

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 13 JUNE 2017 FROM 7.00 PM TO 8.40 PM**

Committee Members Present

Councillors: Anthony Pollock (Chairman), Prue Bray, UllaKarin Clark and Barrie Patman

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist

Adrian Balmer, Ernst and Young

Helen Thompson, Ernst and Young

Janet Day, Complaints Officer

Graham Ebers, Director of Corporate Services

Martin Jones, Financial Planning Specialist

Jonathan Ross, Senior Finance Specialist, Financial Planning & Accountancy

Andrew Moulton, Assistant Director, Governance

Jackie Whitney, Service Manager, Customer Services

1. APOLOGIES

Apologies for absence were submitted from Councillors David Chopping and John Halsall and John Ogden, Head of Finance.

2. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 8 February 2017 were confirmed as a correct record and signed by the Chairman.

3. DECLARATION OF INTEREST

There were no declarations of interest submitted.

4. PUBLIC QUESTION TIME

There were no Public questions.

5. MEMBER QUESTION TIME

There were no Member questions.

6. ANNUAL COMPLAINTS AND COMPLIMENTS 2016-17

The Committee received an update on the Council's complaints and compliments for 2016-17.

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

- The total number of corporate complaints had reduced since the 2015-16 financial year. Both the number of Stage 1 and Stage 2 complaints had reduced.
- Jackie Whitney, Service Manager, Customer Services informed the Committee that there had been a change in culture and that there was now a greater focus on early resolution.
- Members were informed that those who submitted complaints had the right to go to the Local Government Ombudsman.
- Councillor Bray asked how vexatious and persistent complainants were dealt with. Jackie Whitney indicated that they would be written to and advised that the Council would no longer respond about that particular matter. Any further correspondence received on the issue would be held on file.

- It was noted that 4 complaints had been ‘out of scope.’ Janet Day explained that these were children’s services complaints that followed a statutory process. Occasionally a person submitting such a complaint was not able to do so due to the individual circumstances. For example, the child concerned might be subject of care proceedings.
- Members noted the key themes of the complaints received.
- Janet Day indicated that the number of children’s services social care complaints was consistent with previous years however; the majority of complaints were resolved quickly.
- Councillor Pollock asked what the main reason was for housing complaints. Jackie Whitney stated that they generally related to repairs or dissatisfaction with contractors. Councillor Bray commented that the Tenant and Landlord Improvement Panel received information regarding housing complaints.
- Between April 2016 and March 2017 11 complaints had been escalated to the Local Government Ombudsman. Of these 11 complaints, 10 had not been upheld by the LGO. 3 were complaints which the Council had declined to investigate at Stage 2 where the LGO agreed with the Council’s decision not to escalate the complaints further. 1 complaint had been partially upheld.
- In the last year 90 escalations had been received which services had been alerted to. These were where residents and customers were chasing for a response or delivery of an expected service by either calling or emailing the Council. None of these escalations had proceeded to become formal complaints.
- Members noted some examples of positive feedback that the Council had received.

RESOLVED: That the update on the Council’s complaints and compliments for 2016-17 be noted.

7. WOKINGHAM BOROUGH COUNCIL'S BORROWING AND REPAYMENT EXPLAINED

Members were updated on the Council’s borrowing and repayments.

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

- Members were updated on Capital Vision 2017/2027 Funding.
- Capital expenditure over the next three years would be £374.1million, reflecting the Council’s investment ambition.
- Capital funding over the next three years would be broken down as follows: Developer contributions 31%, Borrowing 51% and Other 18%.
- For 2017/18 external borrowing was expected to increase by approximately £53million. Borrowing from markets would reduce in the short term as the Council sold residential units and as rental income was generated. Internal borrowing was anticipated to increase by approximately £24million.
- Members noted a breakdown of movement regarding the Capital Vision 2017/20 funding.
- Martin Jones outlined debt created by additional borrowing for 2017/18 to 2019/20. Invest to save included projects such as the replacement of LED streetlights in the Borough.
- With regards to capital borrowing £147,386million had been borrowed externally. £94,607million had been borrowed internally. The average interest rate had been 3.32%. If all borrowing had been undertaken externally it would have cost an additional £7.87million.

- Members were updated on Capital Programme loans to Wokingham Housing Limited (WHL). Interest was charged quarterly to WHL, currently at 5.5% plus bank rate dropping to 3.25% plus bank rate in circa 2018/19.
- Loans were to be repaid either by commuted sums given to WHL or from profit made by the company from sales of assets and rental income.
- Wokingham Housing Limited debt was backed by assets held by WHL and its subsidiaries.
- Martin Jones informed the Committee of borrowing in relation to the Capital Programme Leisure Centre Schemes. Members were reminded that leisure was not just about income provision but also the facilitation of health and wellbeing.
- Members noted the expenditure forecast for leisure for 2017-2022.
- A smaller borrowing headroom of £791,000 was anticipated.
- If the borrowing interest rate were 2.77%, the leisure debt would be repaid in 2059. If the interest rate were 3.5%, the debt would be repaid in 2067.
- The Committee was updated on Capital Programme forward funded schemes. Expenditure and funding was reviewed on a quarterly basis.
- All funding resources were allocated to maximise Council Resources.
- Forward funding borrowing and developer contributions were reconciled on a quarterly basis.

RESOLVED: That the update on the Council's borrowing and repayments be noted.

8. TREASURY MANAGEMENT OUTTURN REPORT 2016-17

The Committee received the Treasury Management Outturn report 2016-17. An amended Appendix B was circulated.

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

- The report illustrated the treasury management operations during 2016/17 and demonstrated that the Council had acted in accordance in with its approved management practices.
- As at 31 March 2017, the Council had achieved an average return on external investments of 0.50%. If internal loans to the local authority trading companies were included, this rose to 1.66%.
- It was noted that the investment return budget had overachieved by £100,000.
- Three new loans totalling £18million had been taken out on 31 March. Martin Jones provided further information regarding the individual loans. Jonathan Ross indicated that when the loans had been taken out Officers had considered the maturity profile to ensure that the loans did not all mature at the same time.
- The Council had a capital expenditure of £72million in the General Fund, of which £44.9million was funded by borrowing. The remaining amount was funded by Capital Grants.
- The Council had repaid a HRA self-financing loan of £2.3million.
- External borrowing was at £147.4million.
- Councillor Pollock commented that it was helpful that the report included the maturity profile. Martin Jones explained the size of the principles for the HRA self-financing loans.
- Councillor Clark asked why the Council lent to other local authorities. It was explained that following the Icelandic bank situation many local authorities only lent to other local authorities. Helen Thompson commented that a number of local authorities were considering widening which organisations they could lend to.

RESOLVED: That

- 1) the Treasury Management outturn report for 2016/17 be noted;
- 2) the actual 2016/17 prudential indicators within the report be noted;
- 3) the report be recommended to Council for approval.

9. EXTERNAL AUDIT FEES 2017/18

The Committee were updated on the External Audit Fees 2017/18. The report confirmed the audit and certification work that Ernst and Young proposed to undertake for the 2017/18 financial year at the Council.

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

- Members were reminded that from 2018/19 onwards, local authorities would be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.
- The Council, like many other councils had opted into the Public Sector Audit Appointments (PSAA) process. The PSAA had managed the procurement process. Contracts would be awarded by 30 June 2017. Councillor Pollock requested that Members be informed of the Council's appointed auditor when this had been finalised.
- The certification of housing benefit subsidy claim indicative fee for 2017/18 was still to be confirmed.

RESOLVED: That the External Audit Fees 2017/18 be noted.

10. EXTERNAL AUDIT PROGRESS REPORT

The Committee received the External Audit Progress report.

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

- The purpose of the report was to provide the Committee with an overview of the stage Ernst and Young had reached in the Council's 2016/17 audit and to ensure the audit aligned with Committee expectations.
- The External Audit Plan 2016-17 had been presented to the Committee in February 2017.
- Members noted the timetable showing key stages of the audit.
- The Committee was reminded that timescales were shifting earlier in the year.
- There were no issues regarding 'Value for Money' that needed to be brought to the Committee's attention.

RESOLVED: That the External Audit Progress report be noted.

11. ERNST AND YOUNG LOCAL GOVERNMENT AUDIT COMMITTEE SECTOR BRIEFING

Members received the Ernst and Young Local Government Audit Committee Sector Briefing. It was agreed that these briefings would be circulated to the Committee in future. Members were informed that a forum for Audit Committee Chairmen was being developed. Councillor Bray referred to the proposed question for Audit Committees regarding the Council's preparedness for the introduction of Highway Network Assets, and was informed that this introduction had been delayed.

RESOLVED: That the Ernst and Young Local Government Audit Committee Sector Briefing be noted.

12. ANNUAL GOVERNANCE STATEMENT 2016-2017

The Committee received the Annual Governance Statement 2016-17.

- The Annual Governance Statement covered the following key aspects of the governance environment in place at the Council during 2016/17:
 - Establishing and monitoring the achievement of the Council's objectives;
 - Facilitation of Policy and Decision-making;
 - Financial Management;
 - Performance Management; and
 - Risk Management.
- Ten areas of improvement had been identified.
- Members were also informed that two exceptions had been identified relating to Housing Rents and Shared Building Services. The internal audit of Housing Rents had identified concerns in relation to the collection of current and former tenants' arrears, suspense account income, supporting documentation for new sheltered housing tenancies, and reporting of Housing Revenue Account balance sheet arrears and prepayment balances. Members requested an update on this at the Committee's December meeting.

RESOLVED: That the Committee approves the Annual Governance Statement on behalf of the Council, prior to it being included in the final Statement of Accounts.

13. SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT 2016-17

The Committee considered the Shared Audit and Investigation Service Annual Report 2016-17.

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

- As at 31 March 74% of the approved Internal Audit Plan was achieved with the reviews at draft report stage or completed.
- Progress against the plan had been affected by one officer being on maternity leave for the majority of the year and one officer being seconded to the 21st Century Council Programme.
- Four areas had received the audit opinion 3: Capital Programme, Accounting, Expenditure Monitoring, Housing Rents, Contract Management (Part II) and Shared Building Services.
- The Investigations element of the Service had identified a total potential financial saving of £51,619. That had included £29,170 of actual overpayments that were potentially recoverable.
- This year the team would undergo an external assessment, the results of which would be reported to the Committee.

RESOLVED: That the Shared Audit and Investigation Service Annual Report 2016-17 be noted.

14. REVISED WOKINGHAM BOROUGH COUNCIL AUDIT AND INVESTIGATIONS PLAN 2017-18

Members received the revised Wokingham Borough Council Audit and Investigations Plan 2017-18.

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

- The Audit and Investigations Plans 2017-18 had been approved in February 2017. Work had since been reprioritised because of a number of factors such as the secondment of two team members, and a revised plan had been produced.
- The team were also undertaking work around their own internal efficiency.
- Traditionally the Investigations team had focused on both cashable and non-cashable work. The focus would now be more on work that was likely to have a cashable outcome.
- The team would aim to maintain external income generation.
- Councillor Pollock commented that the original total audit days was 1,272 and the revised total was 563. He questioned whether this reduction was largely the result of there being less staff. Andrew Moulton stated that it was and that also the team had looked to see where it could be more efficient overall.
- In response to a Member question regarding the selling of any surplus audit days, Andrew Moulton confirmed that this was done where possible.
- Councillor Bray asked why no audit days had been allocated to 'Risk of inability to match supply and demand for school places.' Andrew Moulton stated that this remained on the Corporate Risk Register and that the Committee would be updated on progress made against this.

RESOLVED: That the revised Wokingham Borough Council Audit and Investigations Plan 2017-18 be approved.

15. FORWARD PROGRAMME 2017-18

The Committee received the forward programme for 2017-18.

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

- An update on the Council's Housing Rents, in particular relating to the collection of current and former tenants' arrears, be provided at the Committee's meeting in December.
- Helen Thompson indicated that Ernst and Young would bring their 2017/18 Audit Plan to the Committee's December meeting.
- Councillor Bray commented that new data protection legislation would be coming in, in the near future. The Committee agreed that an update on the Council's preparedness for this change in legislation would be helpful.
- It was proposed that Members receive a briefing on the draft financial statements prior to the Committee's meeting in September.

RESOLVED: That the forward programme be noted.