

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 28 SEPTEMBER 2022 FROM 7.00 PM TO 9.15 PM**

**Committee Members Present**

Councillors: Rachel Burgess (Chair), Maria Gee (Vice-Chair), David Davies, Peter Harper, John Kaiser and Mike Smith and Mike Drake (Independent Audit Committee member)

**Also Present**

Madeleine Shopland, Democratic & Electoral Services Specialist  
Helen Thompson, Ernst and Young (online)  
Stephan Van Der Merwe, Ernst & Young (online)  
Graham Cadle, Assistant Director Finance (online)  
Andrew Moulton, Assistant Director Governance  
Susan Parsonage, Chief Executive

**24. APOLOGIES**

There were no apologies for absence.

Councillor Maher attended the meeting virtually.

**25. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Committee held on 27 July 2022 were confirmed as a correct record and signed by the Chair.

The Chair welcome Mike Drake, Independent Audit Committee member, to his first meeting of the Committee.

Councillor Gee commented that she had requested that the Committee receive a more detailed explanation as to how the assets were accounted for, and an estimate of the amount taken out of the cost when accumulated depreciation. She commented that the estimate had still not been provided.

Councillor Harper indicated that with regards to the historic data relating to complaints that he had requested at the meeting, the further information provided had covered that previous two years and largely focused on early resolution against Stage 1 complaints. He wished to see data regarding overall complaints from a longer period.

**26. DECLARATION OF INTEREST**

There were no declarations of interest submitted.

**27. PUBLIC QUESTION TIME**

There were no Public questions.

**28. MEMBER QUESTION TIME**

There were no Member questions.

**29. UPDATE ON 2020/21 STATEMENT OF ACCOUNTS**

Graham Cadle, Assistant Director Finance and Helen Thompson, Ernst & Young, updated the Committee on the 2020/21 Statement of Accounts.

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

- The audit had substantially finished and a draft report of the 2020/21 accounts had been produced earlier in the year. At that point issues relating to infrastructure assets and pensions had been outstanding.
- The issue relating to pensions had an impact on all the Berkshire local authorities. It had been hoped that it would have been signed off by September, which had not happened. The infrastructure assets issue was a national issue and also remained outstanding.
- The latest anticipated timescale for the resolution of the pensions issue was now November.
- Helen Thompson indicated that Officers had been told that the 2021 accounts for the Pension Fund would be considered at the Royal Borough of Windsor and Maidenhead Council Audit Committee the previous week. However, it appeared that only the 2019/20 accounts had been considered. An update had been sought from Deloitte but had not yet been received.
- Helen Thompson referred to the estimate that Councillor Gee had requested at the previous meeting, and clarified that to get to even an estimate would require a significant amount of officer time, which was felt not to be a good use of resources when the decision relating to how infrastructure assets would be made, was still outstanding.
- Councillor Kaiser questioned if it was likely that the Pension Fund would ask for additional money from the Council. The Assistant Director Finance commented that this was unlikely. Helen Thompson added that the issue was not with the Pension Fund itself. The delays had been caused with RBWM's accounts. There had been a number of objections relating to the 2019/20 accounts which had required resolution, which had significantly held up the auditors. The caveat on the letter that Ernst & Young required to sign off Wokingham's accounts was, that until Deloitte had completed the audit on the 2021/22 RBWM accounts, they did not have sufficient assurance that there were not any potential issues that might impact the Pension Fund.
- Councillor Harper questioned how likely it was that the November target date would be reached. The Assistant Director Finance commented that this was the best estimate to date. Officers and Ernst & Young were doing all they could to progress the issue. Councillor Harper questioned whether the Chief Executive could write to RBWM Council to encourage a quicker resolution. Susan Parsonage, Chief Executive, indicated that she would work with Graham Ebers, Section 151 Officer, on this.
- Councillor Gee commented that the Council was in a period between year end and when the accounts were signed, and there were post balance sheet events to consider. With the recent extreme reactions to the financial markets, particularly the gilt market, Councillor Gee stated that the Bank of England was seeking to reassure the market so that defined benefit pension schemes did not become insolvent. She questioned the likelihood of the Pension Fund matter being even further delayed due to issues with the gilt market. Helen Thompson commented that this impact would need to be considered at all Councils in their going concern disclosures so this would be kept under review. Councillor Gee went on to ask if there was likely to be a problem in signing off the Pension Scheme accounts due to the current state of the market. Helen Thompson responded that it was too early to tell if it would cause a further delay.

- In response to a question from Mike Drake, Helen Thompson clarified that the auditors were required to audit the accounts of the Pension Fund Scheme. There was an actuarial fund that the pension fund auditors relied on and on which Ernst & Young relied on as part of its procedures for the Council. All the processes that Ernst & Young and the pension fund auditors had been required to undertake, had been largely completed. However, the pension fund auditor was still currently unable to provide the letter of assurance which was required to sign off Wokingham's 2020-21 accounts.
- Councillor Maher questioned how many organisations were impacted by the pension fund issue, and was informed that it was those Berkshire local authorities who were part of the Berkshire Pension Fund scheme, and Berkshire Fire and Rescue Service.
- Councillor Kaiser asked what would happen if RBWM received qualified accounts. He went on to state that Wokingham Council was a large contributor to the pension fund and yet did not have a voting representative on the Trustee's Board. Helen Thompson indicated that if RBWM received qualified accounts, unless the issue directly related to the Pension Fund, Wokingham would not be impacted. The Assistant Director Finance agreed to look into the issue regarding the Council's representative on the Trustee Board.

**RESOLVED:** That the update on the 2020/21 Statement of Accounts be noted.

### **30. WOKINGHAM BOROUGH COUNCIL AUDIT COMMITTEE - AUDIT PROGRESS UPDATE - INFRASTRUCTURE ASSETS**

The Committee considered an update on the infrastructure assets issue.

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

- Helen Thompson indicated that the report detailed the accounting requirements under the CIPFA code, an overview of the position at Wokingham, options to move forward and possible implications of doing so, and an example of how the audit report might look if the limitation of scope route was undertaken.
- Councillor Gee stated that when an asset was not fully depreciated and had a positive net book value at the year end, but had been replaced or decommissioned, the error would also impact the balance sheet where asset values would be overstated. However, this would not affect the reported overall financial position of the Council. She questioned how the Council's overall financial position was not affected. Helen Thompson stated that it was not because all the entries were reversed out via the Movement in Reserve Statement. It did impact the gross book value and gross accumulated depreciation and worked its way through and reversed back out. Only in very limited circumstances would it make a difference to reported income and expenditure.
- In response to a question from Councillor Gee, the Assistant Director Finance clarified that information sent showed different accounting entries. It was difficult to calculate the value of an asset such as a road. Working to a 'real' value would require a significant amount of resources.
- Councillor Smith noted that two Councils audited by Ernst & Young had taken Option 2 (The Council accepts a modification of the audit opinion and includes appropriate disclosure at Note 24 of the 2020/21 Statement of Accounts (and elsewhere as required). He questioned how many Councils had taken Option 1 (The Council waits until CIPFA has updated its proposed adaption to the Code of Practice; or for DLUHC to prepare a statutory instrument) or had not yet made a

decision. Helen Thompson indicated that those who had accepted the second option had done so in relation to a 2019 audit and the other for a 2021 audit. The others were in discussion. Whilst many had at first lent towards the limitation of scope route in order to close their accounts, the November deadline for the accounts and the indication from CIPFA as to when information may be available, meant that many were now preferring to wait.

- Since the report had been written, the timescale for a potential statutory instrument, had slipped.
- There was no guarantee that a solution from CIPFA would fully resolve the issue.
- Councillor Davies requested a summary of where the assets were stated in the accounts.
- In response to a question from Councillor Maher, the Assistant Director Finance confirmed that the Council was being constantly updated and CIPFA had listened to local authorities' concerns.
- Mike Drake questioned whether the profit loss on the disposable of fixed assets went below the surplus or deficit for the year through reserves. Helen Thompson confirmed this was the case except for assets held for sale and investment properties.
- With regards to the audit qualification for the year, Mike Drake expressed surprise that the ongoing points raised by CIPFA had not been referenced. This suggested inadequate accounting records. Helen Thompson stated that it was technically accurate and that the audit report was written on behalf of EY. However, should management wish to disclose any additional context to these points raised by CIPFA and any additional information regarding the Council's state of infrastructure records, this should be done in an additional narrative to the financial statements.
- In response to a question from Councillor Gee, Helen Thompson emphasised that it was important not to conflate the infrastructure and property portfolio.
- The Assistant Director Finance indicated that it was likely that a decision would need to be taken in November.

**RESOLVED:** That the Infrastructure Assets update be noted.

### **31. CORPORATE RISK REGISTER REVIEW**

Andrew Moulton, Assistant Director Governance, and the Chief Executive presented the Corporate Risk Register.

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

- An additional risk had been added – Risk 18: Elections Act 2022 implementation, due to the forthcoming voter identification requirement. Guidance was awaited on its implementation. It was hoped that this would be a short-term risk.
- The risk regarding financial resilience had been escalated further due to the Council's current financial position.
- The implementation of the Public Protection Partnership project had been successfully implemented so the relating risk had been removed from the Corporate Risk Register and de-escalated to the departmental risk register.
- The assessment around risk relating to the corporate governance risk had been reduced due to work carried out following the LGA Peer Challenge. This included the appointment of the independent Audit Committee member.
- The Chief Executive referred to increased risks around financial sustainability. She referred to the inflationary challenge which had a big impact on utilities, construction

costs, and contract costs. Following the pandemic there had been an increase in the number and complexity of Adult Social Care and Children's Services cases. Cost and demand had increased. Drivers around increasing costs included an increase in population at an above average rate, with differing needs. The Chief Executive referred to the large incoming community from Hong Kong, refugees from Ukraine and unaccompanied child asylum seekers.

- It was noted that the Overview and Scrutiny Management Committee would be receiving a report on the Council's financial position. At present a shortfall of £4million was anticipated for 2023/24. However, the Local Government Settlement was due in December 2022, which could have a further impact.
- Members were informed that the forthcoming Adult Social Care reforms would have a big financial impact. Additional staff would be required in order for the Council to meet the requirements under these reforms.
- With regards to SEND provision, discussions were being had with the Department for Education regarding types of provision within the Borough, and earlier support. Changes to the community and movement within the Borough had increased budget pressure.
- Councillor Kaiser commented that there was starting to be a need for the Council to look at its assets such as Dinton Country Park and California Country Park, and assess how much income they generated against the investment put in to it. The Chief Executive agreed that it was important for the Council to understand its return on investments.
- The Chief Executive indicated that the Council had introduced a Change Programme which covered factors such as assets and contracts. It would be good to hear Members views and ideas as part of the Overview and Scrutiny process.
- Councillor Harper queried the way the impact of each risk was measured. The Assistant Director Governance indicated that the criteria used to assess likelihood and impact was detailed in the Risk Management Policy and Guidance.
- Councillor Smith questioned the rating of the risk around cyber security. The Assistant Director Governance explained that risk appetite was also part of the assessment. The Committee would be having a training course on risk management in November.
- Mike Drake praised the presentation of the Corporate Risk Register. He went on to question whether there was a reputational risk for the financial situation of potentially having unqualified accounts. Mike Drake also expressed surprise that cyber security was not rated higher.
- Councillor Harper queried whether an arrow could help highlight the direction of travel for the different risks. Councillor Gee questioned whether longer term trends should be depicted.
- With regards to the cost-of-living crisis, Councillor Gee queried whether civil unrest had been considered as part of the major emergency response. She also asked about mitigation against issues with recruitment and retention of workforce. The Chief Executive commented that the workforce issue was a nationwide problem and particularly in the local area where cost of living and housing was high. This was being monitored. Councillor Gee suggested that reference be made to this on the Corporate Risk Register.
- The Assistant Director Governance commented that the Council was not actively planning re civil unrest but were planning to ensure that its emergency response, whatever the emergency, was robust. Councillor Smith asked whether Members should know more about the Gold, Silver and Bronze approach, and what role Members should play in an emergency. The Chief Executive indicated that this was an accepted business practice. During the pandemic Officers had met regularly

with the Group Leaders about the Council's response to the pandemic. The Group Leaders had then disseminated information to their Members.

- Councillors Smith and Davies expressed surprise that the risk relating to uncontrolled development had not increased and suggested that its rating be reviewed.
- Councillor Smith also asked who challenged the assessment of the risks, and was informed that there was an officer Risk Champion Group which met monthly, and the Corporate Risk Register was considered by the Corporate Leadership Team. The Audit Committee would seek assurance.
- Councillor Burgess questioned whether the risk around the cost of borrowing was likely to increase and what mitigations were in place. The Assistant Director Finance responded that the cost of borrowing position was reviewed daily, and external experts assisted with that. At the moment, the position had been positive due to the Council's balance levels and treasury management was showing a positive position against the budget. Following the recent situation with the financial market, the Council would need to reprofile, looking at individual investments and what increased borrowing on these would entail.
- In response to a comment from Councillor Kaiser regarding fixed loans, the Assistant Director Finance indicated that a number of these loans finished that year. Impacts such as revising the Capital Programme, and the level of CIL investment, would affect what needed to be reborrowed.
- Councillor Gee expressed concern regarding the gilt market and questioned how much the Council had invested in gilts. The Assistant Director agreed to feed back to the Committee.
- Councillor Burgess felt that the mitigating action of 'increasing local SEN provision' was quite vague. The Chief Executive assured Members that a detailed plan would be provided the next day to the Department for Education. Briefings were being held with the Leader and the relevant Executive Member.
- Members were pleased to see the inclusion of a risk around the forthcoming elections legislation.
- Mike Drake commented that the pandemic and emergency response risk was at the lowest level, and questioned whether this should be increased. He suggested building action plans with the voluntary sector as a mitigating action.
- In response to a question from Councillor Maher around communication, the Chief Executive explained that behind the Corporate Risk Register there were also detailed departmental and project risk registers.
- It was felt that the wording of Risk 11 High Needs Block overspend, explanation, could be further clarified.

**RESOLVED:** That the Corporate Risk Register be reviewed, and it be determined that the risks were being actively managed.

### **32. 2022/23 INTERNAL AUDIT AND INVESTIGATION PLAN - QUARTER 1 PROGRESS UPDATE (TO 30 JUNE 2022) AND IN-YEAR REVIEW OF 2022/23 INTERNAL AUDIT AND INVESTIGATION PLAN (SEPTEMBER 2022)**

The Committee considered the 2022/23 Internal Audit and Investigation Plan – Quarter 1 Progress Update (to 30 June 2022) and In Year Review of 2022/23 Internal Audit and Investigation Plan (September 2022).

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

- The Debtors audit had received a Category 3 level of assurance.

- The report detailed the follow up action being under taken by the Internal Audit team
- The format of the report would be improved for future meetings, to provide more detail, particularly around any High recommendations.
- The Committee was asked to approve an in year change to the Internal Audit Plan. It was proposed that some audits move to the next financial year, and that for others assurance was provided via another mechanism. The Assistant Director Governance took the Committee through the proposed changes.
  - Treasury management – proposed deferral. Internal Audit had recently looked at Treasury Management.
  - Corporate governance.
  - Climate emergency – an audit had been conducted. It was suggested that the more detailed audit be deferred.
  - High Needs Block – assurance via Safety Valve work and inspections.
  - Public Health – proposed that audit be deferred.
  - Asylum seeking children – assurance provided via other means.
  - Risk management – audit proposed to be deferred as assurance provided via other means following the Local Government Association Peer Challenge.
- The proposed changes to the Plan would generate a modest saving.
- Councillor Davies was of the view that the reasons for the proposed amendments to the Plan were comprehensive.
- It was confirmed that the full-time post vacancy would not be filled at that time.
- In response to a Member question, the Assistant Director Governance explained the following up of actions following an audit.
- Councillor Maher queried when the consultancy/management requests for internal audit work that had been requested in Quarter 2, had been agreed. The Assistant Director Governance explained that within the Internal Audit Plan there had been provision for management to request ad hoc pieces of Internal Audit work.
- Councillor Maher queried whether the Internal Audit team carried out value for money audits. He was informed that value for money was considered as part of the scope of every audit. The Assistant Director Governance confirmed that this was not quantified but he would discuss with the Head of Internal Audit and Investigations, how this could be done in the future.
- Councillor Smith questioned whether a higher work load was necessary if some items could be deferred. The Assistant Director Governance commented that the Internal Audit Plan needed to be considered over a longer period than a year. Given the short period of time and one off nature of the request, he was satisfied with the proposal to amend the Plan.
- Councillor Smith questioned whether deferring the external assessment of the Internal Audit team to quarter 4 would be too late. The Assistant Director Governance commented that a high rating had been received following the previous assessment, and that each year the team also undertook a self-assessment. He was not aware of any areas of slippage against the standard.
- Councillor Gee expressed concern regarding the proposed deferral of the treasury management audit, given the volatile financial situation and the awaited outcome of the consultation around the Minimum Revenue Provision. Councillor Burgess commented that an audit in this area had been recently carried out and the Committee received the Treasury Management Outturn reports. Discussions could be had with the Head of Internal Audit and Investigations regarding the timing of the audit.

- Councillor Kaiser requested the debtors audit report. The Committee was reminded that Officers could be invited to provide Members with more detail if required. Councillor Burgess agreed that the Committee needed more visibility of the reports of those audits which received a 3 of 4 rating.
- The Assistant Director Finance provided more detail on the debtors report and some of the actions being taken. The high risk areas included how the debtors team worked with other services, information raised was cleared, and queries dealt with quickly. Another area of concern highlighted had related to alternative collection methods in cases where debtors were not paying. Members were informed that a review of the structure of the team and the processes had begun, and relationships had improved. A trial using different collection agencies had begun. It was noted that the collection overall had actually increased.
- In response to a question from Councillor Kaiser, the Assistant Director Finance clarified that the debtors were sundry debtors.
- Mike Drake stated that typically Internal Audit would have some audits which were carried out every three years, and more high risk audits were carried out on an annual basis. He queried the deferral of the Treasury Management audit.
- Further detail was provided regarding the Investigations investigation mechanism.

**RESOLVED:** That

- 1) the 2022/23 Internal Audit and Investigation Quarter 1 Progress Report (activity to 30 June 2022) be noted.
- 2) the proposals for an in-year review of the 2022/23 Internal Audit and Investigation Plan be considered and approved, but the Committee agreed that an additional discussion would take place with the Internal Auditors with regards to Treasury Management, and a reassessment of exposure in the light of economic volatility and the implications for treasury strategy, including the Minimum Revenue Provision.

### **33. FORWARD PROGRAMME 2022-23**

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 Committee's November meeting had a heavy agenda. The Chair suggested that Members send detailed questions in advance to expedite the meeting. Councillor Gee questioned whether the agenda could be provided earlier. The Assistant Director Governance indicated that this was unlikely due to the long clearance process that reports had, but agreed to look into the matter.
- Councillor Gee questioned whether an extraordinary meeting was required.
- The Committee briefly discussed dates for training.

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