

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 23 JUNE 2015 FROM 7.00 PM TO 8.00 PM**

Committee Members Present

Councillors: Paul Swaddle (Vice-Chairman), David Lee, Beth Rowland and Chris Smith

Other Councillors Present

Councillors: Prue Bray and Lindsay Ferris

Officers Present

Madeleine Shopland, Principal Democratic Services Officer

Andy Couldrick, Chief Executive

Brian Grady, Head of Strategic Commissioning

Catherine Hickman, Service Manager Shared Audit and Investigations Service

Martin Jones, Planning Accountant – Corporate Finance

Rob Stubbs, Head of Finance

Andrew Moulton, Head of Governance and Improvement

Paul Ohsan Ellis, Team Manager – Internal Audit

Adam Swain, Audit Manager, Ernst & Young

1. APOLOGIES

Apologies for absence were submitted from Councillor Grandison and Councillor Stanton.

2. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 10 February 2015 were confirmed as a correct record and signed by the Vice Chairman.

3. DECLARATION OF INTEREST

There were no declarations of interest made.

4. PUBLIC QUESTION TIME

There were no public questions received.

5. MEMBER QUESTION TIME

In accordance with the agreed procedure the Vice Chairman invited Members to submit questions to the appropriate Members.

5.1 Prue Bray asked the Chairman of the Audit Committee the following question

Question

Councillor Norman Jorgensen is Chair of the Corporate Services Overview and Scrutiny committee which is tasked with scrutinising the actions of the Executive. His wife Councillor Pauline Jorgensen is a member of that Executive. What action will the Audit Committee take to resolve this conflict of interest?

Answer

Thank you for your question.

The Council's constitution does not prohibit the spouse, partner or any other close associate of an Executive member sitting on the Overview and Scrutiny committee. The

only restriction is that members of the Overview and Scrutiny Committee cannot be members of the Executive that is section 6.1.2 of the Constitution.

The role of Overview and Scrutiny is not just to hold the Executive to account. Other important roles include policy development and review, performance monitoring, and external scrutiny.

The Audit Committee will not be taking any further action on this matter. It is a matter for all individual members to ensure that, at any Council meetings, they declare their interest in an item where there might be seen to be a conflict of interest.

Supplementary Question

That was not quite what I was expecting. Last night we had a meeting of the Corporate Services Overview and Scrutiny Committee at which they were considering a review of the Town Centre regeneration business case and because Philip Mirfin is on holiday, Mark Ashwell, the Deputy Executive Member, presented with Bernie Pich. Mark Ashwell is also down as a substitute member for the Corporate Services Overview and Scrutiny Committee. Now I mentioned this to Tim Holton and he agreed that it would not be sensible to have Mark be substitute for the review of something he just presented. Under the Constitution 4.4.3.2 (h) it is the responsibility of the Audit Committee to consider the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice. I wonder whether you might, given what is written in the Constitution, consider whether the Audit Committee, should look at whether there are some circumstances when people should not be involved in overview and scrutiny reviews?

Supplementary Answer

As Chair of the Audit Committee I think it is well beyond my remit to comment on constitutional matters and I will refer this to the Constitution Review Working Group.

5.2 Lindsay Ferris has asked the Chairman of the Audit Committee the following question

Question

It is with concern that I note that the information on the Council's website for Contractual Remuneration of councillor Non-Executive directors of Council owned companies is not being kept up to date. I asked questions on this matter at the Executive Meetings in September and October 2014 and again in January this year. The Leader of the Council agreed that information on the pay and appointments of councillor Non-Executive directors of the Council owned companies would be kept up to date. It has not been done. Why not?

Answer

The information will be updated by the Council's officers on the website as soon as resources and priorities dictate. The website is being updated at the end of each financial year and when there is a change in directorship. The information that was on the website was clear that the maximum remuneration is £6,095 per annum. Subsequently this has now been updated and has been live on the website since 9 June. It was passed to Legal on 6 June, so it is up-to-date at this moment and will be kept up-to-date in the future and as with the other declarations etc. they are updated annually.

Supplementary Question

That is not quite how things were discussed with the Executive. What I want to consider though is that when there are changes to people joining, will they be considered as being updated or will they be updated annually, because the information I have is the same for them?

Supplementary Answer

No, new declarations in year would be updated but there is a larger update at the end of the financial year.

6. AUDIT PLAN EXTERNAL AUDIT

Members received the External Audit Plan. The plan detailed the external audit work Ernst & Young proposed to undertake for the audit of financial statements for 2014/15. It also outlined the focus of Ernst & Young's work that needed to be carried out to enable a Value for Money Conclusion to be reached.

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

- With regards to financial statement risk, one significant risk had been identified, which was standard across all audits.
- A value for money conclusion risk relating to the current pressure on local authorities had been identified.
- Ernst & Young had determined that the overall materiality for the financial statements of the Council was £6.585m based on 2% of gross revenue expenditure. Uncorrected audit misstatements greater than £329k would be communicated. The Committee reemphasised that they wished to be informed of any uncorrected audit misstatements lower than £250k in future.
- At this stage, it was not felt that the overall level of risk in relation to the audit of the financial statements or in relation to the value for money conclusion was significantly different from the previous year.
- The indicative fee scale for the audit of Wokingham Borough Council was £140,822. The non-audit work fee was confirmed to be £17,306.

RESOLVED: That the Ernst & Young External Audit Plan for 2014/15 be noted.

7. TREASURY MANAGEMENT ANNUAL REPORT 2014-15

Members received the Treasury Management Annual Report 2014/15 which was a requirement of the Council's reporting procedures. It covered the treasury activity during 2014/2015 and the actual Prudential Indicators for 2014/15.

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

- In 2014-15 capital expenditure had been; non-Housing Revenue Account £38.7m and Housing Revenue Account £6.56m. This was financed immediately through capital receipts, capital grants, revenue contributions etc of £34.78m and through Internal Borrowing of £10.55m.
- The Council's Capital Financing Requirement had increased by £7.29m.
- No external borrowing was taken out in 2014/15.
- No prudential indicators had been breached.
- Members were informed that during a fair valuation by Capita Asset Services, the Council's loan portfolio was valued at £163.6m compared to the actual principal of

£131.6m, demonstrating that the treasury function had achieved favourable rates and durations of loans when financing the capital programme. In response to a Member question, the Planning Accountant – Corporate Finance explained what the fair valuation process entailed.

- It was noted that the report would be taken to Council for approval.

RESOLVED: That

- 1) The treasury management annual report for 2014/2015 be noted;
- 2) The actual 2014/2015 prudential indicators within the report be noted.

8. RETROSPECTIVE PURCHASE ORDERS

The Committee received a report detailing the progress being made to reduce the incidence of raising retrospective purchase orders.

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

- Retrospective purchase orders were discussed at the Extended Corporate Leadership Team meeting on a monthly basis. Work was ongoing to minimise the instance of retrospective purchase orders. Budget managers had been made aware of their responsibilities and training offered where necessary.
- Reporting for the current month stood at 23% whilst reporting for April had been 24%. 248 retrospective purchase orders had been raised in April, covering 186 suppliers. During May £433,671 of retrospective purchase orders were raised. 15 of these were over £5,000, 2 of which were in excess of £50,000.
- Councillor Rowland expressed concern that retrospective purchase orders were at 24% and questioned whether it should become a performance management issue.
- Councillor Smith questioned whether the graph depicting the number of purchase orders raised to date showed all purchase orders.
- Councillor Swaddle commented that the number of purchase orders raised increased in March but that the ratio between retrospective and non-retrospective purchase orders did not change.
- Members were informed that all suppliers would be written to and reminded of the importance of quoting a valid purchase order number so as to avoid delays in processing payments.
- The Head of Finance explained how a retrospective purchase order was defined. It was noted that some suppliers emailed an invoice on the same day that services were requested and that these automatically become retrospective purchase orders. This was being investigated to establish whether they should form part of a particular exceptions list. Any exceptions would need to be included in the Council's Financial Regulations in the Constitution and would therefore be subject to approval from Council via the Constitution Review Working Group.
- Councillor Swaddle suggested that in future it would be helpful to have information on the number of retrospective purchase orders raised against the value.
- The Committee considered those retrospective purchase orders where the value of the invoice was greater than £5,000 and expressed concern that these were retrospective. With regards to the retrospective purchase orders relating to school blocks and SEN provision, the Head of Strategic Commissioning explained that due to the nature of the SEN process this was often difficult to plan. Schools would also be written to as providers to remind them of the importance of a purchase order

number. Some issues had arisen when the formal handover between line managers had not been as strong as required but this was being addressed.

- In response to a question from Councillor Lee, the Head of Finance indicated that corporate procurement cards had been piloted and were being rolled out.

RESOLVED: That the report and the actions being taken to reduce the incidence of raising retrospective purchase orders be noted.

9. ANNUAL GOVERNANCE STATEMENT 2014-2015

The Chief Executive presented the Draft Annual Governance Statement (AGS) which had been produced by the Corporate Leadership Team following consideration of a number of Management Assurance Statements produced by the Council's 4 Directors and 2 Heads of Services.

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

- The AGS covered the following key aspects of the governance environment in place at the Council during 2013/14: establishing and monitoring the achievement of the Council's objectives, facilitation of Policy and Decision-making, Financial Management, Performance Management and Risk Management.
- The AGS commented on the effectiveness of the Council's governance arrangements, including effectiveness of Internal Audit and the system of internal control.
- The Chief Executive took the Committee through the significant governance issues identified. Information security breaches had been previously identified and were an ongoing challenge. The Information Commissioner's Office had confirmed that no action would be taken regarding the breach relating to the Register of Electors, given the work that the Council had undertaken to inform residents and to mitigate any risks arising from the breach.
- Some of the other significant governance issues identified related to the Children's Services Innovation Project, retrospective purchase orders, health and social care integration and the development of the Health and Wellbeing Board.

RESOLVED: That the AGS be approved on behalf of the Council prior to its inclusion in the final Statement of Accounts

10. SHARED SERVICE INTERNAL AUDIT AND INVESTIGATION ANNUAL REPORT 2014/15

The Service Manager, Shared Audit and Investigations Service presented the Shared Service Internal Audit and Investigation Annual Report 2014/15. Internal audit had been provided in-house for the first six months and via a shared service with the Royal Borough of Windsor and Maidenhead hosted by Wokingham since 1 October 2014.

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

- The format of the report had changed. It was now shorter and punchier.
- The overall audit opinion, which was largely a reflection of the system and procedural controls against the identified risks and mitigating controls, was that there was Reasonable assurance that the Council would achieve its objectives.
- Two audits had resulted in Limited assurance opinions: Housing Rents and Debtors. The Service Manager, Shared Audit and Investigations Service outlined the issues identified in these audits. With regards to the Housing Rents audit, Members were informed that follow up work had been undertaken and that

management now ran reports to identify when changes had been made to the systems data and by whom. The Housing Rent system would be changing in July. With regards to the Debtors audit, formal reporting was being introduced to increase senior management oversight.

- Appendix 2 detailed the progress of the internal audit plan 2014/15 (to 31 March 2015). Audits, whose status was listed as 'draft,' except those that were linked to the corporate risk register, were now finalised. A draft report had now been issued for the health and social care audit.
- The Service was required to comply with the 'Public Sector Internal Audit Standards.' The Internal Audit Service had been assessed as 'substantially compliant' for 2014/15.
- The report detailed the results of Housing Benefit and Council Tax Fraud Investigations from 2011/12 to 31 March 2015. Members were reminded that Housing Benefit Investigations had transferred to SFIS on 1 November 2014.
- The Corporate Investigations Team was now at full complement. Work was being undertaken on the Fraud Plans for both Wokingham and Royal Borough of Windsor and Maidenhead Council.
- Audit work had been undertaken for Bracknell Forest Council and the number of audit days for work for this council would be increasing. Ad hoc work had also been undertaken for Oxfordshire County Council and Buckinghamshire County Council. Members questioned whether undertaking work for other councils put staff under pressure. The Service Manager, Shared Audit and Investigations Service responded that it did not.
- In response to a question from Councillor Lee, the Service Manager, Shared Audit and Investigations Service indicated that the Internal Audit team were mindful of departments' busy periods.
- Councillor Swaddle thanked the staff for their hard work over the year.

RESOLVED: That the 2014/15 Internal Audit and Investigation Annual Report be noted.

11. CORPORATE RISK REGISTER REFRESH - MAY 2015

The Committee considered the Corporate Risk Register Refresh May 2015.

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

- Risk 14 '*Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning*' had been updated.
- Risk 19 '*Risk that infrastructure requested by the council will not be required*' had been removed and the impacts and mitigation had been incorporated into Risk 14.
- Risk 29 '*Risk of a disruption to services and internal business*' had been added. This was to reflect the risks involved with the Council's intention to have a new solution for ICT supply.
- Councillor Lee asked whether the Internal Audit team had indemnity insurance for undertaking work on behalf of other councils and was informed that they did. The Service Manager, Shared Audit and Investigations Service agreed to establish whether this was in place for internal work.

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

12. PROGRESS REPORT ON SHARED AUDIT & INVESTIGATION SERVICE

The Committee was updated on the progress made by the Shared Audit & Investigation Service in its first six months.

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

- It had been a year since the Executive had agreed to establish a shared service. Consolidation had been the focus of the first six months. The previous year's backlog of work had been cleared thereby ensuring a good starting position for delivery of the 2015/16 Audit Plans for both councils.
- The focus going forward was service growth. The Service was mindful that its two key clients were Wokingham and Royal Borough of Windsor and Maidenhead Councils.
- Councillor Rowland questioned how and whom the team offered its services to and was informed that it undertook work for local authorities at present but would not limit themselves. Councillor Rowland went on to ask whether the Service would work with Town and Parish Councils. The Head of Governance and Improvement Services commented that this was possible.

RESOLVED: That the progress made by the Shared Service during its first six months of operation be noted.

13. FORWARD PROGRAMME 2015/16

The Committee discussed the Forward Programme for 2015/16.

Councillor Smith proposed that the Committee receive updates on retrospective purchase orders at its December and February meetings and that this become a standing item.

RESOLVED: That the Forward Programme for 2015/16 be noted.

14. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

Councillor Swaddle questioned how the Audit Committee could be assured of the robustness of the allocation of school places process. The Service Manager, Shared Audit and Investigations Service commented that the Children's Services Overview and Scrutiny Committee had been requested to look at pupil place planning and processes for the allocation of places across the Borough and it was important that there was not a duplication of work. In addition the Shared Service was undertaking a piece of work in relation to a school and were looking at what checks and balances were needed going forward. It was important that these were cost effective and necessary. The Shared Service was working closely with Children's Services and would report back in future. Councillor Swaddle encouraged Members to report any evidence of fraud should they become aware of it. It was suggested that a training session on Members' responsibilities regarding fraud be held in future.

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