

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 27 JUNE 2022 FROM 7.00 PM TO 8.53 PM**

Committee Members Present

Councillors: Rachel Burgess, Maria Gee, David Davies, John Kaiser, Tahir Maher and Mike Smith

Also Present

Graham Cadle, Assistant Director, Finance

Neil Carr, Democratic and Electoral Services Specialist

Graham Ebers, Deputy Chief Executive and Director of Resources and Assets

Helen Thompson, Ernst and Young

Stephan Van Der Merwe, Ernst & Young

Catherine Hickman, Head of Internal Audit and Investigation

Paul Ohsan Ellis, Strategic Development and Commercialisation

1. ELECTION OF CHAIR 2022-23

The Committee elected a Chair for the 2022/23 Municipal Year.

RESOLVED: That Rachel Burgess be elected as Chair of the Committee for the 2022/23 Municipal Year.

2. APPOINTMENT OF VICE CHAIR 2022-23

The Committee appointed a Vice-Chair for the 2022/23 Municipal Year.

RESOLVED: That Maria Gee be appointed as Vice-Chair of the Committee for the 2022/23 Municipal Year.

3. APOLOGIES

An apology for absence was submitted from Peter Harper.

4. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 2 February 2022 and the Minutes of the Extraordinary meeting of the Committee held on 30 March 2022, were confirmed as a correct record and signed by the Chair.

Note: As none of the current Committee members attended the meeting on 2 February 2022, it was agreed that former members (still on the Council) be asked to comment on the accuracy of the minutes.

Note: In relation to Minute 56 of the meeting on 2 February 2022 – Independent Member of the Audit Committee, Rachel Burgess asked for an update. It was confirmed that a job description had been developed and the recruitment process was ready to commence. The process was delegated to the Assistant Director, Governance in consultation with the Chair. Updated information would be provided for the Chair.

5. DECLARATION OF INTEREST

There were no declarations of interest.

6. PUBLIC QUESTION TIME

There were no Public questions.

7. MEMBER QUESTION TIME

There were no Member questions.

8. UPDATE ON 2020-21 STATEMENT OF ACCOUNTS

The Committee received an update on the 2020-21 Statement of Accounts.

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

- At the meeting on 30 March 2022, the Committee had resolved that the completed 202/21 Accounts be brought back to the Committee once the outstanding issues around pensions and infrastructure assets were resolved.
- Helen Thompson commented on the two outstanding issues relating to the 2020/21 Statement of Accounts. In relation to the pension fund issue, Deloitte's would be issuing a letter in September 2022. On receipt of that letter the auditors would be able to close the issue relating to pension funds. At this point, the draft letter contained a number of caveats.
- In relation to the infrastructure assets issue, CIPFA had undertaken an emergency consultation exercise, the outcome of which was not yet known. It was unclear when this issue would be closed.
- These two issues were frustrating for Members and officers. One was a national issue. The other was a regional issue. All that the Council could do was to seek to influence a speedy resolution.
- Councillor Maher asked if the pension funds issue recurred each year. It was confirmed that new pension fund auditors had been appointed for 2019/20 and had raised a number of objections relating to the pension accounts. This issue had a knock on effect into 2020/21.
- In relation to the new Members on the Committee, the importance of helping them to understand the background and progress made to date was confirmed. At present, there were no new issues to consider apart from the two issues highlighted – pension funds and infrastructure assets.
- Councillor Kaiser noted that, in the last year, WBC had to make increased contributions to the pension fund following a review of some investments, e.g. relating to climate change. Was it likely that there would be further increases in 2022/23? It was confirmed that the Berkshire Treasurers worked closely with the Berkshire Pension Fund. WBC had committed to factor in an additional 1.25% for the life of the current MTFP. This had been agreed by full Council in February 2022.
- Councillor Gee queried why work on the 2021/22 Accounts had not started yet. It was confirmed that a combination of limited work capacity and resource capacity (the lead auditor had resigned) had resulted in a delay. It was important to have a clear timetable for the 2021/22 audit. Work would be starting soon.
- Councillor Burgess queried whether there was a deadline to the publishing of the completed 2020/21 Accounts. It was confirmed that there was no legal deadline. It appeared that around one third of local authorities had not yet published final accounts for 2020/21.

RESOLVED: That the update on the 2020/21 Statement of Accounts be noted and a further update be presented to the Committee's next meeting.

9. RISK MANAGEMENT POLICY AND GUIDANCE

The Committee considered the updated Risk Management Policy and Guidance.

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

- Paul Ohsan-Ellis confirmed that the WBC Officer Risk Management Group and the Corporate Leadership Team had reviewed and updated the Risk Management Policy and Guidance. Minor enhancements and clarifications had been highlighted in the document for Member comment.
- John Kaiser commented on the good progress made over the past five years in relation to risk management at WBC. Councillor Kaiser felt, and Members agreed, that Para 5.13 – Risk Management Group – should include a commitment to “share/exchange relevant information with colleagues in other service areas”.
- In relation to para 3.3 of the Guidance, Councillor Kaiser sought clarification on the statement that the Guidance would be reviewed “regularly” by the Audit Committee. Members felt that the previous commitment to an annual review by the Audit Committee was appropriate.
- Councillor Gee referred to paragraph 1.2 of the document which referred to the increasing importance of the document as the Council became less risk averse. Councillor Gee suggested that the policy should be referred to the new Executive and then on to all Members.
- Councillor Maher asked about the training to be provided for staff on the policy. It was confirmed that a training package was being developed for Members and officers.
- Councillor Maher asked for details on the control meetings held within each service area. It was confirmed that the corporate Risk Management Group included representatives from each service area. Risks identified at all levels within service areas were escalated to the appropriate group. Each department had its own risk register.
- Councillor Davies stated that in para 5.7 of the policy, “Assistant Director” should replace 3rd Tier Manager on a consistent basis.
- Councillor Davies referred to page 10 of the guidance document – Stage 4 – Control/Manage – and stated that the name of the officer taking the decision to skip Stage 4 should be recorded.
- Councillor Gee referred to para 5.1 of the policy (assignments and responsibilities) and suggested, and Members agreed, that the phrase “where possible” be removed from the first line.
- Councillor Gee referred to Page 11 of the guidance – (control, accept, transfer or terminate risk). It should be noted that the transfer of risk may actually create new risks, e.g. the Council retained the risk of service failure when transferring services. Members agreed that the phrase “transfer or sharing” of risk be used.
- In relation to Member training, Councillor Davies suggested that training be based on best practice and include key customer journeys. Training sessions could be recorded and made available to all Members. Members queried whether Audit training had been included in the induction package for new Members following the May election.

RESOLVED That:

- 1) the Committee’s comments on the Risk Management Policy and Guidance be incorporated into the documents;
- 2) the Risk Management Policy and Guidance, as amended, be submitted to the Executive with a recommendation for adoption;
- 3) once approved by the Executive, the Risk Management Policy and Guidance be circulated to all Members;

- 4) officers liaise with the Chair on the timing and content of Member training, including induction training for new Members.

10. CORPORATE RISK REGISTER REVIEW

The Committee considered the Corporate Risk Register which had been updated by the officer Risk management Group.

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

- Graham Ebers introduced the report which highlighted an overall increase in risk faced by the Council due to:
 - The invasion of Ukraine resulting in additional responsibilities for the Council;
 - Increases in inflation which impacted on the Council's costs and the costs faced by suppliers, businesses and residents;
 - Further clarity on the impact of Health and Social care reforms.
- New risks had been escalated in relation to inward migration to the Borough and the cost of public transport following a reduction in demand linked to the Covid-19 pandemic.
- Councillor Gee referred to the risks relating to Minimum Revenue Provision (MRP). Should this issue be included in the Corporate Risk Register? Graham Ebers commented that MRP was included in the Council's Budget and was addressed in the Chief Financial Officer's annual report, submitted to Council. Under the current rules it was considered that the Council's provision for MRP was adequate.
- Councillor Kaiser enquired about the impact of loans from forward funding of infrastructure. The Government had stated that it did not wish to see unintended consequences from these loans.
- Councillor Smith noted that the Risk Register was a snapshot of the current risks facing the Council. It was confirmed that when a risk reduced below the Council's risk appetite that risk was removed from the register.
- Councillor Maher referred to Risk 5 on the register – Education for Children with SEND. What plans were there for addressing this issue? It was confirmed that a number of initiatives were being considered including Capital investment on a new school for children with special needs. This was a national issue. The Council continued to make its case to the Government for additional flexibilities which could be used to address this challenge.
- Councillor Maher referred to the risks at the top right of the risk matrix (high likelihood/high impact). What were the implications if these risks were not mitigated over time? Graham Ebers confirmed that work was ongoing to address each of the key risks in the register. For example, in relation to Budget and Financial Resilience, work was ongoing all the time to strengthen the Council's operating systems. Unfortunately, variables such as the local government financial settlement could make the challenges facing the Council worse, thereby increasing the level of risk.
- Councillor Burgess referred to Risk 6 – Failure to meet Statutory Duties – and asked why the risk level had increased. Graham Ebers confirmed that this related to the impact of Covid-19 on management capacity to undertake proactive health and safety activity. This was likely to be a short to medium term increase in risk.

RESOLVED: That the report be noted, and the Committee confirm that strategic risks, set out in the Corporate Risk Register, were being actively managed.

11. 2021-22 INTERNAL AUDIT AND INVESTIGATION ANNUAL REPORT

The Committee received the 2021-22 Internal Audit and Investigation Annual Report.

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

- Councillor Davies asked about the size of the Internal Audit and Investigation team. It was confirmed that the team was 6.6fte made up of the Head, 4.6 Senior Auditors and an apprentice. Specialist audit work could be procured externally as necessary and the team includes roles for Graduate trainees and Guest Auditors.
- Councillor Burgess asked how the team ensured its independence was maintained. Catherine Hickman stated that the team operated under an Audit Charter that clarified reporting lines and the Head of Internal Audit and Investigation had free and unfettered access to report directly to the S151 Officer, Chief Executive and Chair of the Audit Committee where required.
- Councillor Maher asked if the team was involved in the external audit of the Council. It was confirmed that the International Audit Standards prevented the two teams working together.
- Councillor Maher asked about the process for checking Covid-19 grants and more general grants. It was confirmed that internal audit was involved when the specific grant required certification by the Chief Executive and/or S151 Officer (Deputy Chief Executive), and the Head of Internal Audit and Investigation.
- Councillor Davies asked to see copies of the audit reports. This would be discussed with the Chair of the Audit Committee as part of regular update meetings.
- Councillor Burgess confirmed that any reports agreed to be circulated would be via email.
- Councillor Burgess referred to audits where the management response was outstanding and asked– what assurance was there that the agreed recommendations had been carried out? Catherine Hickman confirmed that a number of recommendations were progress-checked periodically, particularly those classified as being 'high risk'. Councillor Burgess suggested that high-risk recommendations not implemented be reported to the Committee, the process to be discussed outside the meeting.
- Councillor Kaiser asked about auditing of the Council's purchasing and contract letting arrangements. It was confirmed that an audit of client and contract management was included in the 2022/23 audit programme.

RESOLVED: That the 2021/22 Annual Internal Audit and Investigation Report and progress in achieving the 2021/22 Internal Audit and Investigation Plan be noted.

12. FORWARD PROGRAMME 2022-23

The Committee considered the Forward Programme.

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

- It was confirmed that the September 2022 Agenda may change depending on progress relating to the Accounts issue.
- Catherine Hickman requested that, due to the short reporting cycle timescale, the Internal Audit and Investigation quarter 1 progress report, scheduled for July, be deferred to the September meeting. Members agreed to defer the item.

RESOLVED: That the Forward Programme, as amended, be noted.