

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 22 FEBRUARY 2021 FROM 7.00 PM TO 8.40 PM**

**Committee Members Present**

Councillors: Bill Soane (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

Catherine Hickman, Lead Specialist, Audit and Investigation

Mark Thompson, Chief Accountant

Bob Watson, Assistant Director Finance

Andrew Moulton, Assistant Director Governance

Francesca Churchhouse, Ernst & Young

**43. APOLOGIES**

An apology for absence was submitted from Councillor Dianne King.

**44. DECLARATION OF INTEREST**

Councillor Imogen Shepherd-DuBey declared a Personal Interest regarding Item 48 Statement of Accounts 2019-20 on the grounds that she had money in the Berkshire Pension Fund.

Councillor Daniel Sargeant declared a Personal Interest in Items 47 Wokingham Borough Council Audit Results Report Year ended 31 March 2020 and Item 48 Statement of Accounts 2019-20 on the grounds that he was a Non Executive Director of Wokingham Housing Limited and Berry Brook Homes.

**45. PUBLIC QUESTION TIME**

There were no Public questions.

**46. MEMBER QUESTION TIME**

In accordance with the agreed procedure, the Chairman invited Members to submit questions.

**46.1 Gary Cowan asked the Chairman of the Audit Committee the following question. Due to his inability to attend the following written answer was provided:**

**Question**

Agenda Page 227 (Corporate Risk Register) states that on July 18th, 2019, a Motion was passed at Council declaring a climate emergency. The Council gave itself six months to establish the Borough's carbon footprint and develop an action plan setting how the Council would achieve its targets by 2030. The report goes on to add Further Actions to Mitigate Risk mentions Cross Council officer group established and ongoing work of working group with further report back to Council in 2021 on progress against target.

At its meeting on 21<sup>st</sup> January 2021 the Council considered a Motion (450), submitted by Andy Croy, and seconded by Carl Doran. 'Council believes the Executive should commission a Citizens' Assembly on the Climate Emergency. A Citizens' Assembly on the

Wokingham Borough response to the Climate Emergency is required to address the hard choices which need to be made if the Borough is to achieve carbon neutrality by 2030. The Motion was defeated as every Conservative present with the exception of the Mayor and his Deputy voted against the motion.

My question therefore is what assurance has the Audit Committee sought with regards to the effectiveness of the mitigating actions around the Climate Emergency risk on the Corporate Risk Register?

### **Answer**

With regards to risk management, the Audit Committee's remit is to provide independent assurance of the adequacy of the Risk Management Strategy and the associated control environment. This includes, but is not limited to, receiving quarterly reports reviewing the implementation of the Council's Risk Management Policy and Strategy to determine whether strategic risks are being actively managed.

To discharge this responsibility, I ensure that the Committee receives comprehensive reports from officers on the Corporate Risk Register and that Committee members are able to assure themselves that the Council is actively managing its most significant risks. The Committee does this in a number of ways including through questions to the Chief Executive, Deputy Chief Executive, and Directors who regularly attend our meetings.

It is pleasing to note the comments of our External Auditors later on this evening's agenda that risk management arrangements have been strengthened over the past period albeit I acknowledge the helpful suggestions for further improvement including the comment that the Committee should avoid taking "active deep dives" into individual risks which I fear your question may be encouraging us to do. Indeed, the External Auditors go to say that it may be better covered by the work of Overview & Scrutiny which, I know, has already examined the topic of climate emergency in some depth during 2020 and reported its recommendations to Executive in October 2020.

Climate emergency is a priority for the Council which is why it is reassuring and correct to see it identified as one of the key strategic risks on the Corporate Risk Register. Following the climate emergency declaration made in July 2019, Wokingham Borough Council adopted a Climate Emergency Action Plan (CEAP). Within this plan, the Council committed to communicate and engage with residents, businesses, schools, and other organisations to work together to identify and deliver actions towards reducing the Borough's carbon footprint and encourage behaviour change.

Overall, the Climate Emergency Action Plan aims to deliver warmer homes, cleaner air, better health, more green spaces, as well as reduced emissions. However, despite the Council's best efforts, many of the outcomes of the CEAP rely on factors which are outside the Council's control. The effective delivery of the action plan depends on the influence and support of multiple agencies.

Citizen's assemblies have been reviewed as a potential process that can provide a good way of drawing attention to the climate emergency agenda. Although, this can bring out diverse perspectives on the complexity of climate change, the Council concluded at its meeting of 21 January 2021 that this might not be the most adequate engagement tool at this stage. Gaining a broadly representative group of people can be challenging and expensive, and the process for developing and planning an assembly is intensive and demanding on human and time resources. An indicative budget for a local citizens'

assembly, consisting of approximately 50 participants for 32 hours of learning, deliberation, and decision-making range between £60,000 to £100,000. <sup>1</sup>The Council concluded that there are most cost-effective engagement tools and that funds that will be required to deliver a citizen assembly can be directed to more effective actions.

Engagement and public consultation are activities that Wokingham Borough Council have extensive experience with, and frequently do, as a key element to produce and deliver policy or projects. The Council regularly carry out survey work, liaise with pressure and action groups and implement methods for hearing and acting upon individual opinions on different matters. The communication and engagement of the Climate Emergency Action Plan will be built upon the Council's experience and from tried and tested tools and mechanisms delivered by other organisations and local authorities.

In conclusion, I would reiterate the importance of the Committee focusing on its remit and continuing to provide both challenge, oversight and constructive suggestions to help the Council develop and improve further its risk management arrangements, and I am sure that, if you'd care to stay for item 49 on this evening's agenda, you will see that in action.

#### **47. WOKINGHAM BOROUGH COUNCIL AUDIT RESULTS REPORT YEAR ENDED 31 MARCH 2020**

Members received the Wokingham Borough Council Audit Results report year ended 31 March 2020.

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

- Helen Thompson, Ernst & Young, commented that the audit was largely completed in the less complex areas. However, work remained outstanding on 4 areas; valuations, pension fund disclosures, Group accounts (consolidation) and going concern.
- Ernst & Young had already identified with Officers, changes that would need to be made to the Statement of Accounts. These had not been included in the results report or amended at this stage as there was likely to be further changes, particularly around the work of valuations on property, plant and equipment. All changes would be consolidated into one for ease.
- With regards to valuations, it was an area of focus for reviewers of audit quality, and work in this area had increased significantly over time. Ernst & Young had asked its valuation specialists to review 11 assets. There remained open queries on 4 of these assets, which may or may not have a wider impact on the asset portfolio. For the assets (operational land and buildings) revalued as at 31 March, a number of queries had been identified leading to a review of the source evidence that was being used for the assumptions that were then used in a valuation. The internal valuer had updated the source evidence. In addition, with regards to assets that had been revalued in prior years, evidence had been sought on processes used.
- Helen Thompson commented that she welcomed the Council's approach of updating the valuation approach in the future, such as employing an external valuer to provide support to the internal valuation team, and also to review the cycle for valuations.

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<sup>1</sup> Involve <https://www.involve.org.uk/resources/knowledge-base/how-do-i-setup-citizens-assembly/frequently-asked-questions>

- With regards to the assurances from the pensions funds auditor, the report had been received from Deloitte in January. However, this had been issued prior to the completion of the audit and several review queries remained outstanding.
- With regards to Group Accounting, the work of the component auditors had been reviewed and no issues had been identified. However, the accounting policies particularly around property, plant and equipment differed between the Council and its subsidiaries. Work was being undertaken to realign the policies and to restate the figures.
- With regards to Going Concern, it had been an area of focus this year because of the pandemic and significant changes to income and expenditure streams. Updated Management Disclosures would be included in the final Statement of Accounts.
- Ernst & Young were producing a plan which would be agreed with the Finance team and the Valuations team.
- Councillor Burgess asked what the impact would be on income expenditure and the balance sheet. Helen Thompson stated that based on amendments that had been collated to date, there were adjustments that would have an impact but that they would largely net off against each other. There would be no impact on the bottom line. In terms of whether the asset value would go up or down it was difficult to say until queries had been worked through.
- Councillor Burgess went on to question what had caused the large credit to the income and expenditure statement for revaluations this year. In addition, she questioned whether the Assistant Director Finance supported a different means of valuing those assets valued on a rolling basis. The Chief Accountant indicated that Note 23 of the accounts, a breakdown of the revaluation reserve, showed how valuations had changed. The main driver for the net £64million credit to the income and expenditure account was due to an upward revaluation of assets of £79 million and a downward revaluation of £15million. The valuation process going forwards would be looked at.
- Councillor Ross commented it was disappointing that the pension fund was again an issue. With regards to valuations, he asked whether it became more difficult to get accurate valuation figures some time after the valuation period. Helen Thompson emphasised that pensions was not the only delay in the audit. With regards to valuations, the type of points considered were the assumptions used when making the valuations. There could also be differences in assumptions used by valuers.
- Councillor Gee questioned why the valuation of playing fields at £1million per acre had been removed from the updated report. Helen Thompson responded that some detail had been removed whilst an ongoing query was resolved. Councillor Gee questioned whether the £1million related to a development value rather than a current use value. It was explained that it related to reversion and what the Council would have to pay to replace it. In a developed Borough such as Wokingham the higher end of the scale was more likely.
- Councillor Gee asked if it was likely that it would be almost impossible to value future liabilities, as interest rates continued to decrease.
- Councillor Gee stated that in the context of internal control, she felt that the Committee's reporting line to Council had been overlooked.
- In response to a query from Councillor Shepherd-DuBey it was clarified that the values of properties were looked at on a regular basis. Certain categories were also valued on a yearly basis.
- Councillor Burgess asked about the stress testing carried out around going concern and how comfortable the Council was looking 12 months ahead, taking that stress

testing into account. The Assistant Director Finance stated that all local authorities should be deemed a going concern because they were backed by Central Government.

- Councillor Burgess referred to the recommendation that senior management review the capacity of the Finance team. The Assistant Director Finance indicated that he had put forwards a revised structure for finance. Councillor Gee asked for a report at the next Committee meeting on what action had been taken and staffing levels. The Assistant Director Finance indicated that during the pandemic many staff around the Council had been redeployed to help with the Council's response. He suggested that the size of the Finance team going forwards be confirmed prior to a report being produced.
- Councillor Burgess questioned when the Committee would receive the survey on the effectiveness of the Audit Committee, to identify strength and weaknesses of the Committee and training requirements. The Assistant Director Governance indicated that the survey was being produced.

**RESOLVED:** That

- 1) The draft Wokingham Borough Council Audit Results Report Year ended 31 March 2020, be noted.
- 2) The final report be considered at an extraordinary meeting of the Audit Committee on 22 March 2021 7pm.

#### **48. STATEMENT OF ACCOUNTS 2019-20**

The Committee received the Statement of Accounts 2019-20.

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

- The Assistant Director Finance indicated that the Statement of Accounts was not yet ready for sign off. There were 4 areas outstanding that were still under discussion with Ernst & Young; treatment of valuations, pensions, Group Accounts, statement of going concern.
- The Assistant Director Finance indicated that he had no real concerns as to the Council's current position. Both the Council's Finance team and Ernst & Young had been working hard on the audit. The pandemic had had an impact on the speed of the process.
- The Assistant Director Finance indicated that the Committee could either bring the finalised Statement of Accounts to an additional extraordinary Committee meeting in March or delegate the sign off to the Deputy Chief Executive and the Chairman of the Audit Committee, subject to there being no adverse audit opinion. The final audit report and the final Statement of Accounts would be shared with Members. Members agreed that they wished for an additional meeting to be arranged.
- Councillor Burgess questioned what the deadline was for the availability of the final audited accounts. Helen Thompson indicated that there was no statutory deadline for the publication of the audited accounts. Regulations required that for the year that the Council was in, it should by 30 November either publish the final Statement of Accounts, with the audit report and the auditor's opinion, on its website, or a statement as to why this had not been achieved. There was no penalty for this deadline having not been met.
- Councillor Gee noted that lending to the subsidiaries had been increased and questioned whether this would be recoverable. The Assistant Director Finance

clarified that loans had been made to allow the companies to continue developments around the housing area.

- Councillor Gee commented that the fair value of borrowings was £90million higher than the borrowings. The Assistant Director Finance stated that when a loan was taken out it was taken out at the prevailing best rates of the time.
- Councillor Gee referred to a loss on some property, plant and equipment. The Chief Account clarified that this was a result of the academisation of a school.

**RESOLVED:** That

- 1) The draft Statement of Accounts 2019-20, be noted.
- 2) The final report be considered at an extraordinary meeting of the Audit Committee on 22 March 2021 7pm.

#### **49. CORPORATE RISK MANAGEMENT**

The Assistant Director Governance presented the Corporate Risk Management report.

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

- Risk 1 Budgeting and Financial Management had been re-assessed from “very high” to “high” following the proposed balanced budget being presented to Council on 18 February.
- Risk 10 “End of the EU Transition” had been updated. The Government had recently released a press release that gave further assurances around negotiations between the EU and the UK and it looked significantly less likely that the EU would consider the UK as a ‘third country.’
- Risk 12 “Adult Social Care Provider Failure” had reduced in severity from “very high” to “high” as a consequence of the positive impact of mitigating actions.
- Risk 13 “Climate Emergency” had been updated to reflect the Climate Emergency Task and Finish Group’s report and recommendations which had been agreed at Executive on 29 October.
- The description of the equalities risk (no. 17) had been revised to reflect the Covid-related impact to this risk noting the Council’s proposed approach to tackling poverty and new Equality Plan (to be considered by Executive in March).
- The Pandemic risk (no. 18) had been updated to reflect the outcomes of Overview & Scrutiny in considering the Council’s response to the first wave.
- The Housing Numbers (no. 19) has been re-assessed from “high” to “medium” following the Government announcement in mid-December that it planned to prioritise urban and brownfield sites.
- Two new risks had been added:
  - Market failure (no 20) reflecting the economic and financial impacts of Covid-19 on key providers of Council services.
  - 2021 Elections (no. 21) reflecting the additional challenges of delivering successful elections against a backdrop of public health restrictions.
- Councillor Burgess commented that the controls listed for the Climate Emergency risk were insufficient and that the mitigating actions did not adequately address the risk. She felt that the Climate Emergency Action Plan contained some errors that needed to be addressed. In addition, she suggested that the Climate Emergency Task and Finish Group established by Overview and Scrutiny should be included in the register as a control. The Assistant Director Governance agreed that it would be added. Members were reminded that an Internal Audit of Climate Emergency

was planned for Q1. The Assistant Director Governance suggested that the Chairman of the Audit Committee liaise with the appropriate Overview and Scrutiny Chairman to ensure that the Committee's concerns around the Climate Emergency risk were addressed in their work.

- Councillor Gee noted that there were a number of high risks when the Council was supposed to be a low risk Council and questioned how this would be addressed.
- Councillor Gee questioned how the Committee should review the Corporate Risk Register if it did not undertake a deep dive. The Assistant Director Governance stated that the Committee needed to have assurance that the process of risk management in the Council, was sound. He referred to the Committee's remit in relation to risk management. Further training around risk management could be undertaken. Helen Thompson emphasised that the Committee should not be heavily involved in how the risks were being addressed. Risks should come off as well as on to the Corporate Risk Register. The tolerance to risk would vary between individual risks.
- Councillor Shepherd-DuBey questioned whether a number of risks should be combined, in particular risks 4 and 19.
- In response to a Member question the Assistant Director Governance commented that the EU transition risk was likely to be able to be removed from the Corporate Risk Register shortly. Members were reminded that if an item came off the Corporate Risk Register it could still be managed at Directorate level if required.
- Councillor Burgess suggested that the wording of the Local Plan risk be revised as some information was out of date. It was agreed that this risk would be updated.
- Councillor Burgess proposed adding the Audit Committee self-assessment into the actions around the Corporate Governance risk.
- Justine Thorpe, Ernst & Young, indicated that they would be happy to join future training sessions and to talk about the Committee's role with regards to risk management in more detail.
- The Corporate Risk Register should underpin the Council's Corporate Plan.

**RESOLVED:** That the risks and mitigating actions of the Council's corporate risks as detailed in the Corporate Risk Register be noted.

#### **50. UPDATE ON INTERNAL AUDIT & INVESTIGATIONS INCLUDING QUARTER 1 PLAN FOR 2021/22**

The Lead Specialist, Audit and Investigation presented the update on Internal Audit and Investigations including the 2021/22 Internal Audit Strategy and 2021/22 Audit and Investigation Work Programme Quarter 1

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

- The report provided an update on the work of Internal Audit and Investigations activity up to December 2020. There had been no audits that had received less than level 2 Audit opinion during this period.
- For the remainder of the financial year the team was focused on completing the remaining audits contained within the 2020/21 Audit and Investigation Plan to feed into the Head of Internal Audit Opinion on the Council's Governance, Internal Control and Risk Management Arrangements.
- This year had been a period of uncertainty as councils had responded to the pandemic and their changing risk profiles. The extent to which the team had been able to deliver planned audit activity had been impacted because of the availability

of auditees who had needed to respond to the effects of the pandemic within their services

- Usually, an annual Audit Plan would be prepared for the forthcoming financial year. However, it had been agreed with the Corporate Leadership Team that a one-year plan would not be practical at this time. Flexibility and forward thinking were required in planning audit activities for the forthcoming financial year and as such, it had been agreed that for the 2021/22 financial year, audit planning would be on a quarterly basis.
- Councillor Sargeant commented that the plan of work for Q1 was quite ambitious. The Lead Specialist Audit and Investigations stated that the Plan had been produced according to the resources available at the time. However, a watching brief was required because of the impacts there had been on resource availability within the Internal Audit team during the current year due to redeployments from the team to service areas to assist with responses to the pandemic. The Committee would be informed of any significant changes.
- Councillor Burgess stated that in order for the Climate Emergency audit to be successful it needed to address the level of carbon savings planned to be achieved by the Climate Emergency Action Plan. The Lead Specialist Internal Audit and Investigation indicated that this could be considered when the audit was scoped. The Assistant Director Governance added that consideration would be given to what external expertise might be required to assist in the audit.

**RESOLVED:** That

- 1) The 2020/21 Internal Audit and Investigation Progress Report be noted;
- 2) The Internal Audit and Investigation Strategy for 2021/22 be approved;
- 3) The Quarter 1 Plan for 2021/22 be approved;
- 4) The Internal Audit on Climate Emergency include an accounting style carbon audit of the Climate Emergency Action Plan targets, the methodology and the underlying assumptions, in the Climate Emergency Action Plan.