

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 28 SEPTEMBER 2015 FROM 7.00 PM TO 9.35 PM**

Committee Members Present

Councillors: Guy Grandison (Chairman), David Lee, Beth Rowland, Chris Smith and Rob Stanton

Also Present

Madeleine Shopland (Principal Democratic Services Officer),
Graham Ebers, Director of Finance and Resources,
Paul Ohsan Ellis, Team Manager Internal Audit,
Catherine Hickman, Service Manager, Shared Audit & Investigation Service
Stephen McGrail, Group Finance Service Manager
Maria Grindley (Ernst and Young)
Adam Swain (Ernst and Young)

15. APOLOGIES

An apology for absence was submitted from Councillor Swaddle.

16. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 23 June 2015 were confirmed as a correct record subject to the removal of the words 'demonstrating that the treasury function had achieved favourable rates and durations of loans when financing the capital programme' and signed by the Chairman.

Members requested that in future officers from Ernst and Young be recorded under the heading 'Also present.'

17. DECLARATION OF INTEREST

There were no declarations of interest received.

18. PUBLIC QUESTION TIME

There were no public questions received.

19. MEMBER QUESTION TIME

There were no Member questions.

20. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT 2014/15

The Audit Director, Ernst & Young presented the External Audit Annual Governance Report 2014/15.

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

- It was confirmed that the audit was now complete and that it was expected that an unqualified opinion would be issued on the financial statements.
- With regards to Value for Money Ernst & Young expected to conclude that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Risk of management override had been previously identified as a significant audit risk. The Audit Director, Ernst & Young confirmed that no issues had come out of the audit work.

- In comparison with prior years there had been some issues with the quality and version control of working papers.
- From testing in relation to payroll one instance of a member of staff continuing to be paid for six months after leaving the Council's employment had been identified. This overpayment had been recovered in full from the individual, and other testing had confirmed that this was an isolated incident. Ernst & Young were satisfied that this did not represent a risk of material misstatement to the 2014/15 financial statements. However, it did indicate a potential weakness in the controls relating to the leavers process. Members were informed that this issue had also been identified internally. Councillor Lee asked how the Committee could be satisfied that systems were in place to ensure that this did not happen again. Members requested sight of the management response to the External Audit Letter.
- The current financial pressure on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources represented a significant challenge over the medium term. The Council was benchmarked with regards to financial resilience and had prudent plans in place.
- Councillor Grandison questioned whether there were any areas of concern, such as the Highway Network Asset. The Committee discussed the Highway Network Asset in some detail. The Director of Finance and Resources stated that he would bring a position statement on the Council's preparedness regarding the Highway Network Asset to the Committee's February meeting.
- The Audit Director, Ernst & Young indicated that she and the Audit Manager, Ernst & Young would be moving on to work with other organisations. She thanked the Committee and Officers for their help and support over the years.

RESOLVED: That the External Audit Annual Governance Report 2014/15 be noted.

21. FINANCIAL STATEMENTS 2014/15

The Group Finance Service Manager and the Director of Finance and Resources took the Committee through the key points of the Financial Statements 2014/15.

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

- Councillor Grandison expressed disappointment that the Financial Statements had followed the agenda. The Group Finance Service Manager explained that the audit had begun later than in previous years and that also some small amendments had been required which had had to be checked and rechecked. Members were reminded that the WISER system and the new ERP system had been implemented mid-year, which had had an impact. The Director of Finance and Resources commented that the Council also had Group Accounts which further complicated the production of the financial statements. He went on to praise the team for the work that they had undertaken.
- In response to a Member question regarding the Committee viewing the statements at draft stage, it was noted that the draft financial statement had been on the Council's website since 1 July. It was agreed that this could be better communicated to Members in future. The Director of Finance and Resources suggested that he meet with the Chairman of the Audit Committee in between the production of the draft and final financial statements for sign off, to discuss any issues.
- Councillor Rowland stated that it would be beneficial for the Committee to receive further training on reading the accounts.

- The Director of Finance and Resources commented that the Council's financial systems were robust and the value for money assessment positive. There were no unadjusted errors to report. However, the financial climate remained particularly challenging.
- The useable capital receipts reserve as at 31 March 2015 stood at £8.5m and the useable grants and contributions reserve stood at £14m. A further £20.9m was held under capital grants receipts in advance as these grants and contributions had conditions attached to them which dictated how they should be spent.
- It was the fifth year that the Council had produced Group Accounts and there were now seven Group Companies.
- Long Term Investments had reduced to £3k at 31 March 2015 compared to £1.953m at 31 March 2014.
- Councillor Smith questioned whether All Saints School should have been included on the Council's balance sheet in the previous financial year. The Group Finance Service Manager explained that CIPFA and the Department for Education had produced advice concerning councils reviewing voluntary aided schools in their area to determine if they should be included on the council's balance sheet.
- In response to a Member question regarding budget monitoring and the Group Accounts, it was clarified that the Executive undertook the budget monitoring role.
- It was noted that 5 years was used as the average life for software, although 20 years would be used for the Council's new ERP (Enterprise Resource Planning) system. Councillor Smith queried the 20 year commitment to the Enterprise Resource Planning system and was informed that the system would be upgraded during this period.
- The Group Finance Service Manager indicated that a prior period adjustment was not required for Note 15.
- Councillor Smith requested that the table relating to be depreciation set out on p118 of the agenda be presented more clearly in future.
- The Committee discussed Note 43 Events after the balance sheet date. Councillor Lee questioned the statement 'The Statement of Accounts was authorised for issue by the Director of Finance and Resources (S151 Officer) on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes.'
- The Group Finance Service Manager explained the provision for accumulating absences.

RESOLVED: That the financial statements and letter of representation for 2014/15 be approved.

22. RETROSPECTIVE PURCHASE ORDERS

The Director of Finance and Resources presented an update on retrospective purchase orders.

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

- Reporting for August 2015 stood at 14%, which was very positive.
- Members were reminded of actions which had been taken to reduce the number of retrospective purchase orders, including writing to suppliers to request that a purchase order number was provided prior to the issuing of an invoice.
- The Committee was informed that in some instances there had been retrospective purchase orders for utility bills. Consideration was being given to blanket purchase orders for utilities.

- Councillor Rowland commented that it would be helpful in future to receive information about those retrospective purchase orders which did not relate to recurring matters such as utilities. Councillor Smith emphasised that it was important for Members to see the exceptions.
- The Director of Finance and Resources reminded Members of the sign off process for purchase orders.

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

23. CORPORATE RISK REGISTER UPDATE

Members considered the Corporate Risk Register Refresh – August.

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

- No significant changes had been made to the Corporate Risk Register as part of the refresh.
- With regards to Risk 7 'A failure to follow procedures, equip the workforce with the right skills and training, or to deliver appropriate resources or services in a timely way raises a risk of serious or significant harm to a vulnerable child or young person with whom the council is working', Councillor Lee commented that the 'Further Actions to Mitigate Risk' section did not contain sufficient detail to provide the Committee with assurance of action being taken. He went on to comment that more consistency was needed regarding the amount of detail provided. Members agreed that it would be helpful to have more detail and context.
- The Service Manager – Shared Internal Audit and Investigation Service indicated that the Corporate Risk Register was a high level document and that elements could be drilled down further if required and that Internal Audit audited against more detailed controls set out within the Risk Register. Internal Audit would inform the Committee if any significant issues were identified in respect of those controls as part of their audit work.
- Councillor Grandison requested that Members be sent the list of controls of information.
- Councillor Stanton commented that the Corporate Risk Register was an important item and should be higher up the agenda in future.

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

24. INTERNAL AUDIT AND INVESTIGATIONS Q1 PROGRESS REPORT 2015/16

Members considered the Internal Audit and Investigation Progress Report which detailed the work of the team from 1 April 2015 to 31 August 2015.

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

- At the end of August 2015 progress on the 2015/16 Internal Audit Plan was slow mainly due to a number of audits being deferred to later in the year at the request of management. In response to a Member question, the Service Manager – Shared Audit and Investigation Service confirmed that Internal Audit had been satisfied with the reasons given for deferral.
- A vacant post in the Shared Service had now been appointed to.

- The Shared Service was generating interest from other authorities. Work was being undertaken on behalf of Bracknell Forest Council in respect of internal audit activity and both Buckinghamshire and Oxfordshire councils for Investigations activity.
- The Investigations team had been developing common processes across Wokingham Borough Council and the Royal Borough of Windsor and Maidenhead. The Committee noted the Investigations Team's performance. It was confirmed that work relating to Social Care/Direct Payments related to a single case of fraud. In addition the team was undertaking proactive pieces of work.
- Councillor Stanton asked whether there was distinct financial advantages of having a Shared Service and was informed that some savings and efficiencies were being made but it was still early days.
- Councillor Lee asked that the Committee receive more detail on the individual audits, such as the scope, in future. Councillor Grandison suggested that when the Committee looked at the Audit Plan for the next year this could be considered.

RESOLVED: That Shared Internal Audit and Investigation Progress Report be noted.

25. INTERNAL AUDIT CHARTER REVIEW

The Committee considered the Internal Audit Charter, which described the purpose, authority, responsibilities and other relationships of the Councils' Internal Audit Service. The Internal Audit Charter was subject to annual review.

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

- Councillor Stanton commented that the Charter would only be successful if all parties played their part and asked how the Committee could be sure that this was the case. Members were informed that there would be an external review of Internal Audit's compliance with the Public Sector Internal Audit Standards (PSIAS) later in the year, which would highlight how well the Charter, which was based on the PSIAS, was embedded.
- Councillor Lee questioned the use of the word 'independent' to describe Internal Audit and asked how this independence was ensured. The Service Manager – Shared Internal Audit and Investigation Service indicated that she reported to the Head of Governance and Improvement Services and, in accordance with the Internal Audit Charter had unrestricted access to the Chief Executive and Chairman of the Audit Committee, if required.
- It was confirmed that the Charter referred to the Audit Committee agreeing the Internal Audit, annual Audit Plan.

RESOLVED: That the Internal Audit Charter be approved.

26. FORWARD PROGRAMME

The Committee considered the Forward Programme.

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

- A position statement on the Council's preparedness regard the Highways Network Assets would be taken to the Committee's meeting in February.
- It was suggested that the Corporate Risk Register be higher up the agenda.

RESOLVED: That the Forward Programme be noted.

This page is intentionally left blank