

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 6 FEBRUARY 2019 FROM 6.30 PM TO 7.55 PM**

Committee Members Present

Councillors: Chris Smith (Chairman), Daniel Sargeant, Imogen Shepherd-DuBey and Graham Howe

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Helen Thompson, Ernst and Young
Carol Cammiss, Director Children's Services
Andrew Moulton, Assistant Director Governance
Bob Watson, Lead Specialist Finance

46. APOLOGIES

Apologies for absence were submitted from Councillors David Chopping and Oliver Whittle.

47. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 7 November 2018 were confirmed as a correct record and signed by the Chairman.

48. DECLARATION OF INTEREST

Councillor Daniel Sargeant declared a Personal Interest in Item 53 Corporate Risk Register on the grounds that his mother was an administrator working in Children's Services.

49. PUBLIC QUESTION TIME

In accordance with the agreed procedure the Chairman invited members of the public to submit questions to the appropriate Members.

49.1 Chris Wallace asked the Chairman of Audit Committee the following question.

Could the Chairman please tell me what the process is for auditing data protection breaches particularly those reported by a 3rd party, there is nothing documented on the GDPR page of your website which only covers reporting of your own data breach?

Answer

Thank you for your question.

Wokingham takes very seriously all potential data protection breaches whether reported by the public, internally by staff or third party organisations.

The process for internal and third party reported breaches is exactly the same.

Every potential breach is investigated, and where appropriate, improvement actions are implemented. These could include, for example, additional staff training, and/or changes to processes and procedures.

Where the breach meets the threshold set out by the Information Commissioner, a report is made to the Information Commissioner who will consider what further action, if any, is required.

I have confirmed with Officers that there are no breaches by third parties that require or have been reported to the ICO. However, we are aware of an incident just before Christmas where two letters were placed in the same envelope and were opened by a resident, I believe in Winnersh. This is being investigated and we are seeing what changes to processes need to be implemented to make sure this does not happen again.

I will also ask the team to look at the Council's website to make it clearer how to report any breaches so that there is a much clearer line of reporting and for ease for members of the public.

Supplementary Question:

It seems to go into a black hole if you report something. You do not get any feedback that it has been received by Data Protection people. The latest breach, I have had personal details of at least five in the last year and I do not know whether anything has happened to them. The latest one also included a member of the public ringing Customer Services and being told 'oh it is a mistake, they happen, bin them.' What they were told to bin was 12 pages of someone else's benefits covering 3 years. Those are the originals if a member of staff would like them back.

Supplementary Answer:

What I will say here is that I have been informed of this. I understand that it is due to the manual nature of the envelope stuffing and therefore because it is a manual process, it is more open to mistakes occurring. As I have said, when we identify these risks we look at the processes and we look at if changes can be made. I am expecting a report to come through to tell me what will change, what will happen, whether we can automate the envelope stuffing process to ensure that this does not happen again. As you say you have been aware of five breaches, if you could provide me with the details of the other four, we will go and make sure and try and work out what the root causes were. We will try and work out the root cause and try and change the process to make sure it does not happen but that sort of data should not be going public. It is personal, confidential information and therefore we do want to get to the bottom of this and stop this happening.

Chris Wallace also asked how many other instances there had been where mistakes had been made and people had been told to bin the documents, and if the incidents were being reported.

The Assistant Director Governance responded with the following:

We do have what I would consider to be a reasonable process in terms of receiving, logging and following up on complaints. I must say that it is important for me to look at these specific ones that you have brought here tonight, but through the Chair we will make sure that you get feedback. I would be happy to meet you on a one to one basis.

The Chairman also responded:

All of these seem to be manual emails or a manual intervention. My own firm, when I send an attachment that is not to an internal email, flashes up with a box saying 'are you sure you want to send this attachment to this person?' I do not know if that happens in Wokingham emails but those are the sort of interventions that can be implemented relatively easily. We will look at these and from what I can tell, the first 4 were before GDPR became mandatory and the last one is after, but we take them all very, very seriously and need to understand why these are happening.

50. MEMBER QUESTION TIME

There were no Member questions.

51. UPDATE ON INTERNAL AUDIT OF HOUSING RENTS

The Committee received an update on the internal audit of Housing Rents.

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

- The internal audit of Housing Rents had concluded with a level 3 assurance which meant that there were weaknesses identified in the systems of internal control.
- Members were updated on the current and former rent arrears and progress made against the target to reduce arrears as a percentage of annual debt to 2% by the end of 2019/20.
- Members were informed that the former tenant arrears amount had increased from £181,208.63 (as at March 2018) to £234,238.44 (as at November 2018). As debt aged it often became harder to collect. Nevertheless, a positive direction of travel was being seen.
- The Lead Specialist Finance commented that if a tenant continued not to pay their tenant arrears they would eventually be evicted and the debt would transfer from housing debt to sundry debt. Five evictions had been carried out this year. An eviction could take up to 12 months and was not the preferred option.
- The Council was using an external agency to pursue debt.
- Councillor Shepherd-DuBey asked whether the Council used phone call reminders. The Lead Specialist Finance stated that two additional members of staff had been engaged to phone and remind people of the need for payment.
- It was noted that Tony Newman of HQN had undertaken a review on rent arrears management and 62 recommendations had come out of the review. Councillor Smith asked that the Committee be informed of the status of the recommendations. The Assistant Director Governance commented that this formed part of the action plan. Councillor Smith also asked for information regarding ageing debt and action being taken to reduce this.
- With regards to sundry debt, the Lead Specialist Finance stated that there was currently £4.4m of collectable debt (although £1m of this sat under 30 days).

RESOLVED: That

- 1) the update be noted;
- 2) the Committee be updated on the status of the 62 recommendations on rent arrears management from an external review by Tony Newman of HQN;
- 3) information on sundry debt be sent to the Chairman monthly from the March month end.

52. ERNST & YOUNG 2018/19 AUDIT PLAN

The Committee received the Ernst and Young 2018/19 Audit Plan.

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

- Helen Thompson highlighted the audit risks and areas of focus. IFRS 9 financial instruments and IFRS 15 Revenue from contracts with customers, were new areas of

focus. However, it was expected that they would not have a material impact on the Council. In response to a question from Councillor Howe, Helen Thompson explained why misstatements due to fraud or error had been included as the first area of focus.

- Materiality had been set at £6.9m which represented 2% of the prior year's gross expenditure on provision of services. Councillor Shepherd-DuBey questioned whether 2% was normal and was informed that it was.
- Members were reminded that Ernst and Young would report all uncorrected misstatements relating to the primary statements; comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund greater than £348k.
- The duty to prescribe audit fees was a statutory function delegated to Public Sector Audit Appointments Ltd. It was noted that the fees for 2018/19 were a significant reduction on those for 2017/18. Councillor Sargeant asked whether resources would decrease as a result. Helen Thompson commented that Ernst and Young were looking at efficiencies in the audit and would be making greater use of the offshore teams. The fee reduction would be challenging but the aim was to deliver the audit within the fee.

RESOLVED: That the Ernst & Young 2018/19 Audit Plan be noted.

53. CORPORATE RISK REGISTER

The Director of Children's Services presented the Corporate Risk Register.

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

- The Director Children's Services outlined some of the key risks relating to Children's Services.
- Nationally, safeguarding children was a key risk.
- The Director Children's Services indicated that Ofsted inspections were also highly likely, high impact risks. A new framework for inspection of the SEN provision had been introduced and as such the Council was anticipating the Ofsted of both its SEN provision and mainstream provision, at some stage this year. Children's Services was currently preparing for Ofsted. Members were advised that the service was currently rated 'Requires Improvement'. Self-evaluation put the service still at 'Requires Improvement' with some positives. There was a stable leadership team in place and a positive direction of travel and vision. Councillor Shepherd-DuBey asked how the service could move to 'Good.' The Director Children's Services commented that whilst caseloads had reduced they needed to reduce further.
- Workforce development was a specific risk for Children's Services. Nationally there were issues with regards to the recruitment and retention of social workers.
- Councillor Smith asked what risks were presently on departmental risk register that may escalate to the Corporate Risk Register. The Director Children's Services indicated that workforce stability specific to Children's Services may need to be escalated to the Corporate Risk Register in future.
- In response to a question from Councillor Sargeant as to what work was being carried out regarding recruitment and retention, the Director Children's Services stated that a recruitment and retention plan was being developed and a Task and Finish Group chaired by the Executive Member was looking at the recruitment and retention of social workers. Focus groups would be held in March at which managers and staff would be asked what made a difference to them.
- In response to questions from Councillors Howe and Shepherd-DuBey, the Director Children's Services commented that 40% of children in the Borough with Special

Educational Needs were placed outside of the Borough. Work was being done to try to reduce this.

- In response to a question from Councillor Shepherd-DuBey the Director Children's Services indicated that there were different safeguarding responsibilities around vulnerable adults and children.
- Members noted that some risks had not yet been allocated a committee to monitor its progress and asked that this be updated.
- The Committee asked that the Chief Executive be invited to the next meeting to update Members on risks in their area.

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

54. TREASURY MANAGEMENT STRATEGY 2019/20

The Lead Specialist Finance presented the Treasury Management Strategy.

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

- Under the Council's Constitution the Audit Committee was required to agree the Treasury Management Strategy and policies prior to recommendations being made to the Executive and Council. Councillor Smith questioned why this was the case and suggested that this be reviewed by the Constitution Review Working Group.
- The Lead Specialist Finance highlighted that the length of time the Council could invest with other local authorities had increased to 732 days. Local authorities were underwritten by central government.
- The Council's commercial activities had been split out, increasing openness.
- In response to a question from Councillor Sargeant, the Lead Specialist Finance explained why elements of the Minimum Revenue Policy deviated from statutory guidance.
- Members identified a number of spelling and casting errors and asked that these be amended.
- Councillor Smith commented that the Treasury Mid Term report had identified that there had been delays in some areas such as the delivery of infrastructure and the provision of affordable housing, meaning that spending against those projects had been pushed back. He went on state that it would be useful to see information regarding a range of scenarios on the Council's likely borrowing levels.

RESOLVED: That

- 1) the Audit Committee recommend to Council for approval the following:
 - a) Capital Prudential indicators, 2019/20;
 - b) Borrowing strategy 2019/20;
 - c) Annual Investment Strategy 2019/20;
 - d) Flexible use of capital receipts strategy;
 - e) MRP policy; and
 - f) Treasury indicators: limits to borrowing activity 2019/20

Subject to the amendment of various spelling and casting errors and the inclusion of information regarding potential borrowing scenarios.

55. 2018/19 INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT

RESOLVED: That this item be deferred to the Committee's next meeting.

56. 2019/20 INTERNAL AUDIT AND INVESTIGATION PLAN

The Committee received the 2019/20 Internal Audit and Investigation Plan.

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

- The Assistant Director Governance commented that the Committee could highlight any areas of concern throughout the year that they felt that Internal Audit and Investigations should consider.
- Councillor Sargeant stated that it would be helpful if a column detailing when a matter had last been audited if it had been audited more than one year ago, was included.

RESOLVED: That the 2019/20 Internal Audit and Investigation Plan be approved.

57. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

Councillor Smith informed the Committee that the Constitution Review Working Group had requested that the Audit Committee review a proposed change around the acceptance of Tenders and signing of Documents, in 6 months' time.

Councillor Smith also informed the Committee that he had been asked by the Executive Member for Finance and Corporate Resources to lead a working group to review the council tax reduction scheme process and to report back prior to 21 February. Councillor Shepherd-DuBey volunteered to be part of the working group.