

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 10 FEBRUARY 2016 FROM 7.00 PM TO 9.00 PM**

Committee Members Present

Councillors: Guy Grandison (Chairman), Paul Swaddle (Vice-Chairman), David Lee and Chris Smith

Also Present

Madeleine Shopland, Principal Democratic Services Officer
Catherine Hickman, Service Manager Shared Audit & Investigation Service
Martin Jones, Planning Accountant - Corporate Finance
Stephen McGrail, Group Finance Service Manager
Andrew Moulton, Monitoring Officer
Rob Stubbs, Head of Finance
Paul Ohsan Ellis, Team Manager - Internal Audit
Adrian Balmer, Ernst & Young
Helen Thompson, Ernst & Young
Michael Bateman, Customer Relations Officer
Lewis Borges, Information Services Team Leader
Jackie Whitney, Information Services Manager

42. APOLOGIES

Apologies for absence were submitted from Councillors Beth Rowland and Rob Stanton.

43. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 8 December 2015 were confirmed as a correct record and signed by the Chairman.

44. DECLARATION OF INTEREST

There were no declarations of interest received.

45. PUBLIC QUESTION TIME

There were no Public questions received.

46. MEMBER QUESTION TIME

There were no Member questions received.

47. CORPORATE COMPLAINTS UPDATE

The Committee received an update on Corporate Complaints.

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

- Information Services was a relatively new service located in the Customer Services Team. It had responsibility for the corporate complaints process, Freedom of Information requests, customer engagement and information security.
- Between April 2015 and December 2015 (Q1-3) 75 Stage 1 complaints had been received. Stage 1 complaints were investigated by the relevant Service Manager. 9 of these Stage 1 complaints had been escalated to Stage 2. Stage 2 complaints were investigated by the Information Services Team. 6 complaints had been received directly by the Local Government Ombudsman or the Housing Ombudsman. 13 complaints had been dealt with via early resolution.

- Health and Wellbeing and Environment had received the highest number of formal complaints with Health and Wellbeing receiving 53 and Environment 29.
- Reasons for complaints included inadequate services, delays, issues regarding processes and service not being provided.
- Since 2013 there had been a gradual reduction in the number of complaints received. In addition the percentage of complaints escalated to Stage 2 had decreased from 225 to 12%.
- Members were informed that a lot of work had been undertaken around the early resolution process. Services were encouraged to meet with or discuss concerns with customers to reduce dissatisfaction at an early stage. Housing and Children's Services in particular were pioneering the early resolution process.
- Work was being undertaken to reduce the number of complaints escalated from Stage 1 to Stage 2. Information Services were working with services by looking at draft responses to Stage 1 complaints and advising where improvements could be made.
- Officers were also looking at learning from complaints.
- Councillor Swaddle commented that understanding whether a complaint was valid and not the result of unrealistic expectations was vital to understanding the corporate complaints process. Members were advised that approximately 20-30% complaints were upheld.
- Jackie Whitney, the Information Services Manager explained the escalation process.
- In response to a Member question regarding 14 complaints relating to Brambles, the Committee was informed that any trends were monitored and could be highlighted in departmental risk registers.
- Councillor Swaddle requested that future updates include the number of customers affected by complaints.
- With regards to the complaint location, Councillor Grandison asked that future updates include at which stage each complaint was in the complaints process.

RESOLVED: That the update on Corporate Complaints be noted.

48. WOKINGHAM BOROUGH COUNCIL AUDIT COMMITTEE PROGRESS REPORT FEBRUARY 2016

The Committee received the Wokingham Borough Council Audit Committee Progress Report February 2016.

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

- Helen Thompson introduced Adrian Balmer to the Committee.
- The completion of the walkthrough of the key financial systems was scheduled for late February/March.
- With regards to the appointment of local auditors, Members had asked at the last Committee meeting whether shared arrangements with Parish Councils could be considered. The Department of Communities and Local Government (DCLG) had now confirmed the appointment of Smaller Authority Audit Appointments Ltd as the sector led body for smaller authorities.
- A key area of the Accounts and Audit Regulations 2015, was that from the 2017/18 financial year, the timetable for the preparation and approval of the accounts would be brought forward to a draft accounts deadline of 31 May and an audit deadline of

31 July. Members agreed that consideration should be given to ensuring that the Audit Committee meeting timetable fitted to this requirement for 2017 onwards.

- Councillor Smith questioned whether this change would have an impact on the cost of the audit going forwards and was informed that the first year that the change would apply was the last year of the current contract. It was possible that there would be changes to the fees after that point.

RESOLVED: That the Wokingham Borough Council Audit Committee Progress Report February 2016 be noted.

49. VALUE FOR MONEY: CODE OF AUDIT PRACTICE 2015

Helen Thompson, Ernst & Young, took Members through a presentation on the Value for Money: Code of Audit Practice 2015.

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

- Some amendments had been made to the Code of Practice.
- There remained a need to plan and conduct risk assessments and for the auditors to undertake sufficient work against any identified 'significant' risks.'
- The value for money approach had been updated.
- It was noted that the overall criterion had been amended.
- With regards to the Auditor's risk assessment, it was the risk that the auditor would reach an incorrect conclusion on the arrangements as opposed to the risk that arrangements were inadequate.
- The examples of potential significant risks were noted.
- Councillor Lee asked whether an easier to read version of reports could be produced to make them more accessible to the public. Members were advised that this comment was often fed back to CIPFA and that there was currently a project on this matter in progress.

RESOLVED: That the Value for Money: Code of Audit Practice 2015 be noted.

50. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2014-15

Adrian Balmer, Ernst & Young, presented the Certification of Claims and Returns Annual Report 2014-15. The report summarised the results of Ernst & Young's work on Wokingham Borough Council's 2014-15 Housing Benefit claim.

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

- Members were informed that the Council administered the Government's housing benefits scheme for tenants and could claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.
- The certification guidance required auditors to complete more extensive '40+' or extended testing if initial testing identified errors in the calculation of benefit or compilation of the claim. 40+ testing might also be carried out as a result of errors that had been identified in the audit of previous year's claims.
- Errors had been found and extended testing carried out in two areas. These errors had been amended by the Council. They had had a small net impact on the claim and the extrapolated value of other errors had been reported in a qualification letter. The subsidy had increased by £404.
- Four overpayments had been misclassified between eligible error, attracting 40% subsidy, and Council, attracting 0% subsidy. Members were informed that the DWP

could decide to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. However, no response had been received yet from the DWP.

- It had been recommended that assessors should ensure that they correctly classified overpayment types.
- The Committee requested that they be sent information regarding the total of the errors.

RESOLVED: That the Certification of Claims and Returns Annual Report 2014-15 be noted.

51. CERTIFICATION OF CLAIMS AND RETURNS - CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES

The Committee considered a report regarding the Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.

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

- Councils were required to make appropriate arrangements for certain grant claims and government returns to be audited; Teachers Pensions Return, Pooling of Housing Capital Receipts Return and Providing External Assurance on Sub-Contracting Controls.
- Members were informed that there had been a minor error relating to the Pooling of Housing Capital Receipts Returns audit, in that the notional debt figure used in the complex overall calculation to determine how much of the sale receipts should be paid to DCLG had not been calculated using the 1999 notional market value of the houses. The current year market value had been used instead, which had led to a £6,000 error in the debt payable. This had since been corrected.

RESOLVED: That the Audit Certification Reports 2014/15 for the Teachers' Pension Return; the Pooling of Housing Capital Receipts Return, and the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA) be noted.

52. TREASURY MANAGEMENT STRATEGY 2016/17

The Planning Accountant – Corporate Finance presented the Treasury Management Strategy 2016/17. The report detailed the statutory statements that the Council was required to approve prior to the start of the financial year, relating to treasury operations.

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

- The capital expenditure for 2016/17 was estimated at £141m. This included an estimated carry forward from 2015/16 of £56.0m. A large share of this carry forward related to Wokingham Housing Limited and the Wokingham Town Centre Regeneration.
- The funding of the capital expenditure for 2016/17 was as follows:
 - Developer's contribution £34m;
 - Grants and contributions £29m;
 - Reserves and capital receipts £5m;
 - Borrowing £73m
- The borrowing would be met by maximising use of cash flow (internal borrowing) and external loans when required at all times taking into account the interests rate forecasts. The borrowing consisted of £24m Town Centre regeneration; £15m

Wokingham Housing Limited; £23m forward funding; £10m general borrowing and £2m LED street lighting programme.

- The Capital Financing Requirement for 2016/17 was estimated at £273m.
- During 2016/17, a review would be carried out with Capita Asset Services on risk versus return, the result of which would be reported back to the Committee for consideration for the 2017/18 Treasury Management Strategy.
- Members were informed that the Government had provided councils with the flexibility of utilising Capital Receipts for qualifying expenditure. This was to enable councils to fund transformation and cost reduction programmes from capital receipts rather than revenue expenditure. For 2016/17 there were currently no programmes that had been identified for flexible use of capital receipts. As capital receipts were only expected to be approximately £150k each year for the next three years, it was anticipated that the number of projects that could be funded was limited.

RESOLVED: That the following be recommended to Council for approval;

- 1) the Capital Prudential indicators, 2016/17- 2018/19;
- 2) the Borrowing Strategy 2016/17;
- 3) the Annual Investment Strategy 2016/17; and
- 4) the Treasury Indicators: limits to borrowing activity 2016/17.
- 5) flexible use of Capital Receipts
- 6) that it be noted that a review of counterparties and the consideration of risk versus return was being reviewed and would be reported back to Executive in the year for consideration.

53. CORPORATE RISK REGISTER REFRESH - JANUARY 2016

Andrew Moulton, Monitoring Officer, presented the Corporate Risk Register refresh – January 2016.

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

- The Committee agreed that the new format made the Corporate Risk Register easier to read and understand.
- The following risks had been revised by the relevant Director to reflect recent changes/ developments:
- Risk 2 '*Likelihood of risk of inability to match supply and demand for school places*' had been reduced from 'Significant' to 'Low'.
- Risk 8 '*Impact of avoidable serious harm or death of a vulnerable adult for whom the council has a responsibility*' had been reduced from 'Critical' to 'Major'.
- With regards to Risk 14 '*Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning,*' further actions to mitigate risk were all complete and were now existing controls.
- Risk 28 '*Likelihood of inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act*' had been increased from 'Moderate' to 'Significant'.

- Risk 29 '*Likelihood of a disruption to services and internal business*' had been decreased from 'Significant' to 'Low'.
- The review date for 'Further Actions to Mitigate Risk' for Risk 7 'Risk of serious or significant harm to a vulnerable child or young person with whom the council is working' was the end of March 2017. Councillor Lee questioned if it should be earlier. He also suggested that the 'Further Action to Mitigate Risk' 'Development of a Multi-Agency Safeguarding Hub (MASH) to drive better co-operation between key partners' be reworded to read 'improvement' as opposed to 'development.' Andrew Moulton agreed to feed back these comments.
- Councillor Lee questioned whether complaints should be included on the Corporate Risk Register and was informed that these were often addressed at Departmental Risk Register level.
- Councillor Grandison requested that the Committee were provided with the Departmental Risk Registers during a training session to gain assurance that systems were operating correctly.

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

54. REVIEW OF THE COUNCIL'S ANTI-FRAUD AND ANTI-CORRUPTION POLICIES

Members reviewed the Council's Anti-Fraud and Anti-Corruption Policies.

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

- The Council's Anti-Fraud and Anti-Corruption Policies had been reviewed.
- No changes had been made to the Prosecution and Sanction Policy and the Anti Bribery Policy.
- Minor amendments to reflect structural changes had been made to the Anti Money Laundering Policy, the Anti-Fraud and the Anti-Corruption Strategy and the Whistleblowing Policy.
- Guidance for who to contact for issues relating to schools had been made clearer in the Whistleblowing Policy.
- In the RIPA Policy and Procedures, the Authorising Officer had been updated.
- With regards to the Whistleblowing Policy, Councillor Lee proposed that 9.5.6.4 a) 'failure to promote' (examples of detriment those who have made a protected disclosure must not face), be expanded.

RESOLVED: That

- 1) the proposed amendments to the Anti- Fraud and Anti-Corruption Policy, Anti-Money Laundering Policy , Prosecutions and Sanctions Policy and Anti-Bribery Policy be agreed and recommended for approval to Council, via the Constitution Review Working Group;
- 2) the Regulation of Investigatory Powers Act (RIPA) Policy and Procedures be approved.
- 3) the proposed amendments to the Whistleblowing Policy be agreed and recommended for approval to Council, via the Constitution Review Working Group, subject to the amendment of 9.5.6.4 a), the wording of which is to be agreed by the Chairman of the Audit Committee.

55. TRANSPORT INFRASTRUCTURE ASSETS

Rob Stubbs, Head of Finance, updated the Committee on the Council's implementation of the Highways Network Assets (HNA) Project.

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

- It was noted that councils were required to produce more accurate information, largely financial, on Highways for the Government's Whole of Government Accounts return.
- The major effect of this change was that HNA assets would have to be measured on a Depreciated Replacement Cost basis from the 2016/17 financial year onwards, to replace the present method of valuing the assets at depreciated historic cost. Rob Stubbs went on to outline what this would entail.
- This would purely be an accounting adjustment and there would be no impact on the Council's cash balances or budgets.
- Members were assured that steps 8 and 9 of the timescale were on track and that step 10 had been removed as it was no longer applicable.

RESOLVED: That it be noted that the Council was on target to implement the Highways Network Asset valuation requirement for the financial year 2016/17 in line with the required timetable.

56. RETROSPECTIVE PURCHASE ORDERS

Members were updated on Retrospective Purchase Orders.

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

- This remained a high priority and was embedded within the monthly budget monitoring process.
- Reporting for December 2015 stood at 8%. A total of 44 RPO's were raised in the month covering some 40 suppliers. Members asked for the figure for January and were informed that it was approximately 9% but that this also included retrospective purchase orders which were not truly retrospective i.e. an invoice was issued prior to a purchase order being requested.
- It was noted that the value of retrospective orders raised during December 2015 was £76,269.10 and ranged from £6.28 to £16,111.66. Of the total, three were in excess of £5,000, none of which were in excess of £50,000. The largest RPO was raised for £16,111.66 against More House School which related to a purchase order being raised against an incorrect supplier.
- It was noted that the number of Purchase Orders raised to date increased in March. Councillor Lee questioned why this was and whether any areas tried to spend any remaining budget by the end of the financial year.
- The Committee agreed that it wished to receive an update on all purchase orders at its next meeting. Further consideration would then be given to the frequency of future updates on retrospective purchase orders.

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

57. 2016/17 INTERNAL AUDIT AND INVESTIGATION PLAN

Members considered the 2016/17 Internal Audit and Investigation Plan.

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

- The Council's 2016/17 Internal Audit and Investigation Plan detailed the proposed Internal Audit and Investigation activity.
- Councillor Lee had previously requested detailed information about the proposed audit activity. It was agreed that this be circulated to all Committee members. It was suggested that more detail be provided in future Internal Audit and Investigation Plans.
- Councillor Grandison asked how many audit days had been identified for contingency and was informed that it was approximately 40 audit days.

RESOVLED: That the 2016/17 Internal Audit and Investigation Plan be approved.

58. INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT 2015/16

Members received the Internal Audit and Investigation Q3 Progress Report 2015/16 which detailed the work of the team from the 1 April 2015 until 31 December 2015.

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

- Audits could receive four overall opinions, one being the best and four the worst.
- The Health and Safety risk review had received the third overall opinion.
- The Investigations Team had identified £310,298 of savings or potential recoverable losses up to 31 December 2015.
- Five council properties had been returned as a result of housing tenancy fraud.
- It was noted that the Debtors and Housing Rents had received 'Limited' opinions. Members agreed that it would be helpful if in future reports if an audit received the third or fourth opinion a brief summary of actions being taken to make improvements be included.

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

59. 2016/17 INTERNAL AUDIT CHARTER

The Committee considered the 2016/17 Internal Audit Charter.

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

- Members were informed that there was one amendment to the Charter which had been approved in September 2015.
- The amendment related to the right of access to information, records and officers of the investigation team when performing their work as directed by the Head of Internal Audit. It had been made as a result of the self-assessment against the CIPFA Counter Fraud Assessment tool which had highlighted that the right of access for investigation proposes was not explicit.
- Councillor Lee proposed that an additional responsibility, that the Service Manager Internal Audit & Investigation Service ensure that the senior leadership team and the Audit Committee were satisfied with the Audit Plans, be included in the Charter.

RESOLVED: That the Internal Audit Charter be approved subject to the proposed addition.