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AUDIT AND PERFORMANCE REVIEW PANEL

TUESDAY, 16 FEBRUARY 2016

PRESENT: Councillors Paul Brimacombe (Chairman), Dr Lilly Evans, Lynne Jones, Jack Rankin, Adam Smith (Vice-Chairman), Lisa Targowska and Edward Wilson

Officers: Officers: Richard Ellis, Catherine Hickman, David Cook, Richard Bunn, Duncan Laird (KPMG), Simon Fletcher and Paul Ohsan.Ellis.

APOLOGIES

Apologies were received by Councillors Carroll; Councillor Kellaway attended as a substitute. Councillor Dr Evans reported that she would be late.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 10th December 2015 were approved as a true and correct record. The following updates were provided:

- The Audit process under review – a presentation to the Panel to be provided on the audit process.
- Oldfield School – lessons learnt log to be put in place for future projects.
- Legacy Bridge Fund – as the fund had not been used the Leader of Council to take back to the sub-committee for re allocation.

KPMG ANNUAL REPORT ON GRANTS AND RETURNS WORK 2014/15

Duncan Laird, KPMG, introduced the report that summarised the results of work KPMH had carried out on the Council's 2014/15 grant claims and returns.

This included the work completed under the Public Sector Audit Appointment certification arrangements, as well as the work completed on other grants/returns under separate engagement terms.

The certification of the Housing Benefit Subsidy claim was qualified and resulted in a letter to the Department for Work & Pensions (DWP). Whilst work on the Teachers' Pensions Return and NCTL Annual Grant Report and ITT Annual Accounts resulted in unqualified certificates.

In response to questions about the Housing Benefit qualification the Panel were informed that this related to testing of Rent Allowance cases that identified an error in how claimant income had been calculated. Following testing of additional cases, an extrapolated error of £7,310 was identified.

Andy Jeffs informed the Panel that in 2014 the team processes £36.7 million of payments on behalf of the DWP and dealt with 7,200 cases, 1,500 new claims and 17,200 changes in circumstances. 2 officers had completed training and would check claim forms and all the changes that should have been implemented over the last three years had been rectified. In response to questions from the Chair it was clarified that ongoing training was in place.

Cllr Wilson asked for clarification on risk based verification and was informed that this related to the type of claims; a pensioner on a fixed income would be classed as low risk but a new claimant or a person whose income changes would be a higher risk of error or fraud. It was therefore advisable to spend more time and seek more evidence for the higher risk claims than the more stable low risk claims.

The Chairman asked if it was expected that there would be higher levels of fraud in the high risk cohort and was informed that you would expect some correlation ; the risk could be of error or fraud.

Resolved that the report be noted.

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD EXTERNAL AUDIT PLAN 2015-

16

Duncan Laird, KPMG, introduced the report that supplemented the Audit Fee Letter 2015/16 presented to the Panel in April 2015. Materiality for planning purposes had been calculated based on the prior years signed financial statements and had been set at £4.6 million for the Authority and £25 million for the Pension Fund.

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error had been identified as:

- Accounting for the Better Care Fund. Joint funding arrangements with the CCG's that requires review to ensure compliance with the Code and accounting arrangements.
- Longevity hedge. The Pension Fund has a longevity insurance policy and the contract must be kept under regular review to ensure its valuation and disclosure are in accordance with accounting standards.
- Management override of controls. It was important to consider the fraud risk from management override of controls as significant because management was typically in a unique position to perpetrate fraud due to their ability to manipulate accounting records.

The Chairman questioned if the maternity level set at 5.7% seemed a high fresh hold especially as the majority of the money would be taken up by payroll which by its nature is self audited by the staff checking their payments. The Panel were informed that KPMG did not just look at fraud but also error and the level set was standard for Councils.

Councillor Wilson mentioned that the authority had large capital transactions and questioned if these were checked. The Panel were informed that large capital expenditure was tested as a matter of course.

It was noted that the audit fees were set by the Audit Commission and that the latest fees had been reduced.

With regards to the key elements of our financial statements audit approach Councillor Wilson questioned the interim report scheduled for May and was informed that this was put in place in case there were issues found that required early reporting; this measure had not been required for KPMG.

Resolved that the report be noted.

2016/17 RBWM INTERNAL AUDIT CHARTER

Catherine Hickman, Service Manager Shared Audit and Investigation Service, introduced the report that requested the Panel approves the 2016/17 Internal Audit Charter.

The Panel were informed that the Internal Audit work was undertaken in accordance with the Internal Audit Charter, which set out the Terms of Reference for Internal Audit activity and complied with the CIPFA / IIA Public Sector Internal Audit Standards (PSIAS). This required annual approval and was attached as Appendix A.

The Chairman requested that in appendix A, paragraph 22 that as well as reporting any suspected malpractice to the appropriate manager that this was also reported to the Audit and Performance Review Panel.

With regards to paragraph 28 the Chairman questioned if there was the appropriate budget provision for the audit team to hire specialist expertise if required. The Panel were informed that there was currently adequate provision in the budget and that if additional funds were required they had different reporting lines to negate having to ask for additional funds from an officer who may be implicated.

The Panel requested that paragraph 6, first bullet point, be re written to clarify who the 'Board' were. It was also requested that it be made clear that the Managing Director was the Head of Paid Service and that the other two statutory positions; S151 Officer and Monitoring Officer, be added for clarity.

Resolved that the Panel approved the 2016/17 Internal Audit Charter.

(Cllr Dr Evans joined the meeting)

RBWM ANTI FRAUD AND ANTI CORRUPTION POLICIES REFRESH

The Audit and Performance Review Panel considered the report that requested they approve the updated Council Corporate Fraud Policies.

The Chairman asked how officers kept up to date with legislation and fraud activities. The Panel were informed that officers kept abreast of best practice, exchanged information with other authorities and agencies and updated policies on a regular basis.

Councillor Jones questioned the status of the document as it was short on other specific legislation and sanctions available. The Panel were informed that the policy had been copied from an existing Wokingham BC document and was an overarching strategic document with specific legislation referred to in documents sitting below this. With regards to other sanctions this was reviewed on a case by case basis with the appropriate action being taken. The Chairman recommended that it be noted that this was a policy statement rather than a policy document.

Councillor Wilson mentioned that it was an important document; however there was no indication who owned it and what would happen if the borough did not follow the policy. It was recommended that the document be revised and brought back to the Panel. It was recommended that the document also showed who received the document and evidence that the policy was fed down to all staff; needed evidence of corporate compliance.

With regards to page 16, paragraph 11 – Risk Management, it was requested that 'Major fraud risks relating to services should be included within Service Risk Registers' be changed to 'must be included'.

Cllr Jones recommended that if this was a high level overarching document then there should be references made to the supporting documents. It was also requested that the document show the roles of the statutory officers and their roles in being informed of any misconduct.

The Chairman noted that the introduction of appendix A mentioned that 'the Royal Borough of Windsor and Maidenhead would prosecute any person who commits a criminal offence....' and questioned what was the standing of the Royal Borough and thus this may need re wording.

Resolved that the policies be revised and brought back to the Panel.

2016/17 RBWM INTERNAL AUDIT PLAN

Catherine Hickman, Service Manager – Shared Audit and Investigation Service, introduced the report that recommended that the Audit and Performance Review Panel approved the 2016/17 Internal Audit Plan.

The Chairman questioned the status of appendix A, if it changed year on year and what the percentage of stable items verses dynamic items were . The Panel were informed that the key financial systems were audited each year whilst the remainder were chosen from strategic and management risks; it was the audits chosen from risks that had the fluidity.

The Chairman recommended that it would be good to know the total population of functions that could be audited. For example if there were 100 auditable areas and we were looking at 10 that would be 10% of the functions being audited. It was felt that the report would benefit from context showing how we are auditing, how dynamic and how many checked each year. It was recommended that 'M' be added as a guide to those that were mandatory and with regards to the discretionary ones adding why they were chosen, when they were last audited and what population do they belong to.

The Chairman mentioned that the report showed that there were 756 audit days; he questioned how many days this was per employee, what was the maximum capacity and what contingency was in place. The Panel were informed that there were 6.8 FTE's and the Chairman equated this to 200 days work each which was 1360 capacity days for the year.

The Chairman said he would like to see metrics added to the report showing how many FTE's, how many audit days do they have available and how this would equate to the capacity statement for the department. It should also show how the days were to be allocated, what was the contingency and historically how was this contingency used.

Cllr E Wilson questioned how the Panel knew the authority were auditing the correct areas, for example they had just had a discussion on the anti fraud policy but he could not see any audited areas around fraud or corruption. The Panel were informed that it was agreed a few years ago to link the audit plan to the risk management process, it was questioned that if it was not a risk then why audit that area. With regards to fraud this came under that umbrella and the Panel noted that after the recent fraudulent cashing of cheques that area was audited; the Part II report would cover fraud in more detail.

The Chairman mentioned that the dynamic software KPMG would be using should help find any areas of fraud or error to do with the accounts.

Cllr Targowska questioned if the shared legal service were audited. An update would be brought back to the Panel.

Resolved unanimously; that the Panel noted the report and requested that the revised report be brought back to their next meeting for approval.

OPERATIONS & CUSTOMER SERVICES BUSINESS PLAN REPORTING - Q3

Simon Fletcher, Strategic Director of Operations and Customer Services, attended the meeting to introduce the Operations Directorate Business Plan 2015/16 to 2018/19, quarter three updates. The report set out their progress against directorate and service wide objectives and key improvement outputs agreed with Lead Members for each service area over the next three or four years.

The report set out business plan reporting for:

- Revenues & Benefits Services
- Community Protection and Enforcement
- Highways and Transport
- Neighbourhood & Streetscene Delivery
- Customer Services
- Information and Technology Services

Each section reported against financial performance, service level key outputs, development objectives, risks and sickness levels.

Some of the key points noted from the report were that:

- Revenues and Benefits were reporting a projected £430k saving, there had been significant improvement in Housing Benefit processing.
- Community Protection and Enforcement would not be meeting its target to increase CCTV income because the contract with West Berkshire Council had been cancelled, the service area were however reporting a £100k improvement on the financial pressures.
- Highways and Transport were reporting a £200k underspend. In response to questions it was noted that the 'Complete construction of Stafferton Link Road' performance indicator was reporting Red as the funding was under review and a report was being produced for the Leader of Council.
- Customer Services were reporting a projected overspend of £11k; this was a reduction from a £100k projected overspend reported previously. Cllr Jones raised concern that the Corporate Complaints key output indicator was reporting Red whilst the corresponding development objectives on complaints were reporting issues with resource levels. The Panel were informed that due to better recording the level of complaints was expected to increase therefore new benchmarks had to be set. There had been a staffing issue for Adult services complaints and they were looking at a secondment.
- Information and Technology Services reported that the projected £100k overspend had been reduced to a projected £15k overspend.

In response to questions the Panel were informed that the Business Plan had been brought to the Panel to help raise awareness of the Directorate and to receive challenge from the Panel.

Cllr Dr Evans reported that she felt the document was very informative and showed the interdependencies' it was also mentioned that street scene needed improved performance.

Cllr Rankin asked how this report corresponded to the IPMR and was informed that there was some replication but this report also included deliverables that supported the IPMR and service delivery. The Chairman informed that he had asked senior management to show their three top KPI's and cross reference to the IPMR.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

The meeting, which began at 7.00 pm, finished at 8.00 pm

CHAIRMAN.....

DATE.....