

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 7 NOVEMBER 2018 FROM 6.30 PM TO 8.15 PM**

Committee Members Present

Councillors: Chris Smith (Chairman), David Chopping (Vice-Chairman), Daniel Sargeant and Imogen Shepherd-DuBey

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Helen Thompson, Ernst and Young
Malcolm Haines, Ernst and Young
Martin Jones, Financial Planning Specialist
Angela Morris, Director Adult Services
Andrew Moulton, Assistant Director Governance
Bob Watson, Lead Specialist Finance

34. APOLOGIES

An apology for absence was submitted from Councillor Oliver Whittle.

35. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 25 July 2018 and the Minutes of the Extraordinary meeting held on 18 September 2018 were confirmed as a correct record and signed by the Chairman.

36. DECLARATION OF INTEREST

Councillor Imogen Shepherd-DuBey declared a Personal Interest in Item 40 Wokingham Borough Council Annual Audit Letter for the year ended 31 March 2018 on the grounds that she had a pension from the Local Government Pension Scheme.

37. PUBLIC QUESTION TIME

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

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

Question

A report was presented to the Audit Committee last December (Item 33) "Update on HRA Rent Audit" that showed an action plan to correct the faults found in the 2015/16 Rent Audit. The minutes show that "A further update would be provided at the Committee's next meeting" but this doesn't appear at any meeting since. Could you explain why, almost a year later, the current Audit Report (Pg 91/2 of this meetings' report pack) still shows Housing Rents and Debtors rated 3rd of 4?

Answer

A follow up review of the audit actions was completed in 2018 and a report issued within Wokingham Borough Council on 14 June. This is where the current grade 3 for the HRA rents has arisen from.

The report from the Council's Internal Auditors stated the number of outstanding actions had reduced from six to three so progress is being made, and the report did say that

'Considerable progress has been made to address the concerns raised last year, with the majority of countermeasures either implemented or near to being implemented.'

The three outstanding concerns are:

- 1 The older debt becomes, the more difficult it is to collect.
- 2 Without the required documentation in place, there is a risk that the tenancy is based on inaccurate information; and
- 3 Manual intervention is time consuming for staff and can cause delays.

On 10 September and further follow up Internal Audit were provided with evidence that the third concern, that manual interventions were time consuming, has been mitigated and this will be tested in November at the next review.

The other two concerns have not yet been mitigated as there is not all of the required documentation being obtained for new tenants, as I understand. However this again will be reviewed in November, so it might be mitigated by then. The older debts are in the process of being recovered however there are still significant sums that officers are chasing. The arrears have reduced from £900,000 as at March this year, however it had not been reduced sufficiently by June to say that there was no longer a risk to the Council.

While progress is being made, and at the end of week 31, so Sunday 4 November 2018, over 100% of the projected rent had actually been collected for this financial year. Internal Audit have emphasised the need to keep ongoing pressure as it is a high profile issue. Therefore, the audit opinion remains at 3rd of 4 due to the amount of the debt involved, even though progress has been made in reducing the amount outstanding, and they are likely to keep this open for the foreseeable future. So I think the comment is that progress is being made. The aim is to mitigate this by the end of 2020 year end and so all efforts are being put into chasing the arrears and that is why it is still rated 3 out of 4 because there is not yet the evidence that all the possible arrears that we could recover, have been recovered.

Supplementary Question:

I don't know whether you are aware that in 2016, prior to that report with a small amount of errors, an investigation was done by Tony Newman of HQN, I don't know whether you have seen the report. It had a list of 62 recommendations on rent arrears management. A lot of those still have not been implemented 2 and a half years later and because of that, tenants who pay by Direct Debit or standing order are still getting demand letters and statements showing arrears. One tenant has had three since March, an elderly lady, and she does not owe anything. She pays by Direct Debit but it is about the timing in the month. Now those are still being sent out to tenants. Why? Also, your reports are showing that between 1000 and 1500 tenancies a month are in arrears when 600 of them pay by Direct Debit. Are sure that is a correct figure and are you wasting time chasing up people?

Supplementary Answer:

What I will say is that I do not know the precise answer to that one. I do not believe we have someone from the HRA team here tonight who would be able to answer that. However, Bob will take that and action it and find out a detailed answer. If there is an issue that people are being charged because of something like that, that is not what the six concerns that I was told had driven the HRA Internal Audit findings. That is a different

circumstance. If Internal Audit are doing a subsequent review in November, can this be added to their work programme?

I do not think we have too much rent at the moment because that 100% does include some allowance for people who have not paid.

The Vice Chairman added the following:

The reason why we have over 100% paid is because of the way it is shown on the books. We have collected, for sake of argument, 98% of the outstanding rent and 4% of previously outstanding rent, so that gives 102% for this year. So it is a way of showing figures which is confusing. I think when you have considerations of this nature if you would like to give them to us, then we will investigate these particular, specific items through the right channels, specifically through the HRA, who are responsible for this sort of item.

38. MEMBER QUESTION TIME

There were no Member questions.

39. WOKINGHAM BOROUGH COUNCIL AUDIT PROGRESS REPORT

The Committee received the Wokingham Borough Council Audit Progress Report.

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

- There was one small adjustment to make to the housing benefit subsidy claim but this would be completed by the 30 November deadline.
- Malcolm Haines highlighted that planning for the 2018/19 audit had begun. The initial planning visit had been undertaken and interim testing was scheduled for the week commencing 4 March 2019.
- The final accounts visit was due to begin the week commencing 17 June 2019 for 5 weeks.
- Councillor Sargeant asked how the timings compared with the programme undertaken this year and was informed that work next year would begin earlier.
- The External Audit plan would be presented at the February Audit Committee meeting.
- In response to a question from Councillor Shepherd-DuBey regarding Brexit, Helen Thompson stated that it had not been referenced in the report as it was a progress report. Ernst & Young were required to take into account information received up to the point of issuing its opinion. With regards to the Value for Money conclusion Ernst & Young were required to look at the situation between 1 April to 31 March of the relevant financial year. Ernst & Young would however consider what scenario planning the Council was undertaking.
- Helen Thompson commented that a Value for Money risk had not been identified for the Council for some time. However, the uncertainty around Brexit meant that this may be subject to change in future.
- Councillor Smith asked whether the Pensions report included within the accounts could be the March report and not the January report. The Lead Specialist – Finance stated that the Council was part of the Berkshire Pension Fund and would not want to fund a separate assessment to that carried out for the other Berkshire local authorities. Councillor Smith requested that this be investigated and included in the timeline.

- Members were informed that the figure presented to the Committee in July around pensions, had been overstated.

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

40. WOKINGHAM BOROUGH COUNCIL ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018

The Committee considered the Wokingham Borough Council Annual Audit Letter for the year ended 31 March 2018.

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

- It was noted that with regards to the Pensions Liability Valuation a difference had been identified between the estimated fund value applied by the actuary as at 31 December 2017 and the actual outturn on the fund value of the Royal Borough of Windsor and Maidenhead Pension Fund as at 31 March 2018, which had resulted in an overall difference of £8.645million. Adjusted for the Wokingham Borough Council element this had resulted in an unadjusted difference of £0.983 million. This was different to the variance included in the representation letter from Ernst and Young.
- Ernst & Young's PFI expert had identified some non-material differences in the output from the Waste PFI model. These had been below the materiality level. Differences would be discussed with officers during the 2018/19 audit. Councillor Shepherd-DuBey asked what the materiality level was and was informed that it was £6million.
- Helen Thompson highlighted an issue identified with the 2017/18 cashflow statement which had been resolved. In response to a Member question the Lead Specialist - Finance explained that a 2018/19 transaction had been processed through 2017/18 as a result of human error. Councillor Shepherd-DuBey asked for more information on this matter. Helen Thompson indicated that she would work with officers to provide an update.
- Helen Thompson thanked Officers for their support. She commented that the Council was one of 431 organisations which had submitted its accounts on time. 95% of organisations had submitted by the old September deadline. 25 organisations had yet to submit.
- In response to a question from Councillor Chopping, it was clarified that the work on the housing benefits subsidy claim was not linked to the giving of the audit opinion. Helen Thompson indicated that a sample of 40 of each type of benefit had been requested for testing.
- The Certification of Claims and Returns – Annual Report 2017/18 would be presented to the Committee at its February meeting.

RESOLVED: That the Wokingham Borough Council Annual Audit Letter for the year ended 31 March 2018 be noted.

41. TREASURY MID TERM REPORT

The Financial Planning Specialist presented the Treasury Mid Term report.

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

- Members were advised that there was an error in Table 10 (p65) and £4,000 should read £3,400.

- No prudential indicators had been broken in first six months of the financial year.
- Members were informed that the Capital expenditure forecast at year end outturn was £135m and the performance against the Medium Term Financial Plan budget was 77%. This performance was reduced to 59% when compared to the current budget. This meant that the Council's borrowing requirement had reduced by 26% compared to the Medium Term Financial Plan budget.
- Councillor Shepherd-DuBey questioned the total figure given in Table 2 General Fund capital expenditure and financing, for the 2018/19 Medium Term Financial Plan Budget. The Financial Planning Specialist agreed to check the figure and has since confirmed that it was correct.
- There had been some slippage in the delivery of the Capital Programme with 59% of projects achieved this year. It was confirmed that no projects had been cancelled but that there had been delays in some areas such as delivery of infrastructure and the provision of affordable housing, meaning that spending against those projects had been pushed back. Councillor Chopping suggested reference be made in the report to the fact that possible delays should be factored into the process as early as possible.
- In response to a question from Councillor Shepherd-Dubey it was confirmed that the Market Place project would be completed this financial year.
- The Financial Planning Specialist, confirmed that the Council had not taken new external borrowing in the first six months. It was being forecasted that the Council would take new loans in the final six months of the financial year but this would be reviewed by the Treasury Management Team and would only be taken out if prudent to do so.
- The debt charge budget outturn performance was forecast at 88%, which represented an underspend. The returns on investment budget outturn performance was forecast at 90%, a reduction in income. This meant that the underachievement of investment returns was being more than covered by the reduction in debt charges. The underachievement was due to a reduction in loans given to Wokingham Housing Limited.
- In response to a question from Councillor Smith, the Financial Planning Specialist confirmed that there was the facility for short term borrowing if required.
- Councillor Shepherd-DuBey asked whether there were any investments that had not performed as well as expected. The Lead Specialist Finance commented that the Council had a Strategy in place which set out which organisations it could invest with. The Council mostly invested with other local authorities.
- In response to a question from Councillor Shepherd-DuBey Officers explained why no figures had been included in Table B9 – Internal Investments: interest received, against HRA internal loan from the General Fund (2018/19 Budget), Wokingham Housing (2018/19 Budget) and Wokingham town centre regeneration loan (2018/19 Budget).
- Councillor Shepherd-DuBey questioned why the maturity date for the loan from the Local Enterprise Board was 2017. Officers agreed to look in to this. It was suggested that this may be an ongoing loan.
- Councillor Sargeant asked how the Council compared to other local authorities with regards to financial transactions. Helen Thompson stated that it was not immediately out of line with other local authorities but that it was quite geared towards borrowing.
- It was clarified that the properties listed in Appendix D Investment Portfolio were properties that the Council had purchased for income purposes. There was a strict definition as to what could be classified as an investment property. Councillor

Shepherd-DuBey asked where assets were listed and was informed that there was an asset register.

RESOLVED: That

- 1) the mid-year Treasury Management report for 2018/19 be noted;
- 2) the actual 2018/19 prudential indicators within the report, be noted;
- 3) the report, subject to the correction of minor errors identified, be recommended to Council for approval.

42. ANNUAL GOVERNANCE STATEMENT 2017-18 PROGRESS REPORT

The Committee considered an update on the progress of the issues highlighted within the 2017/18 Annual Governance Statement process.

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

- Six actions had been identified.
- Under the Chief Executive's area a key risk identified had been the resourcing of the new Commercial Property team. The recruitment process had begun in May and one placement out of three had been made, with the individual starting in September. A further process was being developed to recruit the other two placements. Councillor Shepherd-DuBey commented that the recruitment process was taking some time.
- Within the Commercial Property team there had been an exception around the process for collecting and managing rental income which would be partially resolved when the Technology Forge module became live. Members were informed that the issue was being addressed with a process review underway, led by Finance with 21st century Council involvement. Councillor Shepherd-DuBey asked about commercial and residential rent collection rates and was informed that this information was recorded in one of the KPIs considered by the Overview and Scrutiny Management Committee.
- With regards to Corporate Services, Members were advised that in 2017-18 there had been a number of data breaches in Housing. To date in 2018/19 there had been no data breaches in this area. All staff had undergone data protection training earlier in the year as part of the GDPR implementation. Councillor Shepherd-DuBey questioned how frequently staff were tested and commented that she felt that staff should be tested regularly. The Assistant Director Governance indicated that he would bring back a report about the Council's current position and future plans with regards to GDPR.
- Managing the safe transition from the current Highways Alliance contract to the new one had been identified as an area for action in the former Environment area. Progress being made as at mid October 2018 was highlighted.
- Gaps in senior management level had been identified in People Services. It was noted that Angela Morris had now been appointed as Director Adult Services and that Carol Cammiss had recently been appointed as Director Children's Services. Some Assistant Director posts were still being recruited to. Councillor Shepherd-DuBey emphasised the need for a strong leadership team.
- A lack of leadership capacity had been identified at Customer and Localities Assistant Director level at a key point in the 21st century Council process. It was noted that Sarah Hollamby was now acting as Interim Director Locality and

Customer Services and the recruitment process for a permanent Director appointment was underway.

RESOLVED: That the 2017/18 Annual Governance Statement Progress Report be noted.

43. CORPORATE RISK REGISTER

The Committee received an update on the Corporate Risk Register.

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

- The Assistant Director informed the Committee that at each meeting a Director would be invited to explain the key risk in their areas and the actions being taken to mitigate them.
- A lot of work had been undertaken following the Committee's Extraordinary meeting in September, to redraft the Corporate Risk Register. Further engagement with the Executive regarding accountabilities was required. It was hoped that input would also be received from the new Chief Executive once appointed. 16 risks had been included in the revised Corporate Risk Register. The Executive and Corporate Leadership Team would consider the Corporate Risk Register in November.
- The Director Adult Services outlined some of the key risks relating to Adult Services.
- With regards to safeguarding, the Council followed Berkshire wide policies and procedures. These policies and procedures were also reflected in the recording of safeguarding issues. There was a regular Safeguarding Board which had an independent chairman and the Council also learnt from good practice from other local authorities and partners such as the Police and health. Staff were trained in levels 1 to 3 regarding safeguarding as required. A Strategic Safeguarding Lead had been appointed who would start in January and a Principal Social Worker was in place, adding an additional layer of assurance.
- Management of the budget was another risk particularly as the number of residents with complex needs or frail elderly increased. There was a need to ensure that the ethos of the Care Act was correctly and fairly applied and that the right trigger for assessments was used. More work was being undertaken with regards to the prevention agenda.
- The Committee discussed workforce. The Director Adult Services commented that Wokingham was able to retain good staff and did not have a high level of agency staff. There was a high dependence on the independent market with regards to care homes and domiciliary care.
- Councillor Shepherd-DuBey asked about the anticipated impact of Brexit on the health and social care workforce. The Director Adult Services commented that an impact assessment was being produced corporately. Work was being undertaken with providers regarding their workforce and regular meeting were held with health. Many workers came from outside of the EU. Members asked whether there were any areas where there was a skills shortage and were informed that there was a higher turnover in nursing staff in nursing homes and domiciliary care staff.
- Councillor Chopping asked how the Council's adult social care compared with other local authorities and was informed that performance was in the top quartile.

RESOLVED: That the update on the Corporate Risk Register be noted.

44. 2018/19 INTERNAL AUDIT AND INVESTIGATION Q2 PROGRESS REPORT

The Assistant Director Governance presented the 2018/19 Internal Audit and Investigation Q2 Progress Report.

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

- The Corporate Governance audit report was at a draft stage and the draft opinion was 3. Members would receive an update on the actions being taken to make improvements to corporate governance.
- The draft audit opinion issued in relation to the 21st century Council programme audit, was 2. It was noted that the 21st century Council programme was on track to deliver the mandated savings.
- With regards to the Council's need to respond to financial constraints placed on it and with the ongoing expectation of effective service delivery, a review of the benefits of Phase 1 of the 21st century Council programme had been commissioned.
- There had been three audit reviews (2017/18 Housing Rents, 2017/18 Debtors and 2017/18 Shared Property/Building Services) which had received the third or fourth category of audit opinion that had been completed to Final Report stage since the Quarter 1 progress report.
- Corporate Investigations had been working on areas of housing, disciplinary cases and code of conduct cases. In addition there was an ongoing investigation at a school which had been referred to the Police by Shared Legal Solutions. This did not relate to a safeguarding issue.
- Members were updated with regards to the External Review against the Public Sector Internal Audit Standards. The Audit Charter had been updated. Progress against the recommendations and suggestions was continuing. Updates on progress would be reported to future Committee meetings.

RESOLVED: That that 2018/19 Internal Audit and Investigation Q2 Progress Report be noted.

45. FORWARD PROGRAMME 2018-19

The Committee considered the forward programme for the remainder of the 2018-19 municipal year.

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

- It was proposed that there be an additional committee meeting the next municipal year, in September.
- Councillor Smith asked that the February committee meeting begin at 6.30pm.
- In response to a question from the Assistant Director Governance regarding which Director the Committee would next like to discuss the Corporate Risk Register with, Members asked that the Director Children's Services be invited to the February meeting.

RESOLVED: That the forward programme be noted.