</i>
<i>Julie Holland</i>	<i>Interim Head of Business Assurance and Democratic Services</i>
<i>Vicky Jackson</i>	<i>Senior Investigations Officer</i>
<i>Martin Jones</i>	<i>Planning Accountant – Corporate Finance (until item 8)</i>
<i>Andrew Moulton</i>	<i>Director of Transformation</i>
<i>Paul Ohsan Ellis</i>	<i>Internal Audit Manager</i>
<i>Madeleine Shopland</i>	<i>Principal Democratic Services Officer</i>
<i>Rob Stubbs</i>	<i>Head of Corporate Finance (until item 8)</i>
<i>Adam Swain</i>	<i>Executive, Ernst & Young</i>

PART I

1. MINUTES

The Minutes of the meeting of the Committee held on 6 February 2013 were confirmed as a correct record and signed by the Chairman.

Councillor Rowland questioned when the Committee would receive an assurance report regarding Optalis and was informed that follow up work had been carried out regarding the company's financial controls. An update on work already carried out was included in the Business Assurance Annual Report and further updates would be provided in future.

2. APOLOGIES

An apology for absence was submitted from Alistair Auty.

3. DECLARATION OF INTEREST

There were no declarations of interest made.

4. PUBLIC QUESTION TIME

There were no public questions received.

5. MEMBER QUESTION TIME

There were no Member questions received.

6. ERNST & YOUNG EXTERNAL AUDIT ANNUAL AUDIT PLAN 2012/13

Members received the Ernst & Young External Audit Plan 2012-2013.

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

- The Senior Manager, Ernst & Young, indicated that it was the first year that Ernst & Young had been appointed the Council's auditors and that the scope of the audit had not changed since the previous year.
- The Plan set out the external audit work Ernst & Young proposed to undertake for the audit of financial statements for 2012/13 and outlined the focus of Ernst & Young's work that needed to be carried out to enable a Value for Money Conclusion to be reached.

- Members were pleased to note that the audit fee had reduced by 40% on the previous year. The Senior Manager, Ernst & Young commented that five years ago the process regarding value for money and use of resources had been much more onerous and that work had been scaled back. It was a five year contract on a fixed fee.
- One significant risk to the audit opinion had been identified; Group account preparation. Three other risks which were sufficiently important had also been identified; misstatement due to fraud and error, financial outlook and impact on services and Strategic Direction. The Committee would be updated on the results of work in these areas in September 2013.
- The Committee was informed that for the first year, Ernst & Young would require a full suite of assurance from Hazlewoods LLP, with regards to the audit of the group financial statements.
- There were no breaches of ethical standards which needed to be brought to the Committee's attention.

RESOLVED That the Ernst & Young External Audit Plan for 2012/13 be approved.

7. PROJECT MANAGEMENT FRAMEWORK

The Director of Transformation presented an update on Project Management to the Committee.

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

- PRINCE2 (Projects in Controlled Environments) was used by the Council as a framework for managing major projects. The Audit Committee had previously noted that not all major projects had been run in accordance with an agreed methodology and that, as a consequence, risks within projects might not be adequately managed.
- The report clarified the project methodology in use for Major Project work and detailed the minimum requirements expected. The Committee noted the minimum requirements for Major Projects.
- The Director of Transformation commented that there was no one definition of a major project and drew Members' attention to the likely features of a major project. The Corporate Leadership Team owned the major projects list and decided on a case by case basis which projects were Major Projects.
- Members received information regarding methodology.
- The Committee discussed key roles and responsibilities. Every major project had a project sponsor who was either a Strategic Director or a senior Officer. Project management was a key role. There was a team across the Council who were qualified to deliver a qualified, compliant project management approach.
- A behavioural and competency training programme to complement existing PRINCE2 skills based training was being developed.
- All new major projects commencing post 1 August 2013 would meet the minimum standards.
- Councillor Patman commented that he was pleased to see the Council using PRINCE2. He went on to question what process was used for projects that were just below Major Projects. The Director of Transformation commented that Major Projects were given higher priority.
- The Chairman asked what projects were Major Projects and was informed that they were externally facing projects, such as the Wokingham Town regeneration and the building of the station link road and internal facing projects such as SMART working. The Director of Transformation offered to bring a report to the Committee on other projects.

- The Chairman requested that the Committee receive a list of projects and where they were currently.
- Councillor Patman asked whether a 'mini' PRINCE2 was used for non Major Projects so that should projects then become Major Projects, project documentation did not have to be significantly rewritten. He was informed that a cut down version of PRINCE2 was used and these projects were monitored by the Corporate Leadership Team.
- The Chairman commented that he would have expected to see information regarding risks understood and costs mitigated for each project. He also questioned how the achievement of the project objectives was measured. The Director of Transformation indicated that a final document regarding lessons learnt was produced. Councillor Swaddle stated that carrying out evaluations at the end of project was too late. The Director of Transformation clarified that PRINCE2 requires a business case and continuous checking throughout the life of a project.

RESOLVED That the Project Management Update be noted.

8. TREASURY MANAGEMENT ANNUAL REPORT 2012/13

The Committee received the Treasury Management Annual Report 2012/13 which was a requirement of the Council's reporting procedures. The report detailed the treasury activity during 2012/13 and the actual Prudential Indicators for 2012/13

During the discussion of this item the following made;

- Members were informed that the Council had complied with its Treasury Management Strategy and the prudential indicators that were set in February 2012.
- Sector had been invited to provide training to the Audit Committee and Overview and Scrutiny Management Committee on 24 September.
- As at 31st March 2013, the Non- HRA external debt was £46,464m which had had no movement since 31st March 2012. The HRA External Debt as at 31st March 2013 was £87,718m. Again, this had had no movements since 31st March 2012.
- In 2012/13, debt had not increased as the Council had used internal funds at a cost of approximately 0.8% as compared to nearer 4% from borrowing with the Public Works Loan board (PWLb).
- Growth had remained almost flat and the Bank of England rate remained at 0.5%.
- With regards to the Icelandic Investments as of 31st March 2013 the Council had received £3.265m of the £5m invested. By December 2019 the Council expects to recover £4.769m of the original investment.
- The Committee commented that the report was well presented and easy to read and thanked the Planning Accountant – Corporate Finance.

RESOLVED That:

- 1) The treasury management annual report for 2012/13 be noted;
- 2) The actual 2012/13 prudential indicators within the report be noted.

9. ANNUAL GOVERNANCE STATEMENT 2012/13

The Committee considered the Annual Governance Statement (AGS) 2012/13 which was presented by the Director of Transformation. The AGS had been produced by the Corporate Governance Group following consideration of a number of Management Assurance Statements (MAS) produced by the Council's five Strategic Directors, three Directors and one Head of Department. Assurance Statements had also been received by the Council's major contractors, including Optalis, WSP, Wokingham Housing Ltd and

Wokingham Enterprises Ltd. Management Assurance Statements completed for 2012/13 had been signed by the relevant Strategic Director/Director and Executive Lead Member to provide accountability and assurance to the Chief Executive and Leader of the Council, who are legally required to sign the AGS once it had been approved by the Audit Committee.

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

- The AGS covered the following key aspects of the governance environment in place at the Council during 2012/13: establishing and monitoring the achievement of the Council's objectives, facilitation of Policy and Decision-making, Financial Management, Performance Management and Risk Management.
- Five corporate risk and issues had been identified. These related to the golden thread which connects SMART objectives with the Council's corporate planning framework to individual objectives and appraisals being under-developed, a significant information security breach related to the unauthorised disposal of sensitive data during the office moves in Children's Services, financial pressures representing a challenge to the Council's operations, working relations between Members and Officers and a Council wide major ICT incident earlier in the year. The Director of Transformation clarified that with regards to 5.2.2 the word 'disclosure' should read 'disposal.'
- The Chairman requested further information regarding the unauthorised disposal of sensitive data incident. The Interim Head of Business Assurance and Democratic Services clarified that during an office move contractors had incorrectly disposed of a cabinet containing confidential Children's Services data. The information had been retrieved and no information had been lost or disclosed. The incident had been reported to the Information Commissioner who had concluded that Wokingham Borough Council were not accountable. No further action was required.
- The AGS also detailed service risks which had been identified by the individual service management statements. External service risks were also outlined.
- Overall the Council's internal controls were considered to be robust.

RESOLVED That the draft Annual Governance Statement be approved on behalf of the Council, prior to it being signed by the Leader of the Council and the Chief Executive and included in the final Statement of Accounts.

10. BUSINESS ASSURANCE ANNUAL REPORT 2012/13

Members examined the Business Assurance Annual Report 2012/13 which was presented by the Interim Head of Business Assurance and Democratic Services. The report detailed the Head of Internal Audit's opinion on the Council's governance, risk management and internal control.

During the discussion of the item the following points were made;

- The Head of Internal Audit's opinion was unqualified and provided reasonable assurance over the internal control environment in operation.
- The Interim Head of Business Assurance and Democratic Services drew Members' attention to the significant control weaknesses identified. There had been reasonably few significant control weaknesses identified during 2012/13.
- The Committee would receive an update at its September meeting regarding the lessons which had been learnt following the major ICT failure earlier in the year. Assurance would be provided regarding the infrastructure improvements. The outcome of the ICT audit would be taken to the Overview and Scrutiny Management Committee meeting in September.

- Members were informed that the controls surrounding the Council's key financial systems remained strong. However, there would be significant change with the move from the WISE software to the WISER system. An audit and testing would be carried out, most likely in September.
- During the 2012/13 financial year, there had been three limited assurance and no nil assurance Internal Audit opinions out of a total of 33 Internal Audit assurance reports.
- It was noted that the overall Governance arrangements had been assessed by Internal Audit as reasonable.
- Councillor Grandison congratulated the Investigations Team on the achievement of KPI 5 'Benefit Overpayments.'
- It was noted that the Chief Executive has requested that high level assurance was aligned to the Council's Corporate Risk Register. The Internal Audit Manager explained that the top six risks would have reviews dedicated to them. These key risks reviews would provide deep dives into the Council's key risks and provide significant assurance on the effectiveness of the management of the Council's key risks. In response to a question regarding major projects the Internal Audit Manager clarified that a separate piece of work would look at the governance arrangements of major projects. The Committee requested that they receive these results of these. They were informed that the major project governance review would be a single piece of work whilst the risk reviews would be a number of different pieces of work.

RESOLVED That the Business Assurance Annual Report 2012/13 be noted.

11. CORPORATE RISK REGISTER REFRESH

The Director of Transformation presented the Corporate Register Refresh.

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

- There was one new risk, Risk 26 *'The Change and Improvement process impacts the delivery of existing operations and the transition to new service delivery is ineffective.'*
- Two risks had been removed from the register. Risk 24 *'Risk of challenge regarding delegated Executive decisions'* had been removed because this was monitored on the Shared Legal Services service risk register and non-compliance was an operational risk owned by the service. Risk 25 *'Risk that a decision regarding the changes to decision making is not reached'* had been removed due to the fact that changes to the decision making process would not be made until the next Council year. Councillor Swaddle questioned whether this should have been included as a risk.
- Risk 2 *'Risk of inadequate infrastructure and capacity, along with the associated effect on learning and achievement. Risk of excess provision created by the creation of academies and free schools'* and Risk 8 *'There is a risk of failure to safeguard vulnerable adults, either through systematic failure of duty of care, or an individual failure leading to the serious harm or death of a vulnerable adult'* had been reworded. Councillor Rowland requested further clarification of Risk 2.

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

12. WORK PROGRAMME 2013/14

The Committee considered the Work Programme 2013/14.

The Interim Head of Business Assurance and Democratic Services commented that the Committee would receive a report on the ICT service and the accelerated upgrade process

at its September meeting to provide assurance that improvements were being made following the system failure earlier in the year.

The Committee discussed when an Audit Committee effectiveness refresh survey should take place and agreed that it should be carried out in September. Face to face interviews could be used if required.

RESOLVED That the Work Programme 2013/14 be noted.

13. LEGISLATIVE CHANGES TO THE WHISTLEBLOWING POLICY – 25 JUNE 2013

The Committee received a report which outlined proposed amendments to the Council's Whistleblowing Policy which were necessary as a result of to the legislation governing Whistleblowing (Public Interest Disclosure Act 1998) by the Enterprise and Regulatory Reform Act 2013 (the ERRA).

RESOLVED That proposed amendments to the Whistleblowing Policy be recommended to Council for approval and inclusion in the Council's Constitution, via the Constitution Review Working Group.

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.