

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 7 FEBRUARY 2018 FROM 7.00 PM TO 8.25 PM**

Committee Members Present

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

Also Present

Madeleine Shopland, Democratic Services & Electoral Services Specialist

Manjeet Gill, Interim Chief Executive

Martin Jones, Financial Planning Specialist

Andrew Moulton, Assistant Director Governance

John Ogden, Lead Specialist Finance

Paul Ohsan Ellis, Strategy and Commissioning Support Manager

Stuart Bignell, Customer Relations Officer

Malcolm Haines, Ernst & Young

42. APOLOGIES

Apologies for absence were submitted from Councillors Chopping and Halsall and Helen Thompson, Ernst & Young.

43. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 4 December 2017 were confirmed as a correct record and signed by the Chairman.

44. DECLARATION OF INTEREST

There were no declarations of interest submitted.

45. PUBLIC QUESTION TIME

There were no Public questions.

46. MEMBER QUESTION TIME

There were no Member questions.

47. GENERAL DATA PROTECTION REGULATIONS

The Committee received a presentation on the General Data Protection Regulations.

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

- The General Data Protection Regulations (GDPR), an EU law, would replace the Data Protection Act 1998 and would be enforced from 25 May 2018.
- There was a UK Data Protection Bill which was currently going through Parliament and the GDPR provisions would be absorbed into this. However, it was not known when this Bill would come into effect.
- Compliance would be evidence driven and fines for breaches could be up to €20million. It was not yet known how the Information Commissioner's Office (ICO) would fine although the ICO had indicated that fines would be proportionate.
- The Customer Relations Officer informed the Committee that a Project Group had been established in August. Subject matter experts in the different areas were providing support.
- The GDPR would be enforced from 25 May 2018. It was appreciated that the 21st century council project would still be ongoing at that point. It was important that a

project plan and communications plan was in place at that time which outlined what items remained, which could be provided to the ICO if requested.

- The Customer Relations Officer took the Committee through action that was required to ensure GDPR compliance.
- Privacy Notices would be required so that the Council was transparent about how and why it collected data. There would be some exceptions and exemptions.
- Members were informed that the retention schedule was under review. Councillor Patman questioned whether the Council currently held information which would need to be disposed of in order to comply with the GDPR. The Customer Relations Officer commented that there was a number of boxes of documents which had passed their review date which would require disposal. He went on to state that there were various different retention periods for different types of data.
- There would be a Data Protection Officer, which would be a mandatory role with new legislatively set responsibilities.
- Members were informed of work already completed and work still to be done to ensure compliance.
- It was noted that the privacy impact assessment checklist was completed and being trialled.
- E learning for staff would be introduced in April, and regular communications issued on new and important parts of GDPR for staff.
- The Information Asset Register would be a live document which needed to be monitored to ensure that it did not go out of date quickly.
- The wording of contract clauses was being updated to ensure compliance.
- Quality checking and publishing to the Council's website would begin from 1st May.
- Councillor Bray questioned how the Council could be assured that its suppliers were compliant with GDPR. The Customer Relations Officer stated that the wording of tender documents would be updated to highlight the importance of compliance, and that the letter amendment would cover existing suppliers.
- Councillor Bray went on to ask how the residents' online accounts would be dealt with and was informed that with all data capture forms and the online accounts, there would be wording which would advise people to click a link for further information (Privacy Notice). This would be easier to maintain.
- Members asked how many breaches the Council had had in the past and were informed that there had been 2. There were approximately 60 to 70 lesser incidents per year.
- The Committee felt that it would be useful to be updated on any breaches.
- Councillor Bray asked what would happen if personal information was sent to the wrong person which was then not retrieved. The Customer Relations Officer commented that it would be dependent on the type, sensitivity and confidentiality of the information and who it had been sent to. Incidents and breaches needed to be investigated on a case by case basis.
- Councillor Clark asked how the schools were preparing to comply for GDPR. She was advised that the schools, as were the Council owned companies, were separate entities and were responsible for their own compliance. An officer from People Services was supporting the schools in this process.
- Councillor Bray questioned whether Members would receive a briefing on the matter. The Assistant Director, Governance, agreed to take this forward.

RESOLVED: That the presentation on the General Data Protection Regulations be noted.

48. PROPOSED CHANGES TO THE CONSTITUTION FOLLOWING IMPROVEMENTS TO THE PROCUREMENT PROCESS

The Committee received a report detailing proposed changes to the Procurement Regulations within the Constitution.

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

- Members were reminded that the Council's Procurement and Contracts Rules and Procedures (PCRP) had been developed in response to the new Public Contracts Regulations 2015 (PCR2015) and formally adopted as Chapter 13 of the Constitution in November 2015.
- It was noted that from the 1 April 2018 the Council would be adopting e-procurement software in order to comply with mandatory requirements within PCR2015. This would also improve the procurement process.
- The Committee was advised that the introduction of e-procurement software would necessitate two substantive changes to the Constitution;
 - Removal of the provisions relating to tender openings;
 - The introduction of a threshold for tenders between £5k and £50k to mandate the use of electronic 'Quick Quotes'.
- Councillor Bray noted that it was proposed that 'Service area to add contract data to central contracts register' for contracts under £5,000, be removed from the Constitution. The Strategy and Commissioning Support Manager commented that this was in line with the Council's transparency requirements. Contracts with a value over £5,000 would automatically be populated by an electronic contract register. For contracts under £5,000 these would be via a purchase order.

RESOLVED: That the changes detailed within the report to the Council's Procurement and Contracts Rules and Procedures which form part of the Council's Constitution (Chapter 13) be recommended to Council, via the Constitution Review Working Group.

49. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2016-17

The Committee received the Certification of Claims and Returns – Annual Report 2016-17.

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

- Ernst and Young had checked and certified the housing benefits subsidy claim with a total value of £23,278,780. The submission deadline had been met.
- A qualification letter had been issued.
- Certification work had found minor errors which had been corrected by the Council. The main issues reported were highlighted including the fact that the testing of the initial sample of 20 cases of Rent Allowance had identified one case which had failed due to an overpayment of benefits as a result of incorrect determination of earned income.
- Members noted the 2016-17 certification fee.
- It was noted that from 2018-19 the Council would be responsible for appointing its own reporting accountant to undertake the certification of the housing benefits subsidiary claim in accordance with the Housing Benefits Assurance Process requirements being established by the Department of Works and Pensions.
- Members felt that considering the overall size of the claim, the level of error identified was very good, and asked that their appreciation of the committed approach taken by officers, be noted.

RESOLVED: That the Certification of Claims and Returns – Annual Report 2016-17 be noted.

50. EXTERNAL AUDIT PLAN 2017-18

Members received the External Audit Plan 2017-18.

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

- One significant risk '*Misstatements due to fraud or error*' had been identified. This was a mandated risk and not specific to Wokingham.
- Audit risks identified included valuation of land and buildings, pension liability valuation and financial statements presentation.
- No significant value for money risks had been identified to date.
- Members were informed that for planning purposes, materiality for 2017/18 had been set at £6.8million.
- The planned fee for 2017/18 was £112,800.
- The timetable showing the key stages of the audit and the agreed deliverables was highlighted. Officers were confident that the new July deadline would be met.

RESOLVED: That the External Audit Plan 2017-18 be noted.

51. CORPORATE RISK REGISTER REFRESH – FEBRUARY 2018

The Interim Chief Executive presented the Corporate Risk Register refresh – February 2018.

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

- Members were informed that there had been two main changes to the Corporate Risk Register since it was last presented to the Committee in December. These were as follows:
 - Risk 28 – '*Leadership: Risk of business continuity, performance dips and not securing value for money through the use of interims in senior management positions for an extended period of time*' had been added.
 - The timescales for mitigating actions had been amended for Risk 27 '*Sustainable Transformation Partnerships align effectively with Borough governance.*'
- Councillor Bray asked why Risk 28 had been scored a low likelihood. The Interim Chief Executive explained that this was around business continuity and ensuring that performance did not drop. There was a clear strategy for the use of interims. Councillor Bray expressed concern regarding the performance of a particular area which she felt had dropped.
- Members asked why Risk 20 '*Risk that the Council, embarking on a major change programme, the 21st century council, fails to maintain service delivery standards, to manage information security, to deliver associated savings, or to effect change, in structures and behaviours, to deliver the vision for the new Council's operating model*' had been scored as a low likelihood. The Interim Chief Executive commented that the 21st century council programme was an ambitious operating model. When the detailed business case had been produced for People's Services it was appreciated that further integrated work with partners was required. Work was being undertaken in a considered way.

RESOLVED: That the Corporate Risk Register refresh – February 2018 be noted.

52. CERTIFICATION OF CLAIMS AND RETURNS – CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES

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

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

- The Teachers' Pension Return was an annual return required by the Department of Education by 30 November each year which covered the teachers' pension contributions to the Teachers Pensions Scheme. The cost for the audit of the 2016/17 Teachers Pensions return by Rice Associates, had been £950, a £50 increase on the previous year. The cost had been met from the 2017/18 budget.
- With regards to the Pooling of Housing Capital Receipts Return, in 2016/17, 19 Right to Buy properties had been sold for £2.851million and one non Right To Buy property sold for £89,000, giving a total sales receipt of £2.940million, of which £295,000 had to be repaid to the DCLG, with most of the remainder restricted for reinvestment in social housing in the Borough. The cost of the audit had been £1,425.
- With regards to the provision of External Assurance on Sub-Contracting Controls, the audit had been largely operational rather than financial in nature and had been of a specialist nature.
- In response to a Member question, the Lead Specialist Finance, agreed to check whether the required certificate had been issued and supplied to the ESFA by the 30 January 2018 deadline.

RESOLVED: That the Audit Certification Reports 2016/17 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.

53. TREASURY MANAGEMENT STRATEGY 2018-19

The Committee considered the Treasury Management Strategy 2018-19.

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

- For 2018/19 external debt was estimated to increase by £61.5million to £206.7million. This increase was a very prudent estimate and would be reliant on the delivery of the capital programme.
- Members were advised that a couple of tables within the report remained to be confirmed due to sensitivity around next year's revenue budget.
- The Capital Programme was estimated to be £180million next year before carry-forward and over the next three years was estimated to be a total of £534.5million. The Financial Planning Specialist highlighted the different asset types that this was broken down into. This would be funded by £535million of resources. It was noted that there was a small surplus of funding which was currently estimated to be capital receipts.
- Members were advised that with this ambitious Capital Programme came additional borrowing. 37% of this borrowing was for forward funding projects which would be funded by S106 or CIL, 41.5 % of borrowing was for invest to save projects e.g. new leisure projects, 17.5 % was for loans for Wokingham Town Centre Regeneration and Wokingham Housing Limited, and 4% was for approved borrowing (MRP funded).
- The total forecast additional borrowing (£243.2million) would be fully met by a number of resources within 24 years. During this period many large infrastructure schemes

profiles would be refined during the build process which would have an impact on the borrowing forecast.

- For 2018/19 the estimated returns on investments, both external and internal companies, was set to increase from the 2017/18 estimated outturn by £1.0million to £2.4million, rising to £2.9million in 2020/21. This increase was mainly due to the return on the loans made to Wokingham Housing Limited and Wokingham Town Centre Regeneration.

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

- 1) Capital Prudential indicators, 2018/19;
- 2) Borrowing strategy 2018/19;
- 3) Annual Investment Strategy 2018/19;
- 4) Flexible use of capital receipts strategy;
- 5) MRP policy; and
- 6) Treasury Indicators: limits to borrowing activity 2018/19.

54. 2018/19 AUDIT AND INVESTIGATION PLAN

The Committee considered the 2018/19 Audit and Investigation Plan. The report detailed the 2018/19 Internal Audit and Investigation Plan and the 2018/19 Internal Audit scopes for each review, excluding Key Operational audits.

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

- Members were advised that 250 days were proposed for fraud and investigation work as opposed to 200.
- Councillor Bray asked whether the Housing Rents audit would cover Council tenants and tenants of properties of the Council's housing companies. The Assistant Director Governance indicated that this was likely.
- Councillor Pollock questioned whether 8 days would be sufficient for work on Debtors. The Assistant Director Governance commented that follow up work on Debtors was also being undertaken in Q4 of the current financial year so this was thought to be sufficient.

RESOLVED: That the 2018-19 Audit and Investigation Plan be agreed.

55. 2017/18 QUARTER 3 AUDIT AND INVESTIGATION PROGRESS REPORT

Members received the Internal Audit and Investigation Q3 Progress Report which detailed the work of the Internal Audit and Investigation Team from the 1 October 2017 to 31 December 2017.

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

- Members noted the progress being made against the revised 2017/18 Internal Audit and Investigation Plan.
- There has been one audit report finalised that had received the 3rd category of audit opinion during quarter 3, in respect of the 2016/17 Housing Rents follow up audit which was carried forward into 2017/18. The Lead Specialist Finance further updated the Committee regarding the work undertaken to improve Housing Rents and Debtors.
- The Committee was informed that the level of debt had reduced. Members asked how much the largest single write off was and were informed that it was £200,000.

RESOLVED: That the 2017/18 Internal Audit and Investigation Progress Report to the end of Quarter 3 be noted.

56. UPDATED ANTI FRAUD AND ANTI CORRUPTION POLICIES

The Committee received a report regarding updates to the Council's Anti Fraud and Anti Corruption Policies.

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

- The Assistant Director of Governance took the Committee through minor changes to the Anti Fraud and Anti Corruption Strategy, Anti Money Laundering Policy, Anti Bribery Policy, Prosecution and Sanctions Policy and changes that reflected current best practice to the Whistleblowing Policy.
- With regards to the Regulation of Investigatory Powers Act (RIPA) Policy, the Policy was now a separate document to the RIPA Procedures so as to capture legislative updates. It was proposed the Policy be included in the Council's Constitution.
- Councillor Clark commented that the Anti Fraud and Anti Corruption Policy made reference to the Data Protection Act 1998. The Assistant Director Governance commented that this would be updated.
- Councillor Bray suggested that names of individuals not be included in future updates as personnel often changed.
- Councillor Bray asked about compliance with the RIPA Policy.

RESOLVED: That the proposed amendments to the Anti-Fraud and Anti-Corruption Policy, the Whistleblowing Policy, Anti Money Laundering Policy, Prosecutions and Sanctions Policy, Anti Bribery Policy and the Regulation of Investigatory Powers Act (RIPA) Policy be noted and recommended for approval to Council, via the Constitution Review Working Group.