

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 8 DECEMBER 2015 FROM 7.00 PM TO 8.10 PM**

Committee Members Present

Councillors: Guy Grandison (Chairman), Paul Swaddle (Vice-Chairman), Beth Rowland, Chris Smith and Rob Stanton

Also Present

Madeleine Shopland, Principal Democratic Services Officer
Andy Couldrick, Chief Executive
Paul Ohsan Ellis, Team Manager – Internal Audit
Catherine Hickman, Service Manager, Shared Audit and Investigation Service
Julie Holland, Service Manager, Business Improvement
Graham Ebers, Director of Finance and Resources
Stephen McGrail, Group Finance Manager
Adam Swain, Ernst & Young
Helen Thompson, Ernst & Young

27. APOLOGIES

An apology for absence was submitted from Councillor David Lee.

28. MINUTES

The Minutes of the meeting of the Committee held on 28 September 2015 were confirmed as a correct record and signed by the Chairman.

Councillor Rowland questioned whether it was correct that long term investments had reduced to £3k at 31 March 2015 compared to £1.953m at 31 March 2014. Stephen McGrail confirmed that this was correct and that it related to the transferal of the Council's shareholdings in Wokingham Housing Limited and Optalis to WBC holdings.

29. DECLARATION OF INTEREST

There were no declarations of interest.

30. PUBLIC QUESTION TIME

There were no public questions received.

31. MEMBER QUESTION TIME

There were no Member questions.

32. RISK MANAGEMENT POLICIES AND GUIDANCE

The Service Manager Business Improvement presented the Enterprise Risk Management Policies and Guidance.

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

- The Enterprise Risk Management Policy and Guidance were reviewed annually.
- It was noted that the role of the Risk Champions and the Risk Management Group had been split between Departmental Leadership Teams and the Council Risk Facilitator. This reflected that different departments took different approaches to risk management.

- In addition, the Risk Register template has been updated and further detail had been added in to explain Risk Appetite.

RESOLVED: That the Audit Committee recommend that Executive approve the Enterprise Risk Management Policy and the Enterprise Risk Management Guidance.

33. CORPORATE RISK REGISTER REFRESH - NOVEMBER 2015

The Chief Executive presented the Corporate Risk Register refresh – November 2015.

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

- The following risks had been revised by the relevant Director to reflect recent changes/developments: Risk 7 – *'Risk of serious or significant harm to a vulnerable child or young person with whom the council is working'* and Risk 23 – *'Risk of Health and Safety failure leading to death or serious injury'* have had additional actions to mitigate risk added.
- Risk 29 – *'Risk of a disruption to services and internal business'* had been increased to 'Significant' due to the ICT project. In response to a question from Councillor Grandison the Chief Executive commented that the Council was constantly reappraising the options available for service delivery and a view had been taken that there were potential financial savings in developing the internal service. Elements would still need to be procured.
- Risk 15 – *'Risk of proposed changes to services, policies or contracts becoming subject to Judicial Review'* had been removed from the Corporate Risk Register and would be managed within the directorates.
- The Chief Executive commented that with regards to Risk 23, an action plan was being assembled to respond to the audit review of health and safety.
- Councillor Stanton asked whether there were any additional concerns regarding Risks 23 – *'Risk of Health and Safety failure leading to death or serious injury'* and Risk 27 – *'Risk of failure of Health and/or Social Care system'* which were both risks with a high likelihood. The potential failure of the health and/or social care system was an ongoing concern.

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

34. WOKINGHAM BOROUGH COUNCIL ANNUAL AUDIT LETTER YEAR ENDED 31 MARCH 2015

Members considered the Wokingham Borough Council Annual Audit Letter year ended 31 March 2015.

Councillor Grandison welcomed Helen Thompson, Ernst & Young to her first Wokingham Audit Committee meeting.

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

- The Wokingham Borough Council Annual Audit Letter year ended 31 March 2015 had been previously distributed to all Members.
- Councillor Grandison highlighted the key finding that in comparison with prior years there had been a number of issues with the quality and version control of working papers which had in part been due to the implementation of the new ERP system in September 2014, and questioned whether improvements had been made. It was

confirmed that Ernst & Young had met with Officers to discuss lessons learnt to ensure improvements. The Group Finance Manager explained that last year had been the first time closing down using the new system.

RESOLVED: That the Wokingham Borough Council Annual Audit Letter year ended 31 March 2015 be noted.

35. WOKINGHAM BOROUGH COUNCIL PROGRESS REPORT

The Committee considered the Wokingham Borough Council Progress Report which provided an overview of the progress made with the work which needed to be completed during the 2015/16 audit.

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

- There would be changes to the overall approach to work on Value for Money arrangements which would apply to audits from 2015/16 onwards.
- Members were informed that the Department of Communities and Local Government had announced that it would not be extending the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local authorities would be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship. Whilst the new approach would not come into effect until 2018/19, bodies would need to start putting in place the mechanism required to deliver it. It was noted that as part of the process, bodies would need to set up auditor panels to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. These would need to be in place by early 2017, with the procurement process taking place in spring 2017 and external auditors being appointed by December 2017. Councillor Rowland questioned whether shared arrangements with Parish Councils could be looked at but was informed that they were likely to have different types of arrangements. Helen Thompson commented that councils could possibly procure collectively.
- Members requested an update at their February meeting.
- The Committee welcomed the Progress Reports and requested that they be provided in future.

RESOLVED: That the Wokingham Borough Council Progress report be noted.

36. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

The Committee discussed the Local Government Audit Committee briefing which was produced quarterly. Members requested that they be sent future editions of the briefing. Councillor Grandison indicated that he would circulate the briefing to all Members.

RESOLVED: That the Local Government Audit Committee briefing be noted.

37. TREASURY MANAGEMENT MID-YEAR REPORT 2015/16

Members received the Treasury Management Report for 2015/16.

It was noted that all Prudential Indicators were being adhered to and external debt continued to be contained by using internal balances in a way that minimised capital financing costs for the Council's taxpayers.

RESOLVED: That the Committee

- 1) note the mid-year Treasury Management report for 2015/16.
- 2) note the actual 2015/16 prudential indicators within the report.
- 3) recommend the report to Council for approval.

38. RETROSPECTIVE PURCHASE ORDERS

The Director of Finance and Resources updated the Committee on Retrospective Purchase Orders (RPO).

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

- A positive trend continued and reporting for October 2015 stood at 9%. A total of 61 (94 in August) RPO's were raised in the month. This covered some 57 (74 in August) suppliers.
- Councillor Swaddle questioned the figures in the Value by Service (October 2015) chart against the % per service of RPOs in October 2015 chart. The Director of Finance and Resources agreed to check the figures. He also stated that sometimes work was undertaken in one department but was owned by another.
- The Director of Finance and Resources assured Members that the money was still being properly spent and authorised.
- Councillor Swaddle suggested that overall the direction of travel was positive and that an update was no longer required at every meeting. Councillor Smith commented that many of those RPO's which had been identified were for purchases which could not be planned for, such as traveller site clean-up. He went on to suggest that at the next Committee meeting Members receive a list of RPOs split into two columns; those which could have been planned for and those which could not. Members would then focus on those that a purchase order could have been raised for in advance. Following that a decision would be taken on the frequency of future updates.

RESOLVED: That the report and the actions being taken to reduce the incidence of raising retrospective purchase orders be noted.

39. AUTHORISED SIGNATORIES - FINANCIAL REGULATIONS

The Director of Finance and Resources presented a report regarding Authorised Signatories – Financial Regulations.

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

- An updated set of financial regulations had been considered by the Constitution Review Working Group (CRWG). One of the proposed changes was an increase in the number of authorised signatories for financial transactions. CRWG had expressed concern and requested that authorised signatories be reviewed by the Audit Committee.
- The Director of Finance and Resources explained that the current paragraph on authorised signatories in the financial regulations, 12.1.12.13 was a summarised version, and did not show the detailed arrangements for segregation of duties, the financial authorisation limits for specific post holders, or the limits above which two authorisers were required. The Director of Finance and Resources had delegated his authority as authorised signatory to several senior staff to undertake his responsibilities when necessary, for example as a result of unavailability, and that

practice was within his delegated authority. This was similar to the practice for other areas of his work, which again was delegated to various officers. The proposal to CRWG to increase authorisation numbers was requested in order to designate those staff who had powers delegated to them as specific authorisers.

- It was noted that the Procurement Regulations within the Constitution had been streamlined and that the operational detail, where appropriate, had been excluded. The Committee was of the view that the proposed changes to the financial regulations in the next review of the Council's Constitution should exclude operational detail where appropriate. Members requested that the Committee view the proposed changes prior to their approval.

RESOLVED: That

- 1) the Director of Finance and Resources' response to the concerns raised by Constitution Review Working Group (CRWG) on 9 November 2015 be noted;
- 2) the proposed changes to financial regulations in the next review of the Council's Constitution, to exclude operational detail where appropriate including the removal of the authorised signatories paragraph 12.1.12.13 and its inclusion in an operational manual be noted.
- 3) the Audit Committee consider the proposed changes to the financial regulations in the next review of the Council's Constitution.

40. INTERNAL AUDIT AND INVESTIGATION Q2 PROGRESS REPORT 2015/16

The Committee received the Internal Audit and Investigation Q2 Progress Report 2015/16 which detailed the work of the team from the 1 April 2015 until 30 September 2015.

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

- At the end of September 2015 progress on the 2015/16 Internal Audit Plan was delayed mainly due to a number of audits being deferred to later in the year at the request of management.
- Delivery of the Audit Plan had been affected during the first part of the year by there being a vacant Auditor post. This had now been recruited to. In addition an Investigations Officer would deliver additional audit days.
- Councillor Grandison asked about progress made against the 2015/16 Internal Audit Plan and was informed that a 100% completion rate was hoped for.
- Councillor Swaddle expressed disappointment that 'reasonable' was the highest audit opinion given as at the end of September. The Director of Finance commented that actions identified in the audits had, in the main, been agreed by the relevant Directors and that actions put in place would lead to further improvements.
- The Service was starting to look at the audit plan for the next year. Members were asked to inform the Service Manager, Audit and Investigation Service of any areas that they felt should be considered.
- The work undertaken by the Investigation Team had included re-active investigations as well as developing pro-active fraud drives on high risk areas such as Council Tax Reductions, Council Tax Discounts, Business Rates, Housing Tenancy and Highways Infrastructure.
- In response to a question from Councillor Stanton it was confirmed that the majority of the £191,048 identified losses for Social Care/Direct Payments related to a long, complex case and that a civil case was being prepared by Legal Services.

RESOLVED: That the Internal Audit and Investigation Progress Report be noted.

41. FORWARD PROGRAMME

The Committee considered the Forward Programme for the remainder of the 2015/16 municipal year.

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

- It was suggested that Member Training and Accounting Changes/Updates be deferred to the new municipal year.
- Councillor Smith proposed that the role of the Audit Committee be emphasised in the Chairman's annual report to Council.
- Councillor Stanton suggested that a training session on the Audit Committee be offered to all Members.
- The Committee requested that they receive the Finance Regulations set out in the Council's Constitution when they were next updated, prior to their approval by Full Council.

RESOLVED: That the Forward Programme 2015/16 be noted.