

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 29 JULY 2020 FROM 7.00 PM TO 9.15 PM**

**Committee Members Present**

Councillors: Bill Soane (Chairman), Dianne King (Vice-Chairman), Rachel Burgess, Maria Gee, Angus Ross, Daniel Sargeant and Imogen Shepherd-DuBey

**Also Present**

Madeleine Shopland, Democratic & Electoral Services Specialist  
Helen Thompson, Ernst and Young  
Justine Thorpe, Ernst & Young  
Andrew Moulton, Assistant Director Governance  
Stephen Murtagh, Internal Audit  
Bob Watson, Head of Finance

**1. APOLOGIES**

There were no apologies for absence received.

**2. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Committee held on 3 June 2020 were confirmed as a correct record and will be signed by the Chairman at a future opportunity.

**3. DECLARATION OF INTEREST**

There were no declarations of interest submitted.

**4. PUBLIC QUESTION TIME**

There were no Public questions.

**5. MEMBER QUESTION TIME**

There were no Member questions.

**6. ERNST & YOUNG AUDIT PROGRESS REPORT**

The Committee received an update on the Ernst & Young audit.

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

- Helen Thompson advised Members that there was little to update on since the previous Committee meeting. The report considered by the Committee at its June meeting had highlighted the identified risks to this year's Financial Statements audit.
- Justine Thorpe indicated that the Government recognised the increased pressure on local government following the Covid 19 pandemic. As a result, the accounts production deadline was now 31 August. The accounts should be audited by the end of November.
- Ernst & Young were having regular meetings with senior members of the finance team regarding the progress of the Financial Statements. Draft Financial Statements were expected shortly with the audit beginning next week.
- Ernst & Young would complete the second part of its visit at the end of September in order to finish the audit results report. The Statement of Accounts and the Audit result report would be taken to the November Committee meeting.

- No further risks had been identified. Corroboration would be sought from the auditors of the pension funds that the indicated timescales for producing the assurance letter to Ernst & Young, would be met.
- Councillor Burgess asked how Ernst & Young would be forming its going concern opinion that year and what evidence it would be using. Helen Thompson indicated that this was an area of more focus this year. The management assessment of concern would be considered and conversations would be had with the Finance team as to the level of detail expected. There was a presumption of going concern. There was a possibility for audits such as Wokingham, which had components, that there would potentially be a material uncertainty over the financial viability of a sub. However, it was unlikely that the Council itself would be anything other than a going concern. Ernst & Young would review the level of disclosures in relation to going concern and post balance sheet events. Certain categories of council would have to go through a consultation process, to review for consistency with others.
- With regards to post balance sheet events, the current volatility of the rental market and the likelihood of the receipt of all rental income, Councillor Gee asked whether the values of commercial properties would be looked at in the audit. Helen Thompson stated that the investment properties were required to be revalued each year at fair value. Ernst & Young real estate colleagues would be involved in that element of the audit. Councillor Gee stated that she had been informed that properties that had been held for less than a year did not need to be revalued until March 2021. Helen Thompson explained that as the fair value requirement was of up to 31 March 2020, Ernst & Young would consider whether an appropriate exercise had been undertaken. Given the circumstances of the year, they would expect them all to be reviewed unless purchased very close to the issuing of the balance sheet.
- Councillor Shepherd-DuBey questioned whether the level of borrowing was as expected. Helen Thompson commented that this was perhaps a question more for Council officers; however, she could confirm that the level of borrowing may be considered as part of the value for money assessment on commercialisation and purchase of investment properties.

**RESOLVED:** That the update on the Ernst & Young audit be noted.

## **7. TREASURY MANAGEMENT OUTTURN 2019-20**

The Committee received the Treasury Management Outturn 2019-20.

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

- During 2019-2020, the Council had adhered to all of its prudential indicators whilst minimising external debt and creating a significant revenue contribution with robust risk management arrangements.
- The Treasury Outturn position was a net £380,000 favourable against the projected budgets.
- Councillor Sargeant asked whether the Table on page 19 was still an estimate. The Head of Finance indicated that it was not and would be corrected.
- Councillor Sargeant commented that the report showed another good year of treasury management. He noted that £1.6million had been brought in through the property investment portfolio.
- Councillor Ross stated that it was interesting to note that the highest average rate of return percentage was from the investment properties.

- In response to a question from Councillor Gee regarding the 5.11% rate of return and investment properties, the Head of Finance indicated that the 5.11% return was on the two investment properties that the Council had run through its treasury management portfolio. These were located outside of the Borough. The Council was not allowed to borrow to fund these properties so treasury investment funds were used to buy these properties. The 5.11% was the gross figure coming in from incomes and the Council then charged a notional rate of interest against those properties to offset the financial impact on residents. The deduction made in terms of the notional rate was 2.75% for the debt financing charges. A minimum revenue provision of 0.667 was also charged. The asset repayment was backed by the value of the asset the Council had as it was classed for investment purposes. The Council was making minimum revenue provision for an anticipated movement in a prudent way should the asset value drop. Councillor Gee commented that the net return was 2.36% and the amount actually released to the revenue account was 1.695%. The Head of Finance emphasised that 2.75% was a notional rate which was likely set high to ensure that all the recovery costs were covered.
- Councillor Gee felt that Table 2, which showed the estimated debt levels, was misleading. The peak debt was not what could be anticipated in 2023, as more debts and projects would likely be taken on.
- Councillor Burgess commented that Table 2 was forwards looking and that she was surprised that there was little reference to the impact of Covid 19 within the report. She was interested to hear the extent the forecasts within Table 2 would have now changed because of the pandemic.
- The Head of Finance indicated that potentially £105million of capital expenditure would be deferred by 12 months due to the impact of the pandemic on the Council's cash flows. Not all the £105million would be funded by debt; some would be funded by developer contributions. Finance could only work to the Capital Programme as set out for the next 3 years. The debt would increase up to 2023 and would then start to be paid off through income receipts and capital receipts coming in and some of the regeneration assets.
- The Head of Finance emphasised that the debt taken out was affordable in terms of the Council's repayment profile and the value of assets held exceeded the level of debt.
- Councillor Gee referred to a saving of £380,000 on interest receipt on long-term balances. However, it also appeared to refer to working balances, which were not referenced within the report. The Head of Finance explained that the £380,000 was the net position around what the Council had in the budget to pay for debt financing and what the Council had in the budget around expected income receipts from interest on balances that had been invested.
- Councillor Gee questioned how working balances related to treasury management. The Head of Finance referred to the Treasury Investment Strategy. The Council had at any point in time, balances of over £100million coming in via precepts and business rates, which were paid out across the year.
- Councillor Shepherd-DuBey commented that external borrowing was £52million. She questioned why this was more than previous years. The Head of Finance indicated that the Council had approved a larger and more expansive capital programme for regeneration and investment.
- Councillor Shepherd-DuBey expressed concern around the property investment figure within the report and questioned what would happen if the Council lost a tenant. The Head of Finance clarified that the properties were the two investment properties outside of the Borough.

- The Head of Finance explained that the Property Investment Group managed a wider property investment portfolio. Councillor Shepherd-DuBey asked how the property investment process was monitored.
- Councillor Burgess questioned why there were so few investments with fund managers and how the Council could ensure that investments were invested ethically. The Head of Finance explained that the investments made with fund managers were mostly historic. The Council was not aware of the ethnical status of the portfolios. Most local authority investments were for 12 to 24 months whereas fund managers tended to want to invest for longer. In addition, a local authority could not go bust whilst owing money to another local authority and this would be underwritten by central government.
- Councillor Burgess commented that the investment balance on p19 of the agenda referred to £158million and elsewhere in the report, £135million was referenced. The Head of Finance agreed to come back on this matter. Following the meeting, he clarified that the £135m referred to the average balance of investments held over the year and the £158m was the actual investment balance as at 31 March 2020.

**RESOLVED:** That

- 1) the report be recommended to Executive on 30th July 2020;
- 2) the managed repayment of debt over time which illustrates the increased borrowing required to fund key Council priorities which in turn generate income streams (to repay debt) and provides revenue funding for vital statutory services (see graph in table 2), be noted;
- 3) the asset value created through the Council's capital investments compared to the debt required to generate the asset value (see graph in table 2), be noted;
- 4) the capital investments made in the Council's priorities for its community, by category (see table 1), be noted;
- 5) the Treasury Management report in Appendix A, that shows that all approved indicators have been adhered to and that prudent and safe management has been adhered to, be noted.

**8. CORPORATE RISK MANAGEMENT**

Members considered a report on Corporate Risk Management.

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

- The Assistant Director Governance outlined the Committee's responsibilities around risk management as detailed in the Constitution. As it was the start of the municipal year, it was thought timely for Members to consider what training needs the Committee might have around risk management.
- Councillor King felt that more training on risk management would be helpful for Members particularly as times were now more complicated due to the Covid 19 pandemic.
- Councillor Gee questioned the cost of training and was informed that the training was usually provided internally.
- The Corporate Risk Register had been updated since it was last presented to the Committee in June. There had been presentational changes. Also each risk was

described more clearly, timelines had been added to mitigating actions and each risk was now linked to one of the seven Council priorities.

- Four new risks had been added covering Telephony (risk no.15), IT Infrastructure (risk no. 16), Public Sector Equality Duty (risk no. 17), and Pandemic response (risk no. 18). No risks had come off the register but it was likely that over time, more risks would be added and some removed.
- Councillor Burgess thanked officers for all the work that had gone in to the refreshed Corporate Risk Register. She went on to question why the pandemic risk had only been given a medium rating, and referred to the possibility of a second wave of Covid 19. The Assistant Director Governance referred to the mitigations in place including the Local Outbreak Plan. The Council's emergency response had been well tested.
- Councillor Burgess stated that it was good that carbon reduction targets had been included relating to the climate emergency. However, Full Council had now considered the Climate Emergency Action Plan and the plan still needed work. She questioned whether the risk should therefore have a higher rating. The Assistant Director Governance responded that the Risk Register had been published prior to the Plan's review by Council but feedback from the Council meeting would be taken into consideration.
- Councillor Sargeant felt that the climate emergency risk should be rated higher.
- Councillor Gee questioned whether the pandemic risk should be positioned elsewhere on the matrix. The Assistant Director Governance responded that there was an element of subjectivity in the assessment of the risks. The impact of the particular risk was not being underestimated. There was a lot of work being undertaken by Overview and Scrutiny regarding the Council's response to the Covid 19 pandemic and this learning would be built in.
- In response to a question from Councillor Gee, the Assistant Director Governance indicated that each risk tended to be considered in isolation but that making linkages between them could strengthen the overall register.
- Councillor Ross stated that he was pleased to see the inclusion of the Local Plan within the Corporate Risk Register. Councillor Burgess felt that whilst the rating for this risk was now correct the description could be clarified further.
- Councillor Shepherd-DuBey expressed concern around governance during the pandemic. She commented that governance was still not back to normal. The Council had not established a Covid scrutiny committee in the same way as some other councils had, and the public were not currently able to speak at Planning Committee meetings. The Assistant Director Governance responded that the Council had been quick to implement virtual council meetings. Whilst the March Council meeting had been postponed, the business of that meeting had now been transacted. Councillor Ross referred to meetings between the Group Leaders during this period. Councillor Burgess indicated that these had been outside of the democratic process and had been more for briefing purposes.
- Councillor Shepherd-Dubey questioned why telephony was a separate risk and not included within the IT infrastructure risk, and was informed that it was to ensure that it was not subsumed within the IT infrastructure risk. There were specific issues around some of the telephony equipment at Shute End.
- Councillor Shepherd-Dubey asked who the Equalities Champions were. The Assistant Director Governance would provide a list.
- With regards to the Risk Management Policy and Guidance, Ernst & Young had identified that it had been some time since they had been reviewed, although the Assistant Director Governance noted that the last review by the Audit Committee was less than two years ago in September 2018. Changes related to the new

Community Strategy and Corporate Delivery Plan, a new paragraph on the impact of Covid-19, clarification on the role of Council risk facilitator, and emphasising links to the Local Code of Corporate Governance and the Annual Governance Statement.

- Councillor Ross asked who the policy and guidance was aimed at and suggested that there could be more around how the Executive Members challenged the relevant Directors on individual risks. The Assistant Director Governance agreed that the dialogue and challenge between the Executive Members and Directors needed to work well for effective scrutiny of the individual risks.

**RESOLVED:** That

- 1) the risks and mitigating actions of the Council's corporate risks as detailed in the attached CRR (Appendix A), be noted;
- 2) the updated Enterprise Risk Management policy and guidance (Appendix B) be approved and its onward submission to the Executive agreed;
- 3) what further training the Committee requires to discharge its responsibilities with regard to Risk Management, be considered.

## **9. 2019/20 INTERNAL AUDIT & INVESTIGATIONS ANNUAL REPORT**

The Committee received the 2019/20 Internal Audit and Investigations Annual Report.

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

- During the 2019/20 year, there was one new Category 3 audit, for the audit of equalities. With regards to 2019/20 Public Sector Equality Duty, the audit had noted that the Council had made progress in this area with the more consistent application of Equalities Impact Assessment to inform decision-making and training for staff. However, there remained further work to undertake including updating the Equality Policy.
- The Council would be reviewing its equality objectives, which had been last considered in 2017. Scrutiny would also be looking at the issue of equalities.
- Since March, Internal Audit had been focused on Covid 19 work. Some staff had been redeployed to assist in the response to the pandemic and others had been supporting finance. The Internal Audit Plan for the year would be amended and presented to the Committee for review in September.
- In response to a question from Councillor Shepherd-DuBey, the Assistant Director Governance suggested that where any area in an audit had been identified as being less than satisfactory, he would bring either the key findings and recommendations of the audit to the Committee or circulate the audit report. Members welcomed this. Councillor Burgess welcomed further detail on the lower rated audits and asked that the equalities audit report be circulated to Members.
- Councillor Gee asked how many members of staff were in the Internal Audit team and if the Assistant Director Governance was satisfied that there was sufficient staff to undertake the revised scope of work. The Assistant Director Governance commented that there were 10 members of staff and that it was a shared service with Royal Borough Windsor and Maidenhead. Audit work was also undertaken on behalf of Bracknell and Rushmoor Councils. He was confident that the team would be able to discharge its duty.

- In response to a question from Councillor Gee regarding the Public Health audit, the Assistant Director Governance indicated that some follow up work had been due in March but that this had been curtailed because of the pandemic. Many of the issues identified had been addressed, but he would provide a further update at the November committee meeting.
- Councillor Burgess asked how actions against Very High and High concerns were checked. The Assistant Director Governance indicated that confirmation and evidence would be sought.

**RESOLVED:** That this report be received and noted as a source of independent assurance regarding the risk, control and governance environment across the Council, and that the outcomes from 2019-20 Internal Audit and Investigations work and the resultant 'Substantially Complete and Generally Effective' opinion to the Annual Governance Statement, be noted.

## **10. REVIEW OF THE COUNCIL'S ANTI-FRAUD AND ANTI-CORRUPTION POLICIES**

The Committee received a report on the review of the Council's Anti Fraud and Anti Corruption Policies.

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

- Members were advised that it was good practice to review the Council's Anti Fraud and Anti Corruption policies, which were included in the Council's Constitution.
- The Assistant Director Governance advised that the changes themselves were fairly minor. He asked Members for their views on how the policies could be better publicised so that more staff and public were aware of the Council's stance.
- Councillor Burgess asked if there was a level of detail underneath the policies such as a fraud risk register or a money laundering risk register. She commented that it would be useful for Members to see where the Council was most at risk. With regards to the anti-fraud policies, Councillor Burgess commented that it would be helpful to have reference to more current trends such as cyber phishing emails.
- The Assistant Director Governance indicated that there were not underpinning risk registers but this could be looked at.
- CIPA produced anti-fraud guidance and self-assessment. This could be used to assess where the Council was concerning fraud risks. Councillor Burgess felt that this was a key element of Members' training.
- Councillor Burgess questioned whether consideration had been given to the production of a policy about the Criminal Finances Act 2017. The Assistant Director Governance agreed to look into the matter.
- Councillor Ross felt that the policies could be better publicised on the Council's website.

**RESOLVED:** That the proposed amendments to the Anti-Fraud and Anti-Corruption Policy, the Whistleblowing Policy, the Anti-Money Laundering Policy, Prosecutions and Sanctions Policy, Anti-Bribery Policy and the Regulation of Investigatory Powers Act (RIPA) policy be agreed and be recommended to Council via the Constitution Review Working Group.

## **11. LOCAL CODE OF CORPORATE GOVERNANCE**

The Committee considered the Local Code of Corporate Governance.

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

- The current Local Code of Corporate Governance had been in place since June 2016.
- The revised Code had been updated in the format suggested following a review of good practice from other local authorities.
- The Code had been assessed to reflect the position of the Council particularly in the light of the new Community Vision and Corporate Delivery Plan.
- The Council's Local Code was consistent with the principles of the CIPFA/SOLACE Framework which set out best practice for local government corporate governance. The principles and sub-principles expressed in the Framework had been considered, and continued to be relevant.
- The Code would be taken to Full Council in September for approval.

**RESOLVED:** That

- 1) the revised Local Code of Corporate Governance (Appendix A of the report) be reviewed;
- 2) the revised Local Code of Corporate Governance be recommended to Council.

## **12. ANNUAL GOVERNANCE STATEMENT 2019/20**

The Committee received the Annual Governance Statement.

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

- The Assistant Director Governance indicated that the Annual Governance Statement was in draft form and it was an opportunity for the Audit Committee to feed into the process. The AGS formed part of the Financial Statements which the Committee would consider later in the year.
- The Assistant Director Governance highlighted the five areas identified in the previous year's Annual Governance Statement as requiring improvement, and their current status. He went on to highlight the improvement plan for the future year.
- Councillor Burgess questioned what the issue was around the use of market supplements and honorariums. The Assistant Director Governance responded that it was ensuring that the policies were consistently and fairly applied across the Council. This would be addressed within the new People's Strategy.
- Councillor Burgess was of the view that the results of the internal audit of equalities should be referenced as it had been rated as a 3.
- Councillor Gee commented that the revenue capital monitoring reports were only considered by the Executive. She felt that there should be scrutiny of this matter prior to its consideration by the Executive and for this area to be strengthened. The Assistant Director Governance indicated that overview and scrutiny had previously scrutinised the budget proposals and would be doing so again. The Audit Committee received assurance via the Internal Audit team on the Council's major financial systems, and also via external audit with regards to the Financial Statements. Councillor Gee commented that the Audit Committee looked at treasury management and that she was of the view that the Committee should also consider capital monitoring. It was suggested that this proposal be considered by the Constitution Review Working Group.
- Councillor Gee stated that if a decision was taken to do something then the Public Sector Equality Duty had to be taken into account, but not if a decision was taken not to do something. The Assistant Director Governance agreed to refer the matter

to the Equalities Champions and the scrutiny committee that would be looking at the matter of equalities.

- In response to a question from Councillor Ross, the Assistant Director Governance explained that the Council would be compliant in relation to home to school transport appeal arrangements once a new appeal process was fully implemented.
- Councillor Shepherd-DuBey stated that there needed to be a mechanism for escalating issues relating to the Public Sector Equality duty.
- Councillor Shepherd-DuBey was of the view that the property investment process was not sufficiently transparent. She also felt that a number of matters had been put forwards without prior scrutiny or audit consideration or visible business cases. The Assistant Director Governance indicated that Internal Audit could be asked to look at the property investment process. With regards to the decisions and business cases, he would discuss with the Chief Executive and Directors, whether it should be included in the Annual Governance Statement.
- Councillor Gee suggested that the Committee not vote on the second recommendation of the report as the Annual Governance Statement was currently in draft. The updated Annual Governance Statement would be considered as part of the Financial Statements and a progress report would be taken to the November meeting.
- It was suggested that the third recommendation be amended.

**RESOLVED:** That

1) the draft 2019/20 AGS be considered, and any specific matters which should be brought to the attention of Council or Executive identified.

2) requests that update reports be provided to the Audit Committee summarising progress in achieving an governance improvement action plan, on those areas identified as requiring action in the AGS Improvement Plan as contained in this report, and any additional actions added as a result of this plan going from draft to final.

### **13. FORWARD PROGRAMME 2020-21**

The Committee considered the forward programme for the remainder of the municipal year.

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

- The Assistant Director Governance indicated that he would bring the risk management audit findings back to the September Committee and the results of the Committee's self-assessment of its effectiveness.
- An updated Internal Audit Plan would be taken to the September meeting.
- Councillor Gee requested an update on the Public Health audit at the November meeting.
- Helen Thompson indicated that the Statement of Accounts, Annual Governance Statement and Ernst & Young letter report would be taken to the November meeting. The Audit Results report would also be taken to November.
- It was noted that the November Committee would move from 4 November to 23 November because of a shift in the audit deadlines.

**RESOLVED:** That the forward programme be noted.