

**AUDIT AND GOVERNANCE COMMITTEE MINUTES**  
**22 APRIL 2014**

**Present:** Councillor Page (In the chair),  
Councillors Hopper, McElligott, Rodda, Stanford-Beale, Terry  
and Tickner.

**Apologies:** Cllrs Stevens (Chairman), Lovelock and Rye

**Also in attendance:**

Alan Cross	Head of Finance
Paul Harrington	Head of Audit & Risk Management
Sally Poole	Committee Administrator
Ian Wardle	Managing Director

In the absence of the Chairman and the Vice Chair, Councillor Page was appointed to Chair the meeting.

**26. MINUTES**

The Minutes of the meeting of 30 January 2014 were confirmed as a correct record and signed by the Chair.

**27. CIVIC OFFICES RELOCATION PROGRAMME**

I Wardle submitted a report updating the Committee on the progress and cost position of the Civic Offices Relocation Programme.

The report included the following:

- The programme workstreams had continued to develop the detailed design and their implementation plans, these being co-ordinated at programme level and monitored through the rigorous governance arrangements set out in previous reports;
- The main contractor, Morgan Sindall Overbury and their professional team had developed the design from the Employer's Requirements. All designs under the construction workstream were now substantially complete up to and including RIBA Stage K (works on site);
- Tender packages for all of the construction works had been returned, analysed and collated. The contract for the fit-out works had been prepared and executed by the Council and Morgan Sindall Overbury and the total value of the construction works was within the budget envelope for the workstream;
- The third Gateway review had taken place on 14 February 2014, timed to accord with the completion of the analysis of the tenders, achieving cost certainty and in advance of contract award. The Gateway had covered the construction programme, package-based cost plan and tender report, risk register, construction phase health and safety plan, and construction phase

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roles and responsibilities. The Gateway had sought to confirm that the project was fit to proceed to contract award and construction and had been attended by the full Programme Team, the Council's Finance Officer and the Programme Manager and facilitated by a construction professional who was not directly involved in the programme. The programme had passed through the Gateway with minor comments, all of which had been addressed;

- Work had commenced on site, on schedule, on 28 March 2014. Initial work included site set up, the erection of hoarding and the strip out of the interior in preparation for the fit-out. Residents in the immediate area had been informed and would continue to receive updates as the work on the construction programme progressed;
- Stakeholder engagement had continued throughout the design development with further discussions with the Kennet Day Nursery, the Access and Disabilities Working Group, the Older Persons Working Group, Readibus, the Sustainability team and the Customer Services team (public reception). In addition, 650 members of staff had visited the model office that had been constructed on the ground floor of the building;
- Regular sustainability meetings had continued with the construction workstream and Council officers, looking at sustainability measures for the building. An application for Salix funding, which included controls, new mechanical and electrical services, lighting and boilers, had been submitted in February 2014 and agreed in principle. The application had been considered on the basis of payback periods and capital costs;
- The ICT workstream's plans were progressing and the cost estimates remained within the overall budget. Technical solutions were being developed in conjunction with the Construction Workstream to ensure integration within the building;
- The programme was moving its focus towards migration planning that would follow completion of the construction works and ICT installation. This involved all workstreams and some detailed planning sessions had been held and used to inform the wider programme governance;
- The first Moves Champions' meeting had taken place in February 2014. This was the group of Council staff from across the organisation who represented their respective departments and teams for the migration to the new building.

With regard to programme monitoring, the report stated that:

- An overall programme cost summary was presented at each Civic Board and reviewed in detail by the Steering Group and the workstream leads. Each workstream had their respective portion of the budget assigned with contingency held at programme level. As reported previously, the components of the programme cost plan were broken out into site acquisition, construction, business and organisational change, ICT infrastructure and the core programme team who managed the programme contingency;

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- A cash flow profile had been prepared for all workstreams, giving an overall programme cash flow. This was also presented to the Civic Board;
- The workstream cost estimates and the overall budget estimates were all within the overall programme cost envelope;
- A risk management process was in place with regular reports taken to the all-Party Civic Board. Changes in risks were discussed within individual workstreams and at the Steering Group, with an overall summary taken to the Civic Board for review and discussion.

**Resolved:** That the report be noted.

**28. 2012-13 ANNUAL GOVERNANCE STATEMENT ACTIONS FOLLOW-UP**

P Harrington submitted a report referring to the meeting of 4 July 2013 (Minute 6 refers) at which the Committee had approved the Annual Governance Statement for 2012/13.

The report stated that 14 actions had been identified in the 2012/13 Annual Governance Statement, all of which had been implemented or were in the process of being implemented. The responsible officers for the actions had been contacted to establish how the actions had been addressed, whether they had been fully completed or whether the action needed to be carried forward to the 2013/14 Annual Governance Statement.

The responsible officers had been asked to provide a paragraph explaining the actions taken and provide any supporting evidence and committee reports where applicable. The comments provided had been reviewed by the Corporate Management Team and a detailed summary of the status of each action as at March 2014 was attached to the report at Appendix A. Based on the responses provided by Directors, Reading Transport Ltd and the supporting evidence, six of the 14 actions had been implemented in 2013/14. The remaining eight actions remained germane and it was recommended that these actions were carried forward to the 2013/14 Annual Governance Statement.

**Resolved:** That the progress made in implementing the agreed actions reported in the 2012/13 Annual Governance Statement and the actions that were likely to continue in the 2013/14 Annual Governance Statement be noted.

**29. STRATEGIC RISK REGISTER**

P Harrington submitted a report updating the Committee on the Q1 status of the Council's 2014/15 Strategic Risk Register, in line with the requirements of the Council's Risk Management Strategy. The Register was attached at Appendix 1.

The report stated that the Corporate Management Team (CMT) maintained the Register on behalf of the Council, through the Head of Audit and Risk Management. The Register was reviewed on a quarterly basis by officers and formally refreshed six-monthly by CMT. The Register was presented to the Audit & Governance Committee

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approximately every six months, or more frequently if circumstances required an update. It had last been presented to the Committee at its meeting on 30 January 2014 (Minute 22 refers).

The report stated that although guidance was provided to officers in relation to the scoring of risks, with a view to providing consistency, it still remained a subjective process. An extensive consultation process had been undertaken involving CMT, Directorate Management Teams (DMTs) and Directorate Risk Champions. CMT had reviewed the scores to ensure reasonable consistency of approach. The primary aim of the report was to identify the key vulnerabilities that the officers considered needed to be closely monitored in the forthcoming months or years.

The Register was compiled from risks identified at directorate level, which had been escalated, along with high-level generic risks which required strategic management. Entries within the Register reflected the risks identified by CMT, thereby strengthening their strategic perspective, management response and controls. The inclusion of risks within any level on the Register did not necessarily mean there was a problem. On the contrary, it reflected the fact that officers were aware of potential risks and had devised strategies for the implementation of mitigating controls.

The report contained a summary of changes from the 2013/14 Strategic Risk Register and the 2013/14 Q4 Strategic Risk Register was attached to the report at Appendix 2 for comparison. There were two new additional risks and arrows had been used to indicate direction of change in any scores on other risks since the previous quarter.

The mitigating actions taken to address the Red risks were set out in the report. These risks were monitored on a monthly basis by DMTs for directorate risks and by CMT for strategic risks.

**Resolved: That the Q1 status of the Council's 2014/15 Strategic Risk Register be noted.**

**30. INTERNAL AUDIT & CORPORATE INVESTIGATIONS QUARTERLY PROGRESS REPORT**

P Harrington submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January 2014.

The report aimed to:

- Provide a high level of assurance, or otherwise, on internal audit reviews finalised since the last quarterly report;
- Advise the Committee of significant issues where controls needed to improve to effectively manage risks;
- Provide details of forthcoming audit reviews and the status of programmed audits;
- Track progress on the response to audit reports and the implementation of agreed audit recommendations.

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P Harrington stated that the audits of Bank Reconciliation and Cash (4.8 in the report) and of Benefit Payments (4.12 in the report) should both have been reported as Green (Generally sound control environment).

The report also listed planned follow-up reviews where the initial review had been assigned limited assurance, provided a status update on planned audit reviews and provided details of the work which the Council's Corporate Investigations Team had undertaken since April 2013 in respect of investigations into benefit, housing tenancy fraud and other corporate investigations.

**Resolved:** That the report be noted.

**31. INTERNAL AUDIT STRATEGY AND PLAN 2014/15**

P Harrington submitted a report on the Internal Audit Plan for 2014-15 which was attached at Appendix 1.

The report stated that the Plan was designed to implement the Internal Audit Strategy. In preparing the Plan, the adequacy and outcomes of the Council's risk management, performance management and other assurance processes had been taken into account. Where the outputs from these processes were not judged to be sufficiently reliable, the Plan had been informed using an Internal Audit risk assessment.

It was Internal Audit's responsibility to form opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. In the context of the Public Sector Internal Audit Standards, 'opinion' did not simply mean 'view', 'comment' or 'observation'; it meant that internal audit would have done sufficient, evidenced work to form a supportable conclusion about the Council's activities that it had examined. Internal audit would word its opinion appropriately if it could not give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work). The Audit Plan would allow for the effective discharge of this responsibility.

In accordance with the Accounts and Audit regulations (2011) and the Public Sector Internal Audit Standards, the Audit and Governance Committee was required to approve (but not direct) and monitor progress against, the Internal Audit Strategy and Plan.

**AGREED:** That the Internal Audit Plan for 2014-15 be approved.

(The meeting started at 6.30pm and closed at 7.03pm).