

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON WEDNESDAY 27 NOVEMBER FROM 7.30PM TO 8.25PM**

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

*Also present:-*

<i>Mark Catlow</i>	<i>Senior Manager, Ernst &amp; Young</i>
<i>Graham Ebers</i>	<i>Strategic Director Resources</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 36)</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>

**PART I**

**28. MINUTES**

The Minutes of the meeting of the Committee held on 25 September 2013 were confirmed as a correct record subject to the amendment of 'step down to 'step out' and signed by the Chairman.

**29. APOLOGIES**

There were no apologies for absence received.

**30. DECLARATION OF INTEREST**

There were no declarations of interest made.

**31. PUBLIC QUESTION TIME**

There were no public questions

**32. MEMBER QUESTION TIME**

There were no Member questions

**33. ANNUAL AUDIT LETTER 2012/13**

Mark Catlow, Senior Manager, Ernst & Young presented the Annual Audit Letter 2012/13.

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

- The letter summarised Ernst & Young's 2012/13 audit of Wokingham Borough Council.
- An unqualified opinion on the financial statements for the year ending 31st March 2013 had been issued.
- Ernst and Young had concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
- No action had been taken by External Audit under the Audit Commission Act 1998 in respect of the audit of the 2012/13 financial statements.

**RESOLVED** That the Annual Audit Letter 2012/13 be noted.

#### **34. CORPORATE RISK REGISTER REFRESH – OCTOBER 2013**

The Strategic Director Resources presented the Corporate Risk Register refresh – October 2013 to the Committee.

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

- Risk 18 *Risk of a significant fine and reputational damage due to loss of confidential / sensitive data* had been updated to reflect the lowering of the likelihood score as four of the mitigating actions had become embedded and were therefore existing controls to mitigate the risk. These were the implementation of the document marking scheme, introduction of Wokingham Secure Mail, staff training and the recruitment of an Information Security Officer.
- The Committee discussed the Council's compliance with secure mail. The Strategic Director Resources confirmed that the Council had been inspected and signed off as compliant for the forthcoming year. The threshold for the next inspection would be higher and it was important that the Council kept on top of the retention of documents, both electronic and hard copy and secure emails.
- Risk 7 *Risk of serious or significant harm to a vulnerable child or young person with whom the Council is working* had been updated to reflect the lowering of the likelihood score. It was felt that in light of the current arrangements, mitigation in place and relative to other corporate risks that the likelihood should be moderate rather than significant.
- The risk score for Risk 25 *Risk that a decision regarding the changes to decision making is not reached* had been amended to low.

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

#### **35. TREASURY MANAGEMENT MID-YEAR REPORT 2013/14**

The Committee received the Treasury Management Mid Year Report 0213/14.

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

- The Committee thanked the Planning Accountant – Corporate Finance for producing the report.
- The Strategic Director Resources informed the Committee that the Council was using internal balances as much as it could as opposed to borrowing.
- The Council was risk aware in its investments.
- Councillor Mirfin asked where balance was achieved and was informed that the Council tried to look as far ahead as possible. A review was carried out at least annually.

**RESOLVED** That

- 1) the mid-year Treasury Management report for 2013/14 be noted;
- 2) the actual 2013/14 prudential indicators within the report be noted;.
- 3) the report be recommended to Council for approval

#### **36. BUSINESS ASSURANCE PROGRESS REPORT**

Members considered the Business Assurance Progress Report which detailed the Business Assurance Activity between the 1 July 2013 and 30 September 2013.

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

- During this period the team had carried out a lot of benchmarking work and work on behalf of external clients.
- With regards to the Single Fraud Investigation Service, no update had been received from the Department of Work and Pensions (DWP).
- The Committee was pleased to note that the Investigations team had already met the full year benefits overpayment target. Between 1 July 2013 and 30 September 2013 a total of £78,732.43 of overpaid benefits had been identified. In total £274,225.43 in overpaid benefits had been identified against the year to date target of £100,000.
- Whilst the Investigations team continued to investigate benefit fraud, the team's resources were primarily focused on other areas. Work was being undertaken with the Council Tax and Housing Benefit teams on proactive drives.
- From 1 July 2013 to 30 September 2013 a total of 5 sanctions, including one prosecution were applied, against the Q2 target of 6. Members were also informed of a further successful recent prosecution.
- Andrew Moulton explained that as part of his new role as Head of Governance and Improvement he would have responsibility for Business Assurance.

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

### **37. RETROSPECTIVE PURCHASE ORDERS**

The Internal Audit Manager updated the Committee on retrospective purchase orders.

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

- The Committee had expressed concern that the 2012/13 Creditors Internal audit report had highlighted a large number of retrospective Purchase Orders raised during sample testing and had asked for further information. The findings had identified that there were 12 instances where purchase orders were raised retrospectively from a sample of 25.
- Internal Audit had carried out an indicative high level analytical review to ascertain whether there were any particular areas of the Council where there was poor performance. The results indicated that this was a systemic issue with no areas of the Council being significantly better or worse than others.
- It was noted that action on monitoring the number of retrospective purchase orders was part of the procurement project Mastering Procurement. The results of this work had been fed into process changes that would be implemented once WISER went live. It was hoped that this would significantly strengthen the controls around Purchase Orders.
- All the purchase orders considered as part of the review had been approved although some of these may have been retrospectively. Councillor Swaddle questioned if in some cases purchase orders had been approved because the money had already been spent.
- The Internal Audit Manager commented that there were some invoices which did not have a purchase order against them.
- Members questioned whether further training across the Council was required.
- Councillor Mirfin asked whether the review would be followed up in several months time and was informed that a creditors' review would be carried out and some controls may be embedded as part of a wider review.

- The Internal Audit Manager indicated that he would feed back the value of the purchase orders considered as part of the review.
- The Strategic Director Resources emphasised that it was partly a behavioural and cultural issue and it was important to take the right approach. This would be part of the broader Mastering Procurement project. The Committee should see a sizeable change in the number of retrospective purchase orders by their next meeting.
- The Committee requested an update on the number of retrospective purchase orders at their next meeting. Councillor Swaddle requested that the Committee receive information on the number of retrospective orders and targets at future meetings.

**RESOLVED** That the information on Retrospective Purchase Orders be noted.

### **38. PRE SIGNED CHEQUES**

The Committee received information regarding pre signed cheques.

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

- The Constitution Review Working Group had requested that Internal Audit examine the current controls in place in relation to payments using pre-signed cheques; in particular their countersigning, authorisation and risk to potential fraud.
- All payments received electronic authorisation by a valid budget manager.
- Internal Audit had concluded that the authorisation of payments through WISE was robust and acted as an effective control to minimise the risk of fraudulent cheque payments. A couple of recommendations had been made to managers to strengthen the process further.
- Councillor Rowland expressed surprise that the Council still used cheques to pay some suppliers. The Committee felt that more could be done to encourage suppliers to be paid by bank transfer. Councillor Swaddle commented that paying by cheque cost both the Council and the supplier, more than paying by bank transfer.
- Councillor Mirfin suggested that those suppliers who were paid by cheque be written to and their bank details requested. The Committee requested a further update at its February meeting.

**RESOLVED** That the information on Pre-signed Cheques be noted and reported back to the Constitution Review Working Group.

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

Members discussed the Work Programme 2013/14.

- It was agreed that training on Internal Audit be held immediately prior to the February Committee meeting and that all Members should be invited.
- The Senior Investigations Officer suggested that the first training session of the new municipal year be on risk management. It was noted that Internal Audit was looking at the top five corporate risks.
- A further update on suppliers paid by cheque was requested for the Tuesday 4 February Committee meeting.

**RESOLVED** That the Work Programme 2013/14 be noted.

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

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