

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 5 FEBRUARY 2020 FROM 6.30 PM TO 9.05 PM**

**Committee Members Present**

Councillors: Dianne King (Vice-Chairman, in the Chair), Rachel Burgess, Maria Gee, Barrie Patman, Angus Ross and Imogen Shepherd-DuBey

**Other Councillors Present**

Councillors: John Halsall, John Kaiser and Malcolm Richards

**Also Present**

Madeleine Shopland, Democratic & Electoral Services Specialist

Helen Thompson, Ernst and Young

Andrew Moulton, Assistant Director Governance

Mark Thompson, Chief Accountant

Bob Watson, Head of Finance

**53. APOLOGIES**

An apology for absence was submitted from Councillor Daniel Sargeant.

**54. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Committee held on 6 November 2019 were confirmed as a correct record and signed by the Vice Chairman.

Some Members asked that the Constitution Review Working Group be asked to look at the matter of if a Chairman should be appointed to a Committee if there was only one meeting remaining in the municipal year and the Vice Chairman was available to attend the meeting.

**55. DECLARATION OF INTEREST**

Councillor Imogen Shepherd-DuBey declared a Personal interest regarding item 57 Statement of Accounts on the grounds that she had a deferred benefit in the Berkshire Pension Fund.

**56. PUBLIC QUESTION TIME**

In accordance with the agreed procedure, the Chairman invited members of the public to submit questions to the appropriate Members.

**56.1 Chris Wallace had asked the Chairman of the Audit Committee the following question. Due to her inability to attend the following written answer was provided:**

**Question:**

At the November 2018 Audit Committee meeting, I asked when the recommendations of the 2016 WBC Report on Rent Arrears Management would be implemented. In that report, it stated at 1.1.1 that "WBC offers a range of payment options. DD is promoted as the preferred method."

With the recommendation at 6a.13 implement operational improvements – arrears prevention: Action - Ensure that DD can be set up for payment on any day and at any frequency. Benefit – Increased take-up of DD & Reduced transaction costs. This change has yet to be implemented, meaning that Tenants wishing to pay by DD are forced to pay

monthly in advance, (the Tenancy Agreement only requires a week's rent in advance) and leads to erroneous statements showing either false arrears or false credits. If it has been agreed to charge monthly then the charges to the rent account should reflect that contract and not the weekly charges that are currently applied. Tenants no longer have any trust that their statements are correct so are unlikely to bother if it shows an unusual amount of arrears. If the Tenants statements are incorrect then the reports generated by the system must also be incorrect.

Given the above could you tell me when this recommendation, made 4 years ago, is going to be implemented?

### **Answer**

***Any day any frequency direct debits*** – the Rental Income Team have been completing an improvement plan, and while this was being implemented, the Rental Income Team were not included as part of the 21<sup>st</sup> Century Programme.

The programme was designed to pick up on and deliver improvements such as implementing any day direct debits. In the future, the Council's Continuous Improvement Programme will review the work of the Rental Income Team and any day direct debits will be considered.

***Being forced to pay in advance*** - residents are not forced to pay either by direct debit or monthly in advance. The tenancy agreement says the rent is payable on a Monday in advance, so if residents choose to pay monthly, then the payment needs to be in advance as otherwise the account will go into arrears.

Residents have the option to pay by direct debit on the 1<sup>st</sup>, 10<sup>th</sup> or 20<sup>th</sup> of each month. The total weekly payments for the year are added up and divided by 12 months, so the direct debit payments are paid in twelve monthly instalments. For any day direct debits, residents would choose the day of the month and this would not always fall on a Monday when the rent is due. Therefore, the key is residents are paying in advance so the rent account is not falling into arrears during the month.

Residents can set up a standing order for any day of the month, or set up a standing order for weekly payments.

### **57. MEMBER QUESTION TIME**

There were no Member questions.

### **58. STATEMENT OF ACCOUNTS**

The Committee considered the Statement of Accounts.

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

- The Committee had first seen the accounts at its July meeting. They had since been updated following adjustments to the pension fund information.
- The Head of Finance took the Committee through the report recommendations. Members were informed that while the accounts were complete from a Council position, there remained some audit issues around the pension fund information. Helen Thompson of EY clarified the position.

- Members were assured that the accounts had been compiled correctly in accordance with accounting guidance and standards (CIPFA Code of Practice and IFRS).
- With regards to Note 16 Related Parties, Members queried the reference to £100. It was confirmed that this figure was correct. The prior year figure was also confirmed as accurate.
- Councillor Gee suggested that reference to 'Property Investment Fund – Stapletons Peterborough' should be included in Note 25 Other Non-Current Assets instead of Note 24 Property, Plant and Equipment. The Head of Finance explained that capital commitments for property, plant and equipment and investments had been aggregated into Note 24 split but agreed with Councillor Gee that the commitment for Stapletons Peterborough would be moved to Note 25.
- With regards to Note 25, Councillor Gee asked about 'Rental Income from Investment Property' and disclosing interest incurred. The Head of Finance indicated that investment income and debt financing costs information were covered elsewhere. The Council did disclose the full cost of properties, both gross and net, on the Council's website. Councillor Gee suggested that this information be included in the accounts in future. The Head of Finance explained that the disclosure had been carried out in accordance with the relevant code. If the information were also included within the accounts, it could increase the audit fee, as any additional information in the accounts would need to be audited.
- The Committee discussed the readability of the accounts.
- In response to a Member question, it was clarified that PFI assets were referred to within Note 24.
- Councillor Gee asked what was meant by 'Simplified Approach – Customers' under the section 'Amounts arising from Expected Credit Losses'. The Chief Accountant commented that it was likely debtors.
- Helen Thompson clarified the reporting arrangements around investments in companies. It was clarified that the reference within the statement executive summary of the 2018/19 Audit results report to the Council not currently producing Group accounts, was incorrect and would be amended.
- Members agreed that should there be any significant changes to the accounts prior to their signing, they should be brought to the attention of the Committee.

**RESOLVED:** That the Audit Committee:

- 1) approve the delegation of signing on behalf of Audit Committee the letter of representation from WBC to their Auditors, Ernst & Young (EY) to the Vice Chairman outside of the committee meeting upon receiving assurance from EY that the statement of accounts represent a true and fair view of the Council's finances and are free from material error, subject to there being no significant changes prior to signing.
- 2) Approve the delegation of signing on behalf of Audit Committee the statement of responsibilities to the Vice Chairman outside the committee meeting upon receiving assurance from the Council's Auditors (Ernst & Young) that the statement of accounts represent a true and fair view of the Council's finances and are free from material error, subject to there being no significant changes prior to signing.
- 3) Note the letter of representation and statement of responsibilities will also be signed by the Deputy Chief Executive & S151 Officer.

## 59. 2018/19 AUDIT RESULTS REPORT

The Committee considered the 2018/19 Audit results report.

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

- Helen Thompson advised Members that the Audit Results report had been produced largely in advance of the Committee's July meeting. Since September, Ernst & Young had been seeking an update from the pension fund auditors. A completed audit opinion had been issued on the Pension Fund on 10 December. Under the 'IAS 19 protocol', the pension fund auditor should carry out a number of procedures to enable the Council's auditors to issue their own assurance. The IAS 19 letter had been received on 24 January and the pension fund auditor had not completed all the requested work, stating that some of it had been outside the scope of their audit. Council officers had requested an updated actuary's report from the pension fund from which a revised set of statements had been produced. Ernst & Young had been reviewing the revisions. Since the IAS 19 letter had been received, discussions had been had regarding how the required assurance could be received, in order to issue an audit opinion. Assurance had not been received on the value of benefits paid on the Council's behalf, but the remainder of the audit had been completed. A further statement of accounts would be produced once the IAS19 work had been fully completed, and any other adjustments made.
- In response to a Member question, it was confirmed that an adjustment had been made for the McCloud judgement.
- Councillor Gee asked why there was a need to value the benefits paid to pensions. Helen Thompson emphasised that the figure sat on the balance sheet. The pension liabilities for the Council was £291m and £298m for the Group. She went on to refer to Note 19 of the Statement of Accounts, Defined Benefit Pension Schemes. In response to a Member question, Helen Thompson confirmed that the way in which the pension fund would be audited had been previously agreed.
- Councillor Burgess asked about the summary of unadjusted differences. Helen Thompson indicated that the reference to 'NNDR appeals provision included in accounts as only 90% of calculated gross provision: as such, this is understated in the CIES by 10%' - £441k should be removed, as this was no longer a judgemental difference.
- It was noted that the total value of investments within the Pension Fund had been revised, with the valuation of these assets being reduced by £74.5m in total. Councillor Gee questioned whether this would increase the amount the Council would pay regarding pension contributions. It was confirmed that the latest triennial review (December 2019) had included both the asset valuation and the impact of the McCloud settlement in its assessment and this had increased the cost to the Council over the review period. Budget provision had already been made for this.
- Councillor Shepherd-DuBey asked whether a change in political leadership and senior management was still considered a value for money risk. Helen Thompson explained that the value for money arrangements covered 1 April 2018 to 31 March 2019 and that the next year's report would reflect that the situation had become more settled.
- With regards to the preparation of the Medium Term Financial Plan (MTFP), Councillor Gee felt that Members not having sufficient time to review the MTFP was a risk. The Head of Finance indicated that they were published within the access to information deadline and also that parts of the budget had already been taken to Overview and Scrutiny. Councillor Gee suggested that Members be given more time to review the documents.

- Councillor Shepherd-DuBey asked about the Audit of Accounts – Notice of Public Rights. Helen Thompson clarified that members of the public had had the appropriate time to review the accounts; however, the exact timeframe had been incorrect. The deadlines set through the Audit and Accounts Regulations had changed over the last couple of years, and this had not been picked up.
- In response to a Member question, the Head of Finance indicated that officers tried to make the accounts process as smooth as possible. Councillor Gee asked whether officers could look at the date for the closure and publication of the accounts. The Assistant Director Governance suggested that the Committee could respond to the consultation on the Government's independent review (the 'Redmond review') on the accounts deadlines when it was issued.

**RESOLVED:** That the 2018/19 Audit results report be noted.

#### **60. WBC AUDIT PROGRESS REPORT JANUARY 2020**

Members received the WBC Audit Progress Report January 2020.

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

- Helen Thompson advised Members that due to the delay in producing the audit opinion the production of the Annual Audit Letter had been delayed. This would be produced within one month of the issuing of the audit opinion.
- The delay had had an impact on the audit plan for the next year. It was agreed that the external audit, audit plan would be circulated to Members prior to the start of purdah if possible, or as soon as possible following the appointment of the Audit Committee in the 2020/21 municipal year.

**RESOLVED:** That the WBC Audit Progress Report January 2020 be noted.

#### **61. TREASURY MANAGEMENT STRATEGY 2020/21**

The Head of Finance presented the Treasury Management Strategy 2020/21.

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

- The Treasury Management Strategy formed part of the budget.
- Members were advised that the period for loans from the Council to other local authorities had been extended to a maximum of 5 years and up to £10m with a single counterparty: this was in response to a change in market position following the Treasury increasing the Public Works Loan Board rates by 1%. Local authorities did not have a rating unless they issued their own bonds however; they were underwritten by central Government and thus were deemed to have the UK Sovereign rating.
- Councillor Burgess asked about the Council's position on ethical investments and climate emergency investments. The Head of Finance indicated that the Council tended to invest in line with local policy, with local authorities. The Council did not have control over what money markets invested in.
- The Chief Accountant commented that the Council had in the past used fund managers but that investments were now primarily with other local authorities.
- The Head of Finance commented that the Committee could recommend that ethical and climate emergency investments be looked at, however, the counter party requirements would need to be met and the security of the funds would be primary.

- Councillor Burgess stated that the Strategy should emphasise the Council's priorities and that ethical considerations should be a high priority. Councillor Ross suggested that ethical investments should be considered within the implementation of the 2020/21 Treasury Management Strategy.
- Councillor Shepherd-DuBey proposed that the Property Investment Group be asked to consider ethical concerns within their decision-making.
- Councillor Gee suggested that all investments should be reviewed in the next year.
- Councillor Burgess referred to the Capital Programme 2022/23. She felt that some of the items included under the Climate Emergency section were already happening and that it was not £50m of new spending on climate emergency.
- Councillor Gee was of the opinion that a number of the climate emergency items were not capital but were repairs or maintenance. The Assistant Director Governance commented that there were strict rules as to what could or could not be considered capital expenditure. The Head of Finance emphasised that officers were bound by the prudential code and code of practice and could reject items as capital expenditure if it was felt that it did not meet the necessary requirements. The Assistant Director Governance went on to suggest that more on revenue and capital could be included in Members' training in the new municipal year.
- In response to a Member question, it was clarified that Bulmershe Leisure Centre was considered 'infrastructure' with regards to the Capital Financing Requirement. Councillor Shepherd-DuBey suggested that the reference to 'Town Centre regeneration' should be amended to 'Wokingham Town Centre regeneration.'
- Councillor Gee asked a number of questions about the Council's borrowing position. The Head of Finance agreed to clarify the figures.
- Councillor Gee asked whether the non-treasury investments were gross returns or net returns and was informed that they were gross returns on investments.

**RESOLVED:** That

- 1) the Committee recommend the following to Council for approval
  - a) Capital Prudential Indicators 2020/21;
  - b) Borrowing Strategy 2020/21;
  - c) Annual Investment Strategy 2020/21;
  - d) MRP Policy;
  - e) Treasury indicators: limits to borrowing activity 2020/21;
- 2) it be recommended that consideration be given to ethical and climate emergency investments in future and that the Property Investment Group consider ethical concerns in their decision making.

**62. TREASURY MANAGEMENT - MID YEAR REPORT**

The Committee considered the Treasury Management Mid Year report.

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

- The report provided a summary review of Treasury Management activities during the first six months of 2019/20. The report reviewed the performance of the treasury management function.
- Members were informed of the forecast outturn saving of £500k (an over achievement on investments £390k, and saving on debt charges of £110k).

**RESOLVED:** That

- 1) the Committee recommend to Executive the mid-year position on the treasury management portfolio;
- 2) it be noted that the Council has worked within approved parameters;
- 3) the forecast outturn saving of £500k (an over achievement on investments £390k, and saving on debt charges of £110k), be noted

**63. CORPORATE RISK REGISTER**

The Committee considered the Corporate Risk Register.

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

- The Assistant Director Governance updated the Committee on a number of risks.
- *Risk 1 - Budgeting and financial Management (inc forecasting demand & investment and commercial strategy)* – Overview and Scrutiny had been involved in the review of the budget proposals for 2020/21. In addition, a CIPFA independent assessment of financial resilience had rated the Council within the top 20 for financial sustainability.
- *Risk 2 – Corporate Governance* – the Assistant Director Governance indicated that he would circulate guidance notes on how to deal with receiving online abuse, to all Members.
- *Risk 3 – Workforce (inc Capacity)* - the results of the Employee Engagement Survey were currently being considered by managers.
- *Risk 4 – Local Plan (including Five year land supply)* – the Local Plan consultation had been launched.
- *Risk 10 – Brexit* – the officer working group had been stood down. It may be reconvened later in the year dependent on the Brexit negotiations.
- *Risk 13 – Climate Emergency* – the initial Climate Emergency Action Plan had been presented to Council in January.
- *Risk 14 – High Needs Block* – a new risk had been added to the Corporate Risk Register around the High Needs Block. This had been escalated from the Children’s Services departmental risk register.
- Councillor Burgess asked whether the results of the Employee Engagement Survey would be presented to Overview and Scrutiny. Members were advised that staff focus groups would be held.
- In response to a Member question, the Assistant Director Governance agreed to establish the current status of the SEND Strategy.
- Councillor Burgess commented that she felt that actions relating to the Climate Emergency risk could be more strongly worded. The Assistant Director Governance agreed to take this forward. Councillor Burgess went on to state that it was important that the Council had a full action plan with carbon targets which could be monitored. She felt that the risk should be scored Very High instead of High. Councillor Burgess also questioned the inclusion of developing mitigation measures

to adapt to the impacts of extreme weather events on Council services and activities, as a mitigating action.

- Councillor Shepherd-DuBey agreed that more information was required in Risk 13.
- Councillor Shepherd-DuBey questioned whether the forthcoming retirement of the Director Customer and Localities would be considered a risk. The Assistant Director Governance commented that it would not.
- Councillor Gee asked about the Council's response to the risk of coronavirus. The Assistant Director Governance indicated that it would respond through the Public Health team as part of a national response. The Head of Finance stated that the Council's business continuity plan included provision for pandemics.

**RESOLVED:** That the Corporate Risk Register be noted

#### **64. 2019/20 INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT**

The Committee considered the 2019/20 Internal Audit and Investigation Quarter 3 Progress Report.

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

- The Assistant Director Governance indicated that more information had been given regarding those audits that had attracted the third category of audit opinion; housing rents, debtors and Public Health.
- With regards to the Public Health audit, significant progress was being made and the full follow-up audit findings would be reported to senior management during Q4 and an update provided to the next Audit Committee meeting.
- With regards to the housing rents audit, some follow up work was being undertaken but a positive trajectory was underway.
- With regards to debtors, the Head of Finance confirmed that the debtors team had been under resourced for some time but this was being addressed.
- Councillor Gee asked for more information about the Shared Building Services (follow up) audit which had also been awarded the third category of audit opinion. The Assistant Director Governance agreed to provide a written update.

**RESOLVED:** That the 2019/20 Internal Audit and Investigation Quarter 3 Progress Report be noted.

#### **65. 2020/21 INTERNAL AUDIT AND INVESTIGATION PLAN AND INTERNAL AUDIT CHARTER**

The Assistant Director Governance presented the 2020/21 Internal Audit and Investigation Plan and Internal Audit Charter.

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

- The Plan included a previous request from the Committee to audit CIL in order to provide assurance on the CIL administration and collection processes.
- Members were reminded that the Plan was flexible.
- Councillor Burgess asked about the column headed 2019/20 in the Internal Audit Plan. The Assistant Director Governance indicated that it referred to whether audit work had or had not been carried out on the particular area in 2019/20.
- In response to a Member question, the Assistant Director Governance confirmed that all the internal audit work was undertaken by an in-house team.
- Members noted proposed minor amendments to the Internal Audit Charter.

- It was confirmed that the approval dates on the Plan and the Internal Audit Charter would be updated.

**RESOLVED:** That

- 1) the 2020/21 Internal Audit and Investigation Plan be approved
- 2) the content of the Internal Audit Charter be noted

**66. CERTIFICATION OF CLAIMS AND RETURNS – CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES**

The Committee considered the Certification of Claims and Returns – Claims and Returns Organised by Local Authorities report.

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

- There were certain grants that the Council received that were required to be audited: Teachers' Pension Return, Pooling of Housing Capital Receipts Return and Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA).
- Members were advised that the deadline for Pooling of Housing Capital Receipts Return had changed from 30 November to 7 February resulting in no Audit result at the time of the meeting. Members would be informed of any queries that arose from this audit.
- It was also noted that the Council no longer had an audit on the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA) as the level of spend on sub-contracting arrangements had fallen below the £100k threshold for Audits.
- The Committee was asked whether they wished to keep this report as an annual item on the Committee's work programme. It was agreed that in future it should be reported by exception.

**RESOLVED:** That

- 1) the Audit Certification Reports 2018/19 for the Teachers' Pension Return be noted;
- 2) it be noted that the deadline for Pooling of Housing Capital Receipts Return has changed from 30<sup>th</sup> November to 7<sup>th</sup> February resulting in no Audit result at the time of this meeting however Audit Committee to note the information provided which is subject to the Audit.
- 3) it be noted that the Council no longer have an audit on the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA) as the level of spend on sub-contracting arrangements have fallen below the £100k threshold for Audits.