

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 7 FEBRUARY 2024 FROM 7.00 PM TO 8.55 PM**

Committee Members Present

Councillors: Rachel Burgess (Chair), Mike Smith (Vice-Chair), David Davies, Peter Harper, Stephen Newton, Jordan Montgomery, Mike Drake and Sandeep Vig

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Graham Cadle, Assistant Director Finance (online)
Catherine Hickman, Head of Internal Audit and Investigation
Andrew Moulton, Assistant Director Governance
Paul Ohsan Ellis, Governance and Risk Manager
Susan Parsonage, Chief Executive
Mark Thompson, Chief Accountant (online)
Hannah Lill, EY (online)
Janet Dawson, EY (online)

46. APOLOGIES

An apology for absence was submitted by Councillor Sam Akhtar.

47. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 29 November 2023 were confirmed as a correct record and signed by the Chair.

48. DECLARATION OF INTEREST

Councillor Stephen Newton declared a Personal Interest in item 52 Corporate Risk Register on the grounds that he and his wife were foster carers.

49. PUBLIC QUESTION TIME

There were no Public questions.

50. MEMBER QUESTION TIME

There were no Member questions.

51. WOKINGHAM BOROUGH COUNCIL - AUDIT UPDATE

The Committee received the Wokingham Borough Council Audit Update.

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

- Janet Dawson, EY, indicated that the report built on the position reported to the last Committee meeting in terms of the national context of what the Department for Levelling Up and Communities were intending to do. There had been a small change in the timeframe. The backstop date for delayed audits of 31 March 2024 had now been moved to 30 September 2024 so as to give sufficient time to lay the relevant legislation.
- EY had written to all the bodies that it provided audit services to, to set out how it would be responding to this and how resources would be prioritised, with a view to closing as many historical audits as possible before then focusing on closing out all the value for money work across all the bodies and planning for 2023/24 audits.

- Janet Dawson set out the implications for the Council. Unfortunately, it had not been possible to complete all the necessary fieldwork by Christmas, as targeted. In addition, no further progress had been made with the pensions fund audit and receiving the assurances required on this.
- It was highly likely that EY would disclaim the 2021/22 audit, and focus its resources on closing out the value for money work for 2021/22 and 2022/23, and then work on a transition with the incoming auditors. EY was unable to allocate further resource to close the 2021/22 audit.
- Councillor Newton expressed disappointment at EY's position and felt that this was not in the Council or residents' best interests. He stated that an additional 6 months was available to undertake the work, and questioned whether EY would reconsider their position. Janet Dawson responded that lengthy discussions had been had with officers about whether there was an opportunity to close the audit. However, the amount of work required, particularly around valuations, was significant. Resources had been allocated to ensure close out by the original intended target date, had all necessary information required been received. However, resources were now fully allocated to other priorities. The additional 6 months did not give extra time for the Wokingham audit as the resources were already allocated elsewhere.
- In response to a question from Councillor Newton regarding capacity, Janet Dawson commented that the increase in staffing numbers at EY related to an increase in regulatory requirements. In order to be able to deliver a public sector audit, team members had to be based in the UK and met the necessary clearance standards, meet the quality training requirements and to have the necessary specialism. There were 300 in the UK team. The contract could be delivered where there was no significant delay which then resulted in a double running of audits. A double running of audits would also create pressure on Council officers. She reminded the Committee that EY's contract was with the Public Sector Audit Appointments (PSAA). Discussions had been held with the PSAA on the intended approach. No issues had been raised with EY.
- With regards to the pressure being created by the loss of a key member of staff at Carter Jonas, the Council's valuers, the Assistant Director Finance commented that the relationship with Carter Jonas was with the Council and not EY. He went on to state that officers continued to work closely with EY. There had been some areas of disagreement around some of the valuations.
- The Assistant Director Finance commented that officers had thought the audit had been progressing. Discussions had been held with the PSAA, who he believed would be speaking to EY. Whilst the PSAA could not instruct EY where to allocate its resources, it could make suggestions about whether its resource was focused on those audits that were close to closure.
- The Assistant Director Finance emphasised that the pensions issue created additional pressure and difficulty. The audit would be disclaimed because it was highly unlikely that this issue would be resolved in time.
- In response to a Member question Janet Dawson explained it was anticipated that the format of a disclaimed opinion would be prescribed by the Department and the National Audit Office to reference the fact that the audit had not been completed by the backstop date. She emphasised that it would be recognised that this was through no fault of the Council.
- The Chair queried whether the opinion would refer to areas that had not been completed and was informed that this was unlikely.
- Councillor Newton commented that he had raised the pensions issue at the last Berkshire Pensions Fund meeting. He had been advised that further work was not

being undertaken on the pensions fund audit, which would result in a disclaimed opinion.

- Councillor Newton questioned whether officers could commit to providing the necessary resource to close out the 2021/22 audit, should EY reconsider their position. The Assistant Director Governance commented that he could give this assurance but with a caveat, as this was reliant on providing the right evidence for EY.
- Janet Dawson emphasised that without the pensions assurance even if the 2021/22 audit work was completed, the audit would have a disclaimed opinion. There would still also be a disclaimed opinion on 2022/23 as the statement of accounts had not been fully prepared and shared with EY, and the audit had not yet started for 2022/23. Whilst EY had good relations with Council officers, there was not additional resource available to allocate to further progress.
- Members of the Committee expressed surprise and disappointment that this situation had occurred. Councillor Smith asked about any delays relating to valuations. Janet Dawson indicated that the Council had changed the valuer it was using. EY had to look at the methodology used, which varied from valuer to valuer. There had been a delay following the departure of the individual who had originally carried out the work, from Carter Jonas.
- The Chair emphasised that it was a greater sector wide issue. She went on to ask about issues with cash and cash equivalents. Hannah Lill indicated that there had been issues in the listing that the Council held of the signatories for all the bank accounts held at the different schools under its remit. Under current arrangements, to obtain a bank confirmation letter, authorisation was required from the relevant signatories. There had been delays in achieving this.
- Mike Drake questioned how this situation had been created and expressed surprise that resources could not be reallocated by EY to close the audit. He suggested that the Committee review the disclaimed opinion once it had been issued.
- In response to a question regarding performance Janet Dawson indicated that the performance issue with a member of EY staff referred to at the previous Committee meeting, had been identified and resolved by EY.
- Members asked whether officers could allocate additional resources to complete elements within the Council's control. The Assistant Director Finance again indicated that this would be possible, but there was a caveat around the provision of information.
- Mike Drake questioned if the disclaimed opinion could refer to the two areas that were not completed, and questioned if there would be a reduction in audit fees.
- The Chief Executive indicated that she would discuss the matter regarding the PSAA with the Assistant Director Finance.
- The Chair suggested that she liaise with the Assistant Director Finance regarding any response from the PSAA and feedback to the Committee.
- Councillor Newton proposed that the Committee request that EY reconsidered closing the open audits at this stage, to look at providing some additional resource to allow all of the areas that could be closed out, recognising that certain ones would not be able to be, to complete everything that was possible in a reasonable timeframe, in conjunction with officers. This was agreed.
- Councillor Smith questioned whether fieldwork undertaken regarding the pensions scheme could not provide sufficient assurance. Janet Dawson commented that there were two elements of the work – disclosures required to be included in the accounts, and the underlying assurance by the pensions auditor.

- Councillor Smith asked whether a letter could not be produced regarding the pensions scheme element as per previous years. Janet Dawson indicated that this was not possible. She reminded the Committee that there were two open audit years.
- 2021/22 was further complicated by the fact that there had been a triennial revaluation of the pensions fund as of 1 April 2022, which had to be reflected into the 2021/22 audit.

RESOLVED: That

- 1) the Wokingham Borough Council Audit Update be noted.
- 2) the Committee request that EY reconsidered closing the 2021/22 audit at this stage, to look at providing some additional resource to allow all of the areas that could be closed out, recognising that certain ones would not be able to be, to complete everything that was possible in a reasonable timeframe, in conjunction with officers.
- 3) the Committee review the disclaimed opinion once issued.

52. CORPORATE RISK REGISTER

The Chief Executive presented the Corporate Risk Register.

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

- Risk 1 – Budget and Financial Resilience, had been updated. The Council continued to face significant financial pressures. The Council was on course to set a balanced budget, which would include significant savings.
- A new risk, risk 25 had been added around the Procurement Act 2023. The rules governing public procurement were changing. The changes would require the Council to alter the way in which it procured goods, works and services that were ‘covered procurements’ and over a certain threshold (value). Members were notified that the main risk related to compliance with the new regulations.
- Risk 4 Local Plan Update had been updated. Since the last Committee the Government had published the new National Planning Policy Framework. Members were disappointed to note that past over-delivery in the context of plan making was not permitted.
- The focus of Risk 9 Climate Emergency had been amended to focus on the Council’s delivery of the Climate Emergency Action Plan.
- The risk target had increased for Risk 13 Adult Safeguarding and Risk 14 Children’s Safeguarding.
- Risk 17 Mainstream Education had reduced following the move of the Forest School to be co-educational.
- The Election risk (risk 18) had reduced to medium risk. This remained a priority for the Corporate Leadership Team.
- Councillor Smith asked why risk 7 had not been included. This was an error and the Governance and Risk Manager agreed to circulate the information to Members following the meeting.
- Councillor Smith went on question why risks 16 and 23 were not included and was informed that they were no longer part of the Corporate Risk Register. He suggested that this be explained in the covering report. It was suggested that the risks be renumbered, and an appendix included in future iterations which identified where risks had been removed.
- Councillor Smith commented that the explanation relating Risk 4 Local Plan Update was confusing. Further clarification would be requested from Planning.

- With regards to Risk 3, Workforce, Sandeep Vig asked if there was a good understanding of critical functions and roles where a targeted approach was taken. The Chief Executive indicated that a targeted approach was taken for recruiting to some roles, such as Children's Social Workers, which helped to reduce a reliance on agency costs. Discussions were being held with the other Berkshire authorities around approaches that could be taken.
- Sandeep Vig noted that one of the mitigating actions for Risk 19 Information Governance was overdue. He asked whether that had a link or dependency to cyber security. The Assistant Director Governance indicated that there were no direct links. There was a current acceptable use policy, but this had not been updated very recently.
- Mike Drake asked if the balanced budget referred to 2024/25 and was informed that it did. The Chief Executive commented that there were in year pressures which were being mitigated, and the need to present a balanced budget for 2024/25.
- Mike Drake asked if there would be penalties on the Council if they did not comply with the new arrangements under the Procurement Act 2023. The Assistant Director Finance commented that details were still being finalised, but he was not aware of any penalties. The element of risk related to putting performance indicators in place.
- Mike Drake questioned whether Risk 24 Key front-line services procurement and Risk 25 Changes in Waste Collection (2024) were more directorate level risks. The Chair suggested that such was the level of public interest, Risk 25 should remain on the Corporate Risk Register.
- Councillor Smith questioned whether risks 13 and 14 could be combined. The Chief Executive explained that they dealt with different populations and whilst there was some correlation between the risks, it was preferable to keep them separate.
- Councillor Harper indicated that he had met with the Climate Emergency Team regarding Risk 9. Governance around reports being presented to Council with the recommendation to note rather than agree had also been raised.
- Councillor Davies referred to Risk 4 and commented that further explanation was required as to the reason why when a delivery date changed. Consistency was important.
- In response to a Member question the Governance and Risk Manager indicated that any change to mitigating action dates was referenced in the narrative.
- The Chair asked that fewer acronyms be used in the information relating to the cyber security risk.
- The Chair went on to ask whether reference could be made to the Social Care Futures vision in the risk relating to adults services. The Chief Executive agreed to take this away as an action.
- In response to a question regarding the Care Quality Commission, the Chief Executive indicated a peer review had recently been undertaken to ensure that the Council was fully prepared for an inspection of its adults safeguarding service.

RESOLVED: That the Corporate Risk Register (at Appendix A) be reviewed to determine that strategic risks were being actively managed.

53. 2023/24 INTERNAL AUDIT AND INVESTIGATION PLAN QUARTER 3 PROGRESS UPDATE TO 31 DECEMBER 2023

The Committee received the 2023/24 Internal Audit and Investigation Plan - Quarter 3 Progress Update to 31 December 2023.

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

- The report outlined progress made of work against the 2023/24 Internal Audit and Investigation Plan to 31 December 2023.
- There were no new audits which had resulted in a Category 3 or Category 4 audit opinion.
- The Head of Internal Audit and Investigations highlighted the high risk concerns and the progress made against them. No new high risk concerns had been identified.
- Councillor Smith noted the table of risks at November 2023 and questioned why risks 23, 24, 25 and 26 had not been included. The Head of Internal Audit and Investigations responded that the report detailed progress against the 2023/24 audit plan. The following report would cover a three year period.
- In response to a question regarding high risk concerns, the Head of Internal Audit and Investigations explained that there were three high risk concerns that were not yet due.
- With regards to the Recruitment and Retention Processes and References audit which had been deferred to 2024/245, Councillor Davies asked whether the existing policies had not been superseded and had been audited previously. This was confirmed.
- Mike Drake commented that it was odd to extend the reconciliations implementation date by a year. He questioned whether a hard close was only undertaken once a year. The Head of Internal Audit and Investigations commented that it was not just financial reconciliations, it was also outside of the finance area. The key financial systems reconciliations were picked up as part of the regular audit work undertaken in that area. The Assistant Director Finance added that the frequency of reconciliations varied. A hard close was undertaken once a year. Mike Drake suggested that a hard close on a quarterly basis was better practice. The Assistant Director Finance offered to discuss the matter in more detail outside of the meeting.
- The Chair referred to a table which detailed the key corporate risks and a summary of the position of the audits. She asked where the status was blank, if the Head of Internal Audit and Investigations had any concerns that it may not be possible to complete the plan within the year. The Head of Internal Audit indicated that where they were blank, they were yet to be started. There had been some variation in the plan during the course of the year. For example, on the companies' audit, an external inspection had been taking place and the outcome of this was awaited to ensure that value could be added and that duplication did not take place. In its place a procurement audit had been scheduled.

RESOLVED: That the 2023/24 Internal Audit and Investigation Quarter 3 Progress Report (activity to 31 December 2023) be reviewed and scrutinised.

54. 2024/25 DRAFT INTERNAL AUDIT AND INVESTIGATION PLAN, STRATEGY AND INTERNAL AUDIT CHARTER

The Committee received the 2024/25 Draft Internal Audit and Investigation Plan, Strategy, and Internal Audit Charter.

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

- The 2024/25 Internal Audit Plan was aimed at informing the Head of Internal Audit's Annual Opinion on the governance, risk management and internal control framework. The Strategy detailed the approach for Internal Audit and Investigations work for the forthcoming financial year.

- Guidance had been considered in the preparation of the Plan and the Strategy. Officers had attended Directorate management meetings to discuss areas of risk and where Internal Audit could potentially add value.
- Appendix A(i) detailed the proposed work plan areas for 2024-25.
- Sandeep Vig commented that he would have expected an audit on the forthcoming procurement changes and was informed that work was in progress to scope an audit for the current year.
- Councillor Newton questioned whether consideration could be given to measuring customer satisfaction, if there were ways in which efficiency could be improved, and value for money, with regards to the Council undertaking adaptations to vulnerable residents' properties to meet their needs. The Head of Internal Audit and Investigation agreed to look if this could be included.
- Members were pleased to note manager engagement.
- With regards to the top four corporate risks, Internal Audit would audit the budget each year and the other three risks, once every three years. Councillor Smith asked whether each of the four top corporate risks should be audited each year. He was informed that whilst the team were planning ahead, the risk register could be subject to change. The current approach was the best with the resources available.
- The Internal Audit Charter was refreshed annually. Minor amendments had been made.
- With regards to the Internal Audit Charter, Councillor Davies commented that the changes that the Committee had requested the previous year had not been carried over. He asked that these be reintroduced.

RESOLVED: That

- 1) The 2024/25 draft Internal Audit and Investigation Plan and Strategy be reviewed and scrutinised.
- 2) The 2024/25 Internal Audit Charter be approved subject to the previously agreed changes being reintroduced.

55. AUDIT COMMITTEE EFFECTIVENESS SELF-ASSESSMENT

The Committee considered the Audit Committee Effectiveness Self-Assessment.

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

- The effectiveness of the Audit Committee has been reviewed in line with the Chartered Institute of Public Finance (CIPFA) self-assessment of good practice. The overall effectiveness was found to be satisfactory with a few areas of improvement which require consideration.
- The overall score has increased from 162/200 to 179/200. How this had been achieved was outlined within the report. An action plan would detail how any shortfalls would be addressed.
- Councillor Harper sought an explanation as to why the Committee only partially complied or improvement was needed regarding 'Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?' The Governance and Risk Manager explained that feedback was not currently collected but that a mechanism for this would be introduced.
- Mike Drake sought clarification about the following 'Does the committee publish an annual report in accordance with the 2022 guidance, including: • compliance with

the CIPFA Position Statement 2022 • results of the annual evaluation, development work undertaken and planned improvements' which had been scored as partial compliance or improvements needed. The Governance and Risk Manager indicated that this had been addressed in the Audit Committee Annual Report.

RESOLVED:

- 1) That the Committee reviews and agrees its annual assessment of the Committee's effectiveness at Appendix A based on the October 2022 CIPFA guidance on local authority audit committees;
- 2) That the Committee reviews and agrees the associated action plan

56. ASSURANCE MAPPING

The Committee received a report regarding assurance mapping.

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

- The report provided the Committee with the first draft of an assurance map for the Council. The report used the Local Government Association (LGA's) draft Assurance and Improvement Framework to identify the governance arrangements of the Council and utilised this to map the different high-level sources and types of assurance the Council received.
- The map could help to shape the Committee's work programme going forwards.
- The Governance and Risk Manager sought feedback from the Committee as to the value the document provided.
- In response to a comment from Councillor Harper regarding Full Council decisions and the Constitution, the Assistant Director Governance commented that the Constitution was the Council's rules procedure and was just one element of assurance. The review of the Constitution was still in reasonably early stages and an update report would be presented at the March Council meeting.
- The Chair asked that External Audit and Internal Audit be more specifically referenced.
- It was clarified that AGS referred to the Annual Governance Statement.
- The Chair commented that it was a good starting point but that the layout was a little confusing. It needed to be clear which areas gave assurance and which gained assurance. She suggested that the Media and Public boxes could be increased in size. She offered to have a discussion outside of the meeting as to what other improvements could be made.

RESOLVED: That the assurance mapping report be noted.

57. AUDIT COMMITTEE ANNUAL REPORT 2023-24

The Assistant Director Governance presented the draft Audit Committee annual report 2023-24.

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

- Members were informed that there had been two areas of limited assurance – Right to Buy and Information Governance. These would be added to the report.
- The section regarding External Audit would be updated following the comments made at this meeting. Council Smith asked that the Committee's disappointment

with the situation and the fact that the Council's finances had been well looked after, be made clear.

- Members asked that it be clarified in the introduction that the Committee also included the two independent members.

RESOLVED: That the Audit Committee annual report 2023-24 be recommended to Council for approval.

ACTION	OFFICER	ONGOING/CLOSED
<p>FEBRUARY MEETING –</p> <p>External Audit update</p> <ul style="list-style-type: none"> • The Chief Executive indicated that she would discuss the matter regarding the PSAA with the Assistant Director Finance. • The Chair suggested that she liaise with the Assistant Director Finance regarding any response from the PSAA and feedback to the Committee. • Councillor Newton proposed that the Committee request that EY reconsidered closing the open audits at this stage, to look at providing some additional resource to allow all of the areas that could be closed out, recognising that certain ones would not be able to be, to complete everything that was possible in a reasonable timeframe, in conjunction with officers. This was agreed. • Committee review disclaimed opinion once issued. 	<p>Chief Executive/Assistant Director Finance</p> <p>Chair/Assistant Director Finance</p> <p>EY</p> <p>Audit Committee</p>	<p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p>
<p>FEBRUARY MEETING</p> <p>Corporate Risk Register</p>		

<ul style="list-style-type: none"> • Councillor Smith asked why risk 7 had not been included. This was an error and the Governance and Risk Manager agreed to circulate the information to Members following the meeting. • It was suggested that the risks be renumbered and an appendix included in future iterations which identified where risks had been removed. • Councillor Smith commented that the explanation relating Risk 4 Local Plan Update was confusing. Further clarification would be requested from Planning. • Councillor Davies referred to Risk 4 and commented that further explanation was required as to the reason why when a delivery date changed. Consistency was important. • The Chair asked that fewer acronyms be used in the information relating to the cyber security risk. • The Chair went on to ask whether reference could be made to the Social Care Futures vision in the risk relating to adults services. The Chief Executive agreed to take this away as an action. 	<p>Governance and Risk Manager</p> <p>Governance and Risk Manager</p> <p>Governance and Risk Manager</p> <p>Governance and Risk Manager</p> <p>Governance and Risk Manager</p> <p>Governance and Risk Manager/Chief Executive</p>	<p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p>
<p>FEBRUARY MEETING</p> <p>2023/24 Internal Audit and Investigation Plan Q3 update to 31 December 2023</p> <ul style="list-style-type: none"> • Mike Drake suggested that a hard close on a quarterly basis was better practice. The Assistant 	<p>Mike Drake/Assistant Director Finance</p>	<p>Open</p>

<p>Director Finance offered to discuss the matter in more detail outside of the meeting.</p>		
<p>FEBRUARY MEETING</p> <p>2024/25 Draft Internal Audit and Investigation Plan, Strategy, and Internal Audit Charter</p> <ul style="list-style-type: none"> • Councillor Newton questioned whether consideration could be given to measuring customer satisfaction, if there were ways in which efficiency could be improved, and value for money, with regards to the Council undertaking adaptations to vulnerable residents’ properties to meet their needs. The Head of Internal Audit and Investigation agreed to look if this could be included. • With regards to the Internal Audit Charter, Councillor Davies commented that the changes that the Committee had requested the previous year had not been carried over. He asked that these be reintroduced. 	<p>Head of Internal Audit and Investigations</p> <p>Head of Internal Audit and Investigations</p>	<p>Open</p> <p>Open</p>
<p>FEBRUARY MEETING</p> <p>Assurance Mapping</p> <ul style="list-style-type: none"> • She [the Chair] offered to have a discussion outside of the meeting as to what other improvements could be made. 	<p>Chair/Governance and Risk Manager</p>	<p>Open</p>
<p>FEBRUARY MEETING</p> <p>Audit Committee Annual report 2023-24</p>		<p>Open</p>

<ul style="list-style-type: none"> • Members were informed that there had been two areas of limited assurance – Right to Buy and Information Governance. These would be added to the report. • The section regarding External Audit would be updated following the comments made at this meeting. Council Smith asked that the Committee’s disappointment with the situation and the fact that the Council’s finances had been well looked after, be made clear. • Members asked that it be clarified in the introduction that the Committee also included the two independent members. 	<p>Assistant Director Governance</p> <p>Assistant Director Governance</p> <p>Assistant Director Governance</p>	<p>Open</p> <p>Open</p>
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