

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON TUESDAY 9 DECEMBER 2014 FROM 7PM TO 8.10PM**

Present:- Guy Grandison (Chairman), Alistair Auty (Vice Chairman), Chris Smith, Rob Stanton and Paul Swaddle

Also present:-

<i>Andy Couldrick</i>	<i>Chief Executive (until Item 39)</i>
<i>Catherine Hickman</i>	<i>Service Manager, Shared Internal Audit</i>
<i>Vicky Jackson</i>	<i>Team Manager - Investigations, Insurance & Risk</i>
<i>Martin Jones</i>	<i>Planning Accountant – Corporate Finance</i>
<i>Paul Ohsan-Ellis</i>	<i>Team Manager - Internal Audit</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>Principal Auditor, Ernst & Young</i>

PART I

28. MINUTES

The Minutes of the meeting of the Committee held on 23 September 2014 were confirmed as a correct record and signed by the Chairman.

29. APOLOGIES

There were no apologies for absence.

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 2013/14

The Committee considered the Annual Audit Letter 2013/14. This summarised Ernst & Young's 2013/14 audit of the Council and included the high-level messages highlighted in Ernst & Young's Audit Results Report which had been previously presented to the Committee.

Ernst & Young had issued an unqualified opinion on the financial statements for the year ending 31st March 2014 and 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 2013/14 financial statements.

RESOLVED That the Annual Audit Letter 2013/14 be noted.

34. 2013/14 AUDIT SCALE FEE – LATE VARIATION

Members considered a late variation to the 2013/14 Audit Scale Fee.

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

- Additional audit work had been required in 2013/14 to gain sufficient assurance around business rate income and expenditure within the Collection Fund. It was noted that this extra work had been required largely due to the introduction of the business rates retention scheme. However the extra cost of £1,470 was more than offset by a saving due to the cessation of the NNDR3 grant claim. The saving on the 2013/14 grant certification was £2,121 and as a result the net saving to the Council was £651.
- The amended final audit fee for 2013/14 was £141,222, which was an increase of £1,470 on the previously notified fee of £139,752.

RESOLVED That the proposed increase of £1,470 in the audit scale fee for 2013/14 be approved.

35. TREASURY MANAGEMENT MID-YEAR REPORT 2014/15

The Committee received the Treasury Management Mid Year Report 2014/15.

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

- As at 30th September 2014 the Non- Housing Revenue Account (HRA) external debt was £46.5m and the HRA External Debt as at 30th September 2014 was £85.0m.
- The anticipated expenditure as at 31st March 2015 was £57.4m. During the first six months of 2014-15 there had been the opportunity to bring forward a scheme in the town centre regeneration (profiled 15-16) into 2014-15 of £1.4m.
- The first six months of the financial year had continued with the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.
- External debt had not increased in the first six months as the Council had taken the opportunity to use internal funds and other sources to fund the capital programme.
- As at 30th September 2014 there had been no breaches of the treasury strategy 2014-15.
- The Planning Accountant explained changes to the financing of the Capital Programme with regards to Capital Grants.
- Councillor Stanton asked where the investment in the forthcoming new school in Arborfield would be shown and was informed that it would be set out the Capital Programme and Strategy which would be presented to the Executive in February.
- The Committee noted the list of Counterparties and the Counter Party limits. The Planning Accountant explained that the Council only put a certain amount with each Counter Party.
- Members noted the Council's investment return for 2014/15.

RESOLVED That

- 1) the mid-year Treasury Management report for 2014/15 be noted.
- 2) the actual 2014/15 prudential indicators within the report be noted.
- 3) the report be recommended to Council for approval.

36. UPDATE ON RETROSPECTIVE PURCHASE ORDERS

The Head of Finance provided the Committee with an update on retrospective purchase orders.

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

- At the September Committee meeting, Members had asked for a further update regarding retrospective purchase orders.
- WISER, the new financial system had gone live in September. Whilst the transition and implementation had been successful there had been some teething problems. The migration of data and the subsequent reporting requirements had identified some issues around the transfer of open purchase orders in the old system which had subsequently not appeared in the new system. Consequentially, the true picture would not be able to be reported until later in the financial year. Work was continuing across the Council to clean the data to ensure reliable reporting on purchase orders was available as soon as possible.
- The Chief Executive had commissioned Internal Audit to look into the purchase order process and current practices to ascertain if there were any further learning points not yet identified that could be implemented to reduce the number of purchase orders being raised retrospectively. The Committee considered the Retrospective Purchase Orders Action Plan and the Audit recommendations.
- Members requested an update on retrospective purchase orders from September onwards and the progress of the audit recommendations, at the Committee's February meeting. In response to concerns expressed by Members, the Chief Executive commented that Officers were committed to cleaning the data and that the Committee would be informed in advance should an update in February not be achievable.
- Councillor Auty questioned whether there was a policy in place regarding who could raise retrospective purchase orders and was informed that there was not a delegation in place.
- In response to a question from Councillor Smith regarding the issuing of retrospective purchase orders in exceptional circumstances, the Head of Finance commented that Officers had looked at other councils' financial regulations but those that they had looked at had not included anything explicit regarding what was and was not considered exceptional circumstances.

RESOLVED That the update on retrospective purchase orders be noted.

37. INTERNAL AUDIT AND INVESTIGATIONS Q2 PROGRESS REPORT 2014/1

The Committee received the Internal Audit and Investigations Q2 Progress Report 2014/15 which detailed the work of the team between 1 July 2014 and 30 September 2014.

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

- The Chairman welcomed the Service Manager, Shared Internal Audit to her first Committee meeting. He also thanked the Team Manager - Investigations, Insurance & Risk for her hard work and wished her well for the future.
- Reports finalised in Quarter 2 period related to 2013/14 work and had been reported to the committee previously.
- Work on both the Wokingham and Royal Borough of Windsor and Maidenhead's 2014/15 Audit Plans was slightly behind due to time spent finalising audit work from the previous year, resourcing issues and the setting up of the Shared Internal Audit and Investigations Service. Two agency staff had been taken on to help address the gap and efficiencies were being looked at. Resources could also be redirected if required.
- Members were informed that following the transfer of benefit fraud work to the Department of Work and Pensions it was the last time that KPI 5 'Benefit

Overpayments' would be produced. It was noted that the year's target for identifying overpaid benefits (due to either fraud or error) was £200k for 2014/15. A total of £112k of overpaid benefits had been identified in Quarter 2. The team had so far this year identified a total of £148,973 against a year to date target of target of £100k.

- With regards to KPI 6 'Value of Proactive Fraud Work' the year's gross target for identifying non-benefit overpayments detected (due to either fraud or error) was £100k for 2014/15. Whilst this target was not being achieved it was noted that the Investigations Team was currently following their Counter Fraud Plan for the year, therefore the results of individual drives would be seen later on in the financial year. In relation to the results of reactive Council Tax Reduction investigations, overpayments would be visible towards the end of the financial year.
- With regards to KPI 7 'Sanctions Applied', 10 sanctions had been applied in Quarter 2 against a target of 6.
- Members were informed that the Shared Service was in an evolutionary phase and once the team was fully established commercial opportunities would be looked into. There would also be a lean review of processes.
- Councillor Stanton asked what the main benefits of the shared service were and was informed that there was a sharing of knowledge and good practice and increased resilience.

RESOLVED That the Internal Audit and Investigations Q2 Progress Report 2014/15 be noted.

38. CORPORATE RISK REGISTER REFRESH – NOVEMBER 2014

The Chief Executive presented the Corporate Risk Register Refresh - November 2014.

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

- Risk 14 - *Risk that the Council fails to deliver key investment priorities through insufficient resources or adequate planning* had been updated. It was felt that that a risk appetite of High was a more accurate reflection of the Council's ambitions in relation to the Capital Investment in the Borough.
- Risk 15 - *Risk of proposed changes to services, policies or contracts becoming subject to Judicial Review* had been updated to reflect developments in the delivery of the Strategic Development Locations.
- Risk 20 - *Risk that the council does not have buy-in to successfully implement the corporate vision and priorities* had been updated to reflect the approval of the Corporate Plan which will inform Service Plans for each area.

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

39. RISK MANAGEMENT POLICY AND GUIDANCE

Members considered the Risk Management Policy and Guidance.

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

- The guidance and policy had been subject to high level review and had been found to be sound and to present a solid basis for risk management going forward.
- The one potentially significant change related to clarifying the scope of the policy to explicitly include project management and to strengthen the link with Health & Safety risk reporting system.

RESOLVED That the Audit Committee recommend to Executive that the existing Enterprise Risk Management Policy and Enterprise Risk Management Guidance be reaffirmed.

40. REVIEW OF THE COUNCIL'S ANTI-FRAUD POLICIES

The Committee considered revisions to the Council's Anti-Fraud Policies.

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

- Minor amendments had been proposed to the Anti-Fraud and Anti-Corruption Policy to reflect structural changes. References to Housing Benefit and Council Tax Benefit investigations had been removed following the transfer of these investigations to the Single Fraud Investigation Service.
- Minor amendments had also been proposed to the Whistleblowing Policy, the Anti-Money Laundering Policy and the Anti-Bribery Policy so as to reflect structural changes.
- References to Housing and Council Tax Benefit fraud had been removed from the Prosecution and Sanction Policy as had the Administrative Penalty sanction under s.115 of the Social Security Administration Act 1992 following the removal of these investigations to the Single Fraud Investigation Service.

RESOLVED That

- 1) the proposed amendments to the Anti-Fraud and Anti-Corruption Policy, the Whistleblowing Policy, Anti Bribery Policy and Anti Money Laundering Policy be recommended to Council, via the Constitution Review Working Group, for approval;
- 2) the proposed amendments to the Prosecutions and Sanctions Policy to include additional sanctions to be available be recommended to Council, via the Constitution Review Working Group, for approval.

41. SFIS TRANSFER UPDATE

The Team Manager - Investigations, Insurance & Risk provided an update on the process which was followed when transferring Housing and Council Tax Benefit fraud data for live cases and referrals to the Department of Work and Pensions Single Fraud Investigation Service. The Committee was satisfied with the process undertaken by council Officers.

RESOLVED That

- 1) it be noted that the process outlined has been approved by the Council's Information Security Officer.
- 2) it be noted that following the request from the Audit Committee additional audit checks and safeguards were put in place.

42. WORK PROGRAMME 2014/15

The Committee considered the Work Programme for the remainder of 2014/15.

Members requested an update on retrospective purchase orders from September onwards and the progress of the audit recommendations, at the Committee's February meeting.

RESOLVED That the Work Programme 2014/15 be noted.

These are the Minutes of a Meeting of the Audit Committee

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