

# Agenda Item 2.

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY 10 FEBRUARY 2015 FROM 7PM TO 7.55PM

*Present:- Guy Grandison (Chairman), Alistair Auty (Vice Chairman), Beth Rowland, Chris Smith and Paul Swaddle*

*Also present:-*

<i>Maria Grindley</i>	<i>Audit Director, Ernst &amp; Young</i>
<i>Catherine Hickman</i>	<i>Service Manager, Shared Audit and Investigations Service</i>
<i>Martin Jones</i>	<i>Planning Accountant – Corporate Finance</i>
<i>Paul Ohsan-Ellis</i>	<i>Team Manager - Internal Audit</i>
<i>Stuart Rowbotham</i>	<i>Director of Health and Wellbeing</i>
<i>Madeleine Shopland</i>	<i>Principal Democratic Services Officer</i>
<i>Rob Stubbs</i>	<i>Head of Finance</i>

### PART I

#### 43. MINUTES

The Minutes of the meeting of the Committee held on 9 December 2014 were confirmed as a correct record and signed by the Chairman subject to the following amendment:

- Addition of Councillor Rowland to those who had given her apologies.

#### 44. APOLOGIES

An apology for absence was submitted from Councillor Stanton.

#### 45. DECLARATION OF INTEREST

Councillor Auty declared a Personal Interest on the grounds that he was a Non-Executive Director of Wokingham Housing Limited.

#### 46. PUBLIC QUESTION TIME

There were no public questions received.

#### 47. MEMBER QUESTION TIME

There were no Member questions received.

#### 48. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2013/14

The Audit Director, Ernst & Young presented the Certification of Claims and Returns – Annual Report 2013/14.

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

- In 2013/14, Ernst and Young certified two claims with a total value of £24.4m, compared to four claims in 2012/13. None of the claims subject to certification were qualified.
- It was noted that the actual fee payable of £10,984 was higher than the estimated amount of £8,000 approved in February 2014 and reflected extra work required on the housing benefits subsidy claim, and also on the pooling of housing capital receipts return due to minor errors in each return.
- In response to a Member question regarding a breakdown of fees the Audit Director, Ernst & Young indicated that the Audit Commission set a fee to undertake work. If

the cost of the work was higher an extended fee could be requested and if it was lower a refund could be provided.

**RESOLVED** That

- 1) Ernst and Young's Grants Audit Annual Certification Report 2013/14 be noted;
- 2) the proposed fee of £12,140 for the certification of grant claims and returns for 2014/15 be approved.

**49. CERTIFICATION OF CLAIMS AND RETURNS - TEACHERS PENSIONS RETURN**

The Committee received the certification of claims and returns – teachers pensions return.

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

- From 2013/14 onwards the Teachers' Pension return was no longer subject to certification under the Audit Commission arrangements.
- Each education authority was required to make their own arrangements to meet the certification requirements for the Teachers Pensions return, and quotes were obtained for the work as required under the Council's Financial Regulations. The audit had been awarded to a Wokingham based audit practice, Rice Associates, for a fee of £800. The auditor had awarded the Council a qualified conclusion and had not raised any material issues but did identify that the Council should have more rigorous controls to evidence the correct deduction of pension payments by those schools which have responsibility for their own payroll.
- Councillor Rowland asked what the arrangements were for those schools that had their own payrolls. The Head of Finance confirmed that the Council had access to their information.

**RESOLVED** That the Audit Certification Report 2013/14 for the Teachers' Pension Return be noted.

**50. TREASURY MANAGEMENT STRATEGY 2015/16**

The Planning Accountant – Corporate Finance presented the Treasury Management Strategy 2015/16.

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

- Members were informed that Appendix A, which had been previously circulated, had been amended due to a change in the capital programme, with one scheme having moved to the next financial year.
- The Treasury Management Strategy was made up of the Capital Prudential Indicators, the Borrowing Strategy and the Annual Investment Strategy.
- The capital expenditure for 2015/16 was estimated at £95.8m. This included an estimated carry forward from 2014/15 of £41.2m.
- Capita Asset Services, the Council's treasury advisors, had forecasted no increase in interest rates until at least December 2015. Internal borrowing would be used.
- Councillor Grandison questioned how frequently officers had contact the Council's treasury advisors and was informed that there was a daily treasury management bulletin and new flash and that officers were in regular contact with advisors.

**RESOLVED** That the Committee recommends to Council for approval the following:

- 1) The Capital Prudential indicators, 2015/16-2017/18;
- 2) The borrowing strategy 2015/16;
- 3) The annual Investment strategy 2015/16; and
- 4) The Treasury Indicators: limits to borrowing activity 2015/16.

## **51. RETROSPECTIVE PURCHASE ORDERS**

The Head of Finance provided an update on retrospective purchase orders.

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

- It was not currently possible to provide an accurate picture of the retrospective purchase orders. Data cleansing was ongoing and it was hoped that this would be completed by the end of the financial year.
- In terms of the Internal Audit recommendations, work to review the Finance and Contract Regulations was beginning and changes would be discussed with the Constitution Review Working Group in May.
- High user groups were receiving training on purchase orders.
- Financial business partners were working to reduce incidents of retrospective purchase orders.
- The Head of Finance commented that he hoped that he would be able to report more fully at the first meeting of the next municipal year.
- It was noted that the transfer to WISER had taken five months. The Head of Finance commented that services had had to re-raise purchase orders which had not transferred over from the old system. Nevertheless, the transactions side was working well. Members agreed that this timescale was not unacceptable.
- Councillor Swaddle questioned the effectiveness of budgetary controls. It was noted that there was triangulation against spending profiles.
- The Director of Health and Wellbeing commented that he was confident that staff were aware of the need to create purchase orders and that data would look better in Q1.
- Members questioned when the Q1 data would be available. The Head of Finance stated that he would share the data regarding retrospective purchase orders for the first month with the Chairman. Councillor Grandison proposed that should there be particular areas where retrospective purchase orders continued to be issued, the relevant Director be invited to the next Audit Committee meeting, to explain the reasons for this, to Members.
- The Committee agreed that it wished to see the information regarding the number of retrospective purchase orders for the first two months of the financial year, at its next Committee meeting.
- Councillor Grandison questioned what lessons had been learnt and if the Council was still in a period of extended support with WISER. The Head of Finance commented that lessons learnt would be picked up as part of the lessons learnt review. There were currently three issues outstanding but it was hoped that the full transfer would take place by the end of the month. Members were reminded that the Council would keep expertise on site.

### **RESOLVED** That

- 1) the update on retrospective purchase orders be noted.
- 2) information regarding the number of retrospective purchase orders for the first two months of the financial year, be provided at the next Committee meeting.

## **52. CORPORATE RISK REGISTER REFRESH – JANUARY 2015**

The Director of Health and Wellbeing presented the Corporate Risk Register Refresh – January 2015.

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

- Risk 20 - *Risk that the Council does not have buy-in to successfully implement the corporate vision and priorities* had been updated to reflect the work being done to develop a monitoring framework for the delivery of the Council Plan.
- Risk 28 – *Risk that the Council is unable to cope with the increased burdens associated with the Social Care Act* had been updated to reflect the plans to mitigate the financial impacts.
- The Director of Health and Wellbeing explained Risk 28 in detail. Councillor Rowland asked why it was considered to be a medium risk rather than a high risk. The Director of Health and Wellbeing indicated that a plan had been agreed with health partners for the first year. It was difficult to predict beyond the first year at present and the Department of Health would be reviewing the Care Act settlement in future. It was possible that the risk would need to be updated in future.
- It was noted that the Executive lead member of Risk 12 – *Risk that essential transport infrastructure needs a significant short term investment for repairs* was Councillor Kaiser.
- Councillor Grandison queried whether Risk 27 - *Risk of failure of local health and/or social care system such that residents receive inadequate or unsafe response* and Risk 28 would eventually become one risk and was informed that they would not.

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

## **53. INTERNAL AUDIT AND INVESTIGATIONS PLAN 2015/16**

Members examined the Internal Audit and Investigations Plan 2015/16.

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

- The planned approach was to prioritise high risk areas of the Council's operation.
- The Plan was aligned to the Council's Corporate Risk Register and provided coverage over the top eight risks (rated as high risk areas). It also provided coverage over areas of key strategic, reputational and financial risk.
- The Plan was flexible and any changes would be reported to the Audit Committee.
- The overall planning framework incorporated a core plan of 734 audit days. This was a reduction from 795 total audit days. The work that the team was undertaking was being streamlined and efficiencies made.
- Councillor Grandison noted that an audit of the 'Council wide approach to Temporary Staff (use of corporate agency contract)' had been included on the list of optional audits and requested that this be taken forward in future. He commented that this was perhaps a future joint piece of work with the Royal Borough of Windsor and Maidenhead.
- The Audit Director, Ernst & Young highlighted that the changed financial standards meant that external audit could not direct or mandate the work of internal audit. Therefore the first bullet p71 of the agenda was therefore misleading in that the work was not required by external audit and did not impact on audit fees. Likewise the use of "mandatory" to describe the types of audit on p73 of the agenda was not accurate

if it referred to External Audit requirements. However the Council may want to receive assurance around the key financial controls for its own purposes.

- Members agreed that the Plan demonstrated the Council's commitment to good governance.

## **RESOLVED** That

- 1) the proposed Internal Audit and Investigations Plan for 2015/16 be approved.
- 2) decision to not complete any of the reviews that comprise the Optional Plan be approved.

### **54. INTERNAL AUDIT AND INVESTIGATIONS Q3 PROGRESS REPORT 2014/15**

The Service Manager, Shared Audit and Investigation Service presented the Internal Audit and Investigations Q3 Progress Report 2014/15. The Internal Audit and Investigations Progress Report detailed the work of the team from the 1 April 2014 and 31 December 2014.

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

- The team was working to complete both the Wokingham and Royal Borough of Windsor and Maidenhead audit plans.
- During Q3 one full report was finalised. (Benefits) and several reports had been finalised subsequent to the issue of this progress report (Public Health, S106/CIL, Council Tax and Fixed Asset Register).
- No limited assurances had been issued during this period.
- With regards to KPI 4 – 'Delivery of Internal Audit Days', it was noted that this was below target. There had been a significant carry forward of work from the 2013/14 financial year amounting to 128 days. Therefore Internal Audit had been below target at the end of Q2. Some agency staff had been secured and some Royal Borough of Windsor and Maidenhead resource redeployed to assist in the delivery of the Internal Audit Plan. Performance against this KPI was improving.
- Progress against KPI 6 – 'Value of Proactive Work' was below target due to resourcing issues and a number of investigations were due to come to fruition.
- The Head of Governance and Improvement Services would provide an update on the Shared Service at the next Committee meeting.
- Members were informed that a Senior Auditor, Senior Investigation Officer and Investigation Officer had recently been appointed bringing the teams to full compliment.
- In response to a query from Councillor Auty, it was clarified that KPI 5 – 'Benefit Overpayments' would no longer be reported to the Committee because from 1st November 2014, benefit investigations had transferred to the Single Fraud Investigation Service. KPI 7 – 'Sanctions Applied' would also not be reported to the Committee in future, for the same reason.
- The Committee discussed KPI 2 – 'Improvements to the Control Environment.' The Team Manager – Internal Audit explained that Internal Audit requested an update from the relevant manager on the implementation of high and medium recommendations. Evidence of implementation was sought.
- As part of the lean review work for Audit and Investigations, Members were asked for their views on future KPIs and their requirements on the content of the regular progress reports being presented to Audit Committee.

- Changes would be made to the way in which feedback was sought following audits as the response rate to post audit questionnaires had been low.

**RESOLVED** That the Internal Audit and Investigations Progress Report be noted.

*These are the Minutes of a Meeting of the Audit Committee*

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