



**WOKINGHAM  
BOROUGH COUNCIL**

**MEETING OF THE  
AUDIT COMMITTEE**

**ON**

**WEDNESDAY 27 NOVEMBER 2013**

**AT**

**7.30PM**

**AGENDA**

**UNCLASSIFIED**

**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**

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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 **Wednesday 27 November 2013 at 7.30pm**

Andy Couldrick  
Chief Executive  
19 November 2013

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

ITEM NO.	WARD	SUBJECT	PAGE NO.
29.00	None Specific	<b>MINUTES</b> To confirm the Minutes of the Meeting of the Committee held on 25 September 2013	1-5
30.00	None Specific	<b>APOLOGIES</b> To receive any apologies for absence	
31.00	None Specific	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest	
32.00		<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>33.00</b>		<b>MEMBER QUESTION TIME</b> To answer any member questions	
<b>34.00</b>	None Specific	<b>ANNUAL AUDIT LETTER 2012/13</b> To receive the Annual Audit Letter 2013/13.	<b>6-16</b>
<b>35.00</b>	None Specific	<b>CORPORATE RISK REGISTER REFRESH – OCTOBER 2013</b> To receive the Corporate Risk Register Refresh October 2013.	<b>17-29</b>
<b>36.00</b>	None Specific	<b>TREASURY MANAGEMENT MID-YEAR REPORT 2013/14</b> To receive the Treasury Management Mid Year Report 2013/14.	<b>30-58</b>
<b>37.00</b>	None Specific	<b>BUSINESS ASSURANCE PROGRESS REPORT</b> To receive the Business Assurance Progress Report.	<b>59-77</b>
<b>38.00</b>	None Specific	<b>RETROSPECTIVE PURCHASE ORDERS</b> To receive a report regarding Retrospective Purchase Orders.	<b>78-79</b>
<b>39.00</b>	None Specific	<b>PRE SIGNED CHEQUES</b> To receive a report regarding pre signed cheques.	<b>80-81</b>
<b>40.00</b>	None Specific	<b>WORK PROGRAMME 2013/14</b> To consider the Work Programme 2013/14.	<b>82-83</b>
<b>41.00</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

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**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON WEDNESDAY 25 SEPTEMBER 2013 FROM 7PM TO 8:45PM**

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

*Also present:-*

<i>Rupert Bamberger</i>	<i>Principal Internal Auditor</i>
<i>Andy Couldrick</i>	<i>Chief Executive (until item 23)</i>
<i>Maria Grindley</i>	<i>Audit Director, Ernst &amp; Young</i>
<i>Julie Holland</i>	<i>Interim Head of Business Assurance and Democratic Services</i>
<i>Mike Ibbitson</i>	<i>Joint Head of IMT/ICT Manager (for item 27)</i>
<i>Vicky Jackson</i>	<i>Senior Investigations Officer</i>
<i>Stephen McGrail</i>	<i>Interim Group Finance Manager (until item 21)</i>
<i>Stephen Murtagh</i>	<i>Internal Auditor</i>
<i>Debra Palmer</i>	<i>Senior Financial Accountant (until item 21)</i>
<i>Madeleine Shopland</i>	<i>Principal Democratic Services Officer</i>
<i>Rob Stubbs</i>	<i>Head of Finance</i>
<i>Adam Swain</i>	<i>Executive, Ernst &amp; Young</i>

**PART I**

**14. MINUTES**

The Minutes of the meeting of the Committee held on 24 July 2013 were confirmed as a correct record and signed by the Chairman.

**15. APOLOGIES**

An apology for absence was submitted from Alistair Auty.

**16. DECLARATION OF INTEREST**

Guy Grandison declared a prejudicial interest in Item 28 ICT Services on the grounds that his company serviced the area covered.

He indicated that he would step down from the Committee and leave the room during the discussion and decision making.

Paul Swaddle declared a personal interest in Item 22 Corporate Risk Register Refresh August 2013 as he chaired the Decision Making Review Working Party which was mentioned in Risk 25.

**17. PUBLIC QUESTION TIME**

There were no public questions

**18. MEMBER QUESTION TIME**

There were no Member questions

**19. ERNST AND YOUNG AUDIT RESULTS REPORT 31 MARCH 2013**

Maria Grindley, Audit Director, Ernst & Young presented the Ernst and Young Audit Results Report 31 March 2013 which set out the findings from the 2012/13 external audit which was substantially complete.

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

- The Audit Director, Ernst and Young credited the Finance Team for their good work.
- Subject to the Committee's approval of the Financial Statements the Audit Director, Ernst and Young was prepared to issue an unqualified opinion on the Financial Statements.
- With regards to Value for Money the Audit Director, Ernst and Young expected to conclude that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- The Committee noted the audit risks set out in Ernst and Young's Audit Plan; Preparation of Group Accounts and Risk of misstatement due to fraud and error. They were informed that the consolidated accounts appeared materially sound and that no issues relating to misstatement due to fraud or error had been identified. The Risk of misstatement due to fraud and error was a generic risk assigned to many local authorities.
- With regards to assurance gained and issues arising in relation to potential Risk of misstatement due to fraud and error, it was noted that the Council completed the Audit Commissions National Fraud Initiative survey which required an assessment of how much work had been performed on the NFI data. The Council had been rated a red risk due to the limited progress that had been made at the time of the survey. Julie Holland indicated that the Council participated in the NFI every two years and historically it had been of limited use. Resources had been put where there were quality referrals. However, there was now a trainee Investigations Officer in place, the Council was pushing forward with data matches and a significant action plan was in place.
- With regards to Internal Control, Members expressed concern that Internal Audit had found that for 12 out of a sample of 25 transactions tested, the purchase order was raised retrospectively upon receipt of the invoice. Rupert Bamberger, Principal Internal Auditor explained that a creditors audit was carried out annually. The introduction of the WISER system in the future would update the processes. An update would be brought to the next meeting in November. Councillor Rowland questioned whether it was always the same departments who were raising purchase orders retrospectively.

**RESOLVED** That the EY Audit Results Report 31 March 2013 be noted.

## **20. FINANCIAL STATEMENTS 2011/12.**

Stephen McGrail, Interim Group Finance Manager presented the Financial Statements to the Committee.

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

- The deficit on the provision of services, including the Housing Revenue Account (HRA) was £1.128m which, after the required adjustments (including capital financing and other statutory largely non cash adjustments) becomes a surplus of £673,000 on the General Fund and £354,000 for the HRA.
- The General Fund balance at 31 March 2013 was £9.916m and the HRA balance was £1.627m.
- The Housing Revenue Account (HRA) surplus was £1.3m and was largely the result of an increase in rental income of £0.8m and a £0.3m surplus on the sale of HRA assets.
- The Council had underspent its budget by £970,000 after carry forward requests.
- School balances had decreased to £5.6m at 31 March 2013 from £6.5m the previous year. The Dedicated Schools Grant central reserve decreased during the year to £1.5m at 31 March 2013.

- Members noted that the Collection Fund had incurred a deficit of £180,000 in year. This deficit would be recovered from the major precepting authorities as part of the 2014/15 budget setting process. The Head of Finance clarified that the major precepting authorities included the Fire and Police Services but not Town and Parish Councils. He also clarified that the deficit did not mean an increase in council tax.
- Some of the key issues that had impacted upon the financial statements in 2012/13 were highlighted. It was noted that it was the third time the Council had had to prepare Group Financial statements to account for its interests in Wokingham Housing Ltd, Wokingham Enterprises Ltd (WEL) and Optalis Ltd, subsidiary companies of the Council. With regards to the Icelandic banks the final Heritable bank repayments were expected in late 2013/early14. The full repayment from Landsbanki would be received by 2019. Members were informed that long term borrowing had reduced to £132.1m at 31 March 2013 from £134.8m the previous year due to reclassification of the £2.7m loan to short term.

**RESOLVED** That the Financial Statements for 2012/13 be approved.

## **21. BUSINESS ASSURANCE PROGRESS REPORT**

Members considered the Business Assurance Progress Report which covered Quarter 1 April-June 2013.

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

- Members were informed that Stephen Murtagh, Internal Auditor would be carrying out an audit on the effectiveness of the Audit Committee.
- The Committee thanked Rupert Bamberger, Principal Internal Auditor for his hard work and wished him well for the future as it was his last Committee meeting.
- Internal Audit activity had focused on work to support the Renaissance/Change and Improvement process.
- A large amount of residual work from 2012/13 had also been completed during Quarter 1 and the majority was now finalised.
- Whilst audit days had been sold externally there was now a need to focus on the internal audit plan.
- Julie Holland, Interim Head of Business Assurance and Democratic Services informed the Committee of a potential change regarding the Department of Works and Pensions, Her Majesty's Revenue and Customs and local authority Investigations Teams and the undertaking of council tax and housing benefits investigations. An update will be brought to Audit Committee when more information is available.
- The Committee was pleased to note that the Investigations team had significantly exceeded the Benefits Overpayment target. Between 1 April 2013 and 30 June 2013 a total of £193,276.39 of overpaid benefits had been identified, against the Q1 target of £50,000.
- Between 1 April 2013 and 30 June 2013 there had been four sanctions, including one successful prosecution for benefit fraud.
- A new KPI, KPI 6 – Net value of Proactive work, had been introduced.
- KPI 7 – Sanctions Applied, was underperforming. The focus would continue to be on proactive work.

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



## **22. CORPORATE RISK REGISTER REFRESH – AUGUST 2013**

The Chief Executive presented the Corporate Risk Register refresh – August 2013.

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

- The top 6 corporate risks would be subject to audit scrutiny.
- One new risk had been added to the register; Risk 27 '*Risk of failure of health and/or Social Care system,*' which was a risk due to the combination of increased demand due to demographic pressure, together with actual reductions in health and social care budgets.
- Risk 2 '*Inability to match supply and demand for school places*' had been updated to give greater clarity following delivery of 13/14 and 14/15 School places.
- Risk 25 which related to the Decision Making Review Working Party; '*Risk that a decision regarding the changes to decision making is not reached*' had been re-included in the Corporate Risk Register. Councillor Swaddle suggested that the risk be reworded as the risk now related to the implementation of any decision made.
- Another risk had been proposed for inclusion on the Corporate Risk Register, the risk of the Council having financial responsibility for adult social care funding due to a cap for self-funding of £72,000 being introduced in 2016, as part of the Care Reform Bill. However, the Corporate Leadership Team had decided that this was overall a financial risk and would be covered with other financial risks in the Medium Term Financial Plan.

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

## **23. BUSINESS ASSURANCE INTERNAL AUDIT CHARTER**

The Interim Head of Business Assurance and Democratic Services presented the Business Assurance Internal Audit Charter.

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

- The Business Assurance Internal Audit Charter was reviewed annually.
- The changes made from last year's Charter reflected the UK Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013.

**RESOLVED** That the Business Assurance Internal Audit Charter be approved.

## **24. LEGISLATIVE CHANGES TO PROSECUTION AND SANCTIONS POLICY DUE TO THE INTRODUCTION OF THE COUNCIL TAX REDUCTION SCHEME**

Vicky Jackson, Senior investigations Officer presented a report regarding legislative changes to the Prosecution and Sanctions Policies due to the introduction of the Council Tax reduction scheme.

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

- Members were informed that Council Tax Benefit had been replaced by the Council Tax Reduction Scheme 2013 on 1 April 2013. Shared Legal Solutions had offered guidance on the associated Regulations and changes to the Prosecution and Sanctions Policy which were set out in the Council's Constitution, had been proposed to reflect the legislative changes.
- The offences that had been identified were false representations in order to obtain a reduction and failure to notify a change in circumstance.

- Regulation 11 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 detailed penalties which could be given as an alternative to prosecution.

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

## **25. WORK PROGRAMME 2013/14**

The Committee considered the Work Programme 2013/14.

During the discussion this item the following points were made:

- Members were reminded that there would be Treasury Management training for the Audit Committee, the Overview and Scrutiny Management Committee and the Corporate Services Overview and Scrutiny Committee prior to the November Audit Committee meeting.
- The Committee requested an update on the follow up work carried out by Internal Audit regarding purchase orders and a current picture of where things were.
- The Chairman requested that the Director of Resources be invited to the February meeting to present the Treasury Management Strategy 2014/15.

**RESOLVED** That the Work Programme be noted.

## **26. 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 Paragraph 3 Part 1 of Schedule 12A of the Act (as amended) as appropriate

## **27. ICT SERVICES**

Guy Grandison, having declared a prejudicial interest in this item, left the meeting room.

The Committee received an update on the ICT Services.

**RESOLVED** That the update on the ICT Services be noted.

Guy Grandison returned to the meeting.

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

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