



**WOKINGHAM
BOROUGH COUNCIL**

**MEETING OF THE
AUDIT COMMITTEE**

ON

TUESDAY 4 FEBRUARY 2014

AT

7PM

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

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 4 February 2014 at 7pm**

Andy Couldrick
Chief Executive
27 January 2014

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

ITEM NO.	WARD	SUBJECT	PAGE NO.
42.00	None Specific	MINUTES To confirm the Minutes of the Meeting of the Committee held on 27 November 2013.	1-5
43.00	None Specific	APOLOGIES To receive any apologies for absence	
44.00	None Specific	DECLARATIONS OF INTEREST To receive any declarations of interest	
45.00		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

46.00		MEMBER QUESTION TIME To answer any member questions	
47.00	None Specific	CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2012-13 To receive the Certification of Claims and Returns – Annual Report 2012-13.	6-16
48.00	None Specific	EXTERNAL AUDIT FEES 2013/14 To receive the External Audit Fees 2013/14	17-18
49.00	None Specific	TREASURY MANAGEMENT STRATEGY 2014/15 To receive the Treasury Management Strategy 2014/15	19-33
50.00	None Specific	ENTERPRISE RISK MANAGEMENT POLICY AND GUIDANCE REVIEW To review the Enterprise Risk Management Policy and Guidance	34-62
51.00	None Specific	CORPORATE RISK REGISTER UPDATE – FEBRUARY 2014 To receive the Corporate Risk Register Update – February 2014	63-75
52.00	None Specific	INTERNAL AUDIT AND INVESTIGATIONS PLAN 2014/15 To receive the Internal Audit and Investigations Plan 2014/15	76-89
53.00	None Specific	INTERNAL AUDIT FOLLOW UP REPORT To consider the Internal Audit 2012-13 recommendations follow up report	90-95
54.00	None Specific	BUSINESS ASSURANCE PROGRESS REPORT To receive the Business Assurance Progress Report	96-116
55.00	None Specific	PRE SIGNED CHEQUES To receive an update on pre signed cheques	117-120
56.00	None Specific	RETROSPECTIVE PURCHASE ORDERS To receive an update on retrospective purchase orders	121-124

57.00

**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

58.00

EXCLUSION OF THE PUBLIC

"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 7 Part 1 of Schedule 12A of the Act (as amended) as appropriate"

59.00

None Specific

**AUDIT COMMISSION PROTECTING THE PUBLIC
PURSE FRAUD BRIEFING**

**125-
126**

To receive the Audit Commission Fraud Briefing.

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

0118 919 7757

Email

democratic.services@wokingham.gov.uk

**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 & 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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