

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON TUESDAY 4 FEBRUARY 2014 FROM 7PM TO 8.35PM**

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

*Also present:-*

<i>Mark Catlow</i>	<i>Senior Manager, Ernst &amp; 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</i>
<i>Paul Ohsan Ellis</i>	<i>Internal Audit Manager</i>
<i>Stuart Rowbotham</i>	<i>Director of Health and Wellbeing</i>
<i>Madeleine Shopland</i>	<i>Principal Democratic Services Officer</i>
<i>Rob Stubbs</i>	<i>Head of Finance</i>

## **PART I**

### **40. MINUTES**

The Minutes of the meeting of the Committee held on 27 November 2013 were confirmed as a correct record and signed by the Chairman.

### **41. APOLOGIES**

Apologies for absence were submitted from Alistair Auty, Beth Rowland and Paul Swaddle.

### **42. DECLARATION OF INTEREST**

There were no declarations of interest made.

### **43. PUBLIC QUESTION TIME**

There were no public questions received.

### **44. MEMBER QUESTION TIME**

There were no Member questions received.

### **45. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2012-13**

The Committee considered the Certification of Claims and Returns – Annual Report 2012-13.

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

- Four claims and returns with a total value of £89,113,631.02 had been checked and certified. No errors had been identified in the claims submitted, however one claim had been submitted on the incorrect form and a replacement had been provided.
- External Audit would not certify the non-domestic rates return in future.
- The Committee was pleased to note that the Council's indicative certification fee for 2013-14 was £8,000.

**RESOLVED:** That:

- 1) the Ernst and Young's Grants Audit Annual Certification Report 2012/13 be noted;
- 2) the proposed fee of £8,000 for the certification of grant claims and returns for 2013/14 be approved.

#### **46. EXTERNAL AUDIT FEES 2013/14**

Members considered the External Audit Fees 2013/14.

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

- Councils were required under legislation to make appropriate arrangements for the audit of their financial statements, and for a Value for Money conclusion.
- The proposed fee of £139,750 would be met from the 2014/15 budget. In the event that any additional work was required, an additional fee would be payable subject to negotiation and agreement in advance.
- Consultation regarding the 2014/15 fees was in progress and would be completed by March. Ernst and Young would bring a paper regarding the 2014/15 fees to the next Committee meeting.

**RESOLVED:** That:

- 1) the external audit fees of £139,750 in respect of the 2013 accounts be approved;
- 2) it be noted that the External Audit Plan would be submitted to a future meeting of Audit Committee.

#### **47. TREASURY MANAGEMENT STRATEGY 2014/15**

The Committee considered the Treasury Management Strategy 2014/15.

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

- Appendix A to the report had been updated following the selection of Wokingham Housing Limited as the development partner for the redevelopment of the Fosters site, by the Executive on 30 January. The amended Appendix had been circulated to the Committee.
- The Council was required to receive and approve, as a minimum, three main reports each year which incorporated 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 Treasury Management Strategy was broken down into three specific areas; Capital Prudential Indicators, Borrowing Strategy and the Investment Strategy.
- The Capital Programme had increased by £26m from 2013/14. This was due to bought forwards schemes from 2013/14.
- The Committee noted the areas of expenditure for 2014/15, the largest being for being town centre regeneration at 23%.
- The Planning Accountant – Corporate Finance reminded the Committee that the Capital Programme was funded by multiple sources including borrowing. He explained that the Operational Boundary was the ceiling of borrowing the Council could make. The Council was able to breach this ceiling but only for very short periods. The authorised borrowing limit could not be breached.
- The Committee considered a table detailing the Council's borrowing from 2012-2017.
- Investment rates were unlikely to increase to 2016. Currently the Council funds the Capital Programme by internal borrowing. For 2014/15 the internal borrowing was estimated at 27% of the Council's capital financing requirement.
- The Treasury Management Strategy was prudent as investment returns were low and counterparty risk was relatively high.

**RESOLVED:** That the Audit Committee recommend to the Council for approval the following:

- 1) the Capital Prudential Indicators, 2014/15-2016/17;
- 2) the Borrowing Strategy 2014/15;
- 3) the Annual Investment Strategy 2014/15; and
- 4) the Treasury Indicators: limits to borrowing activity 2014/15.

#### **48. ENTERPRISE RISK MANAGEMENT POLICY AND GUIDANCE REVIEW**

The Committee received the Enterprise Risk Management Policy and Guidance.

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

- The Audit Committee was required to review, revise as necessary and recommend adoption of the Risk Management Policy and Strategy to Executive on an annual basis.
- The Policy detailed the Council's approach to risk management. Members questioned why the Policy did not cover risks relating to projects or health and safety risks. The Internal Audit Manager indicated that they had their own risk management methodology.
- Councillor Mirfin suggested that in future the Committee receive information regarding health and safety risks.
- Both the policy and guidance had been subject to a high level review and had been found to be sound and to present a solid basis for the management of risk going forward. Proposed amendments were therefore minor and largely reflect the updated vision and changes to the Council's organisational structure.

**RESOLVED:** That the Executive be recommended to reaffirm the existing Enterprise Risk Management Policy and Enterprise Risk Management Guidance.

#### **49. CORPORATE RISK REGISTER UPDATE – FEBRUARY 2014**

The Director of Health and Wellbeing presented the Corporate Risk Register update.

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

- Risk 2 - *Risk of inability to match supply and demand for school places* had been updated to highlight a change in one of the mitigating actions. A report had been produced by the Demographer to ascertain future demand which would inform ongoing school place planning.
- Risk 12 - *Risk that a bridge/ road needs a significant short term investment for repairs* had been updated to show Heather Thwaites as the risk owner. The Committee discussed Risk 12 in detail.
- Risk 25 *Transition to New System of Governance* had been updated to show Andrew Moulton as the risk owner.

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

#### **50. INTERNAL AUDIT AND INVESTIGATIONS PLAN 2014/15**

Members considered the Internal Audit and Investigations Plan 2014/15 which detailed proposed work for 2014/15.

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

- The report set out the overall planning framework which incorporated a core plan of 778 days which was deliverable within the current resource allocation. Also included was a list of the additional audits that could be completed if resources increased to 970 days.
- A representation of the current risk appetite applied to the Corporate Risk Register had been produced. This had formed the basis of Internal Audit's judgement on which reviews should be included/excluded from the core plan.
- The Interim Head of Business Assurance and Democratic Services explained the days available were similar to the previous year but this year the plan had been produced in the context of two less FTE. External work would not be as high as this year. In response to a Member question the Interim Head of Business Assurance and Democratic Services confirmed that income would potentially be reduced.
- Section 3 of the report highlighted proposed proactive Anti-Fraud work.
- Members were informed that the progress report would include a forward look on audit activity in the next quarter.
- The Committee was informed that at some point between October 2014 and March 2016 housing benefit fraud work would be transferring to the Department of Work and Pensions. The Department of Works and Pensions would provide four months' notice for when housing benefit fraud work would be moving across to it.
- Members considered the Optional Plan. Councillor Mirfin asked that consideration be given to looking at whether there was a standard process in place for 'The transfer of responsibilities to Town/Parish Councils' as there was potentially a wide range of responsibilities which could transfer. The Interim Head of Business Assurance and Democratic Services commented that this audit was more likely to be picked up the following year but agreed to establish whether a standard process was in place.
- It was suggested that consideration could be given to having a two year Internal Audit and Investigations Plan in future.
- The Senior Manager, Ernst & Young confirmed that External Audit would not request Internal Audit to discharge the external audit function.

**RESOLVED:** That:

- 1) the proposed Internal Audit and Investigations Plan for 2014/15 be approved;
- 2) the decision to not complete any of the reviews that comprise the Optional Plan be approved.

## **51. INTERNAL AUDIT FOLLOW UP REPORT**

Members examined the Internal Audit Follow Up Report which detailed the Business Assurance activity on recommendations made in 2012/13.

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

- During the 2012/13 audit year, 235 recommendations were raised by Internal Audit. Members were informed that management had originally agreed all these recommendations and the proposed positive management actions to address the control weaknesses identified. Internal Audit had asked the action owners for an update on the status of these recommendations and verified evidence that the action has been undertaken and the risk has been mitigated, where management indicated that all recommendations had been implemented.
- Internal Audit had not reported on those recommendations that had not yet reached their implementation date or had been impacted by the delayed implementation of the WISER system. The low priority recommendations had also not been followed up in detail.

- Members noted that that 73% of recommendations had been verified as fully implemented, which was deterioration on the previous year (82%). This was largely the result of the Appraisals and Children's Centres reviews which had been affected by issues outside of action owners' control.
- The Committee received information regarding action owners requesting more time to implement recommendations. The Internal Audit Manager emphasised that managers had been quick to highlight when recommendations would not meet the agreed deadline and proposed timescales.
- The Internal Audit Manager recommended that the Committee accept the residual risks identified by Internal Audit resulting from the non-implementation of some or all of the recommendations. The Committee felt that requesting that management confirm the implementation of recommendations directly to the Audit Committee via the Chairman as soon as they had been implemented, would provide greater assurance.
- In response to a question from Councillor Grandison with regards to the Technology Futures Programme the Internal Audit Manager confirmed that the project was being undertaken by the Council's internal IT team.

**RESOLVED:** That

- 1) the outcome of Internal Audit activity and the residual risks that the Council is exposed to, be noted;
- 2) management be requested to confirm the implementation of recommendations directly to the Audit Committee via the Chairman as soon as they have been implemented

**52. BUSINESS ASSURANCE PROGRESS REPORT**

Members received the Business Assurance Progress Report which set out Business Assurance Activity between the 1 October 2013 and 31 December 2013.

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

- Investigations had undertaken proactive fraud drives into Council Tax and Tenant Services.
- The year's gross target for identifying non-benefit overpayments detected (this could be due to either fraud or error) was £80,000 for 2013/14. Achieving this would be challenging and £60,000-£70,000 was more likely.
- The Interim Head of Business Assurance and Democratic Services confirmed that data matching took place.
- Councillor Mirfin asked whether the Investigations Team would have access to housing benefit fraud information when responsibilities transferred to the Department of Work and Pensions. The Interim Head of Business Assurance and Democratic Services advised that joint working arrangements between the Council and the Department of Work and Pensions had yet to be agreed.
- Between 1 October 2013 and 31 December 2013, a total of £47,786.08 of overpaid benefits has been identified by Business Assurance. In total £320,846.24 in overpaid benefits had been identified against the year to date target of £150,000.
- There had been one limited assurance report relating to Personal Budgets and the management information available which presented a risk to the Council. Members were informed that there had been insufficient management information relating to overdue assessments being produced and that Frameworki, which was used to manage case files and issue reports had had several data quality issues. The Director of Health and Wellbeing confirmed that all very high recommendations relating to this audit had now been implemented.

- The Chairman thanked Business Assurance for their good work, particularly with regards to overpayments.

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

### **53. PRE SIGNED CHEQUES**

The Head of Finance presented an update regarding pre signed cheques.

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

- The Committee was reminded that Internal Audit, following concerns raised by the Constitution Review Working Group, had been asked to examine the current controls in place in relation to payments using pre-signed cheques; in particular their countersigning, authorisation and risk to potential fraud.
- Following the previous Audit Committee meeting, the Head of Finance had been responsible for putting monitoring in place to ensure the use of cheques was kept to a minimum. Members considered the current levels of cheques being produced by department and by value for the period December 2013 to January 2014.
- Of the 572 cheques issued during the two month period, 68.7% (393) related to housing benefit. The majority of cheques raised for Housing Benefit claimants ranged between £1 and £3,250.
- Between December 2013 and January 2014 no cheques were raised in excess of £10,000, where two signatures were required.

**RESOLVED:** That the information on further monitoring of Pre-signed cheques be noted.

### **54. RETROSPECTIVE PURCHASE ORDERS**

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

- The 2012/13 Creditors Internal audit report highlighted a large number of retrospective Purchase Orders raised during sample testing.
- Finance monitored the practice of retrospective purchase orders. The Committee was assured that Finance would continue to monitor and raise the importance with budget managers of avoiding where possible the practice of retrospective purchase orders.
- The Committee was pleased to note some improvement. Members requested a further update at the next Committee meeting.

**RESOLVED:** That:

- 1) the information on Retrospective Purchase Orders be noted.
- 2) a further update on Retrospective Purchase Orders be provided at the next Audit Committee meeting.

### **55. 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 7 Part 1 of Schedule 12A of the Act (as amended) as appropriate

### **56. AUDIT COMMISSION FRAUD BRIEFING**

The Committee received the Audit Commission Fraud Briefing on Protecting the Public Purse.

**RESOLVED:** That the Audit Commission Fraud Briefing 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.*