

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 13 MARCH 2023 FROM 7.00 PM TO 8.45 PM**

**Committee Members Present**

Councillors: Rachel Burgess (Chair), Maria Gee (Vice-Chair), David Davies, Mike Smith and Mike Drake

**Also Present**

Madeleine Shopland, Democratic & Electoral Services Specialist

Helen Thompson, Ernst and Young (online)

Hannah Lill, Ernst and Young (online)

Michael Bateman, Complaints Manager Children's Services (online)

Graham Cadle, Assistant Director Finance (online)

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

Catherine Hickman, Head of Internal Audit and Investigations

Andrew Moulton, Assistant Director Governance

Daneet Penny, Customer Relations Officer (online)

Mark Thompson, Chief Accountant (online)

Jackie Whitney, Head of Customer Excellence (online)

Clare Mundzar, Customer Relation Manager (online)

**56. APOLOGIES**

Apologies for absence were submitted from Councillors Peter Harper and Tahir Maher

**57. DECLARATION OF INTEREST**

There were no declarations of interest submitted.

**58. PUBLIC QUESTION TIME**

There were no Public questions.

**59. MEMBER QUESTION TIME**

There were no Member questions.

**60. WOKINGHAM BOROUGH COUNCIL AUDIT RESULTS REPORT YEAR ENDED  
31 MARCH 2021**

The Committee received the Wokingham Borough Council Audit results report year ended 31 March 2021.

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

- Helen Thompson, EY, stated that the Committee had seen a previous version in March 2022. It had since been updated.
- The audit work was near completion. The pension fund issue remained outstanding, however, the auditors of the pension fund had provided a clear timescale for the completion of their work and the receipt of the required letter. It was anticipated that the letter would be received by 29<sup>th</sup> March, which gave a short window to complete the outstanding work for the end of March.
- The work around infrastructure assets had been completed. EY were satisfied that the updated disclosures in the financial statements were appropriate and were in line with the statutory instrument and the CIPFA amendments.

- There had been updates to the section regarding Property, Plant and Equipment where work had been completed in all areas.
- The schedule of errors had been updated.
- With regards to errors identified, Mike Drake sought assurance that the appropriate accounting procedures were in place and that staff had received sufficient training. The Assistant Director Finance commented that improved resourcing of the team had been identified as well as improved processes and quality assurance. Covid had had an impact on the work. Measures had been put in place to give confidence that the errors would be reduced, and lessons learnt.
- In response to a question from Mike Drake regarding unadjusted misstatements, Helen Thompson clarified that there had been three judgemental differences, which was where there was a difference between the valuation on land and buildings (one in Property, Plant and Equipment, and one in Investment Property). The third difference was a projected difference relating to the classification of capital receipts in advance. An error had been identified in testing but was considered not to be material. It was noted that the Goodwin Impact related to pension liabilities. Mike Drake asked whether Officers stood by the assumptions they had used in the first two instances. The Deputy Chief Executive stated that the differences could be classified in two ways; one around the efficiency of the work required to find and correct differences given the magnitude, which would be part of the lessons learnt. Secondly, the two relating to land valuations represented a difference of opinion between valuers.

**RESOLVED:** That the Wokingham Borough Council Audit results report year ended 31 March 2021 be noted.

## **61. STATEMENT OF ACCOUNTS 2020-2021**

The Committee received the Statement of Accounts 2020-21.

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

- In response to a question from Councillor Davies regarding infrastructure assets, the Assistant Director Finance commented that CIPFA had introduced an interim arrangement and the Council had worked with EY to meet these. The full long-term requirement was still awaited. Once in place the Council would work to meet them. Helen Thompson added that the long-term solution remained unclear. Whilst EY had recommended that the Council considered the accounting records, there was a balance between doing that and spending time on looking backwards. It had been agreed that from this point onwards that the Council would keep more specific records in relation to the expenditure on infrastructure assets incurred.
- Councillor Gee thanked Officers for following up why the Pension Fund had not signed off its accounts. She commented that the Committee had been asking about the issue for some time and that it seemed that the issue had arisen because the Royal Borough of Windsor and Maidenhead Council had not signed off its accounts. Councillor Gee expressed concern about this, and questioned whether this was a risk which had not been taken into account. Helen Thompson stated that the pension fund accounts were largely completed but could not be completed because they were linked with the accounts of the administering body, RBWM. Officers had been aware of this. The Deputy Chief Executive referred to the caveated wording provided by Deloitte. He understood that Deloitte would be able to provide the required wording even if RBWM's accounts remained unsigned. Councillor Gee was of the view that there was still an outstanding risk.

- Mike Drake commented that the narrative was out of date in parts and also some of the comments in some of the notes. In addition, there were a number of rounding differences. Helen Thompson indicated that officers were aware of the casting errors, and these were being looked at. The Assistant Director Finance commented that an explanatory paragraph would be added to the narrative.
- Mike Drake went on to state that in some of the notes, figures were provided for the Council but not for the Groups. Helen Thompson indicated that the CIPFA guidance suggested that certain of the notes did not require the Groups as well as the single entity. However, the notes would be rechecked.
- Mike Drake sought clarification regarding the reference to unfunded pensions. The Chief Accountant explained that with regards to the pension, what was considered in terms of funded and unfunded, was the value of the future liabilities versus the assets of the pension fund. The Council would make an annual contribution, as part of the budget, towards the pension deficit. Officers agreed to come back with further details around the reference to the unfunded pension element.
- Mike Drake suggested that a definition of the comprehensive income and expenditure statement be included in the list of definitions. The Assistant Director Finance indicated that this could be added.
- The Chair commented that limited progress had been made with bank reconciliations, and sought assurance that those controls would be put back in place and would be carried out regularly. The Assistant Director Finance explained that this would be carried out more regularly so should not be an issue going forwards. Councillor Gee added that there was a difference which was adjusted for of £0.62million. She questioned the impact of this and whether income would be impacted or whether it represented a move between the balance sheets. The Chief Accountant explained that part of the difference related to where the Council had taken deposits from tenants for the Town Centre development. Previously the income had not been recognised in the Council's ledger because it was being held on behalf of the tenant. However, following further work with the auditors it had been agreed that this should be recognised in the accounts, so an adjustment to cash balances and creditors had been made. There had been no impact on income or the bottom line.
- Councillor Gee requested written confirmation that the finance team was adequately resourced. The Assistant Director Finance commented that additional resources were now in place and staff were being trained.
- Councillor Gee stated that she had attended the RBWM Pension Committee that day and that the next valuation had been received and there had been some adjustments. She questioned whether this needed to be reflected in the accounts. The Assistant Director Finance responded that the Council had not been formally issued with the updated pension position, but once this was received any necessary adjustments or reflections could be made. Helen Thompson indicated that the issue had been known but not how significant it might be or not be in terms of the change in the triennial valuation. There needed to be consistency in the way it was treated.
- Mike Drake asked about the collection fund. The Assistant Director Finance referred to the impact of Covid and the increase in the number of grants given. A grant had been given but in accounting terms sat in separate reserves.
- Councillor Smith referred to the comprehensive income statement and the difference in the 2019/20 and 2020/21 figures for Adult Social Care and questioned the reason behind this. The Chief Accountant referred to increased expenditure as a result of Covid and Covid grants, and also increased demand overall. Officers could undertake further analysis and feed back. The Deputy Chief Executive added

that the gross figures for Corporate Services and Children Services had reduced. There had been some restructuring where a number of services had previously been considered under a different category. Councillor Smith suggested that this could be clarified within the accounts. Mike Drake suggested that it be covered in the narrative report should the changes not be material. Helen Thompson added that 2019/20 had been restated. A significant number of grants around Adult Social Care had been received.

- Councillor Smith highlighted some inconsistencies in the presentation of figures.
- Councillor Smith questioned how unusable reserves had increased by 33% in a year and was informed that this related to increases in property valuations. It was noted that there was a note which referred to the breakdown of unusable reserves. Officers agreed to provide further analysis.
- Mike Drake asked about the entries posted for infrastructure assets. Officers commented that no changes had to be made in terms of the accounting journals. Helen Thompson indicated that the specific entries were included within the accounts in the note around new infrastructure assets. Mike Drake commented that further explanation would be helpful.
- Councillor Gee proposed that recommendation 1 be amended to read 'latest draft statement of accounts.' This was accepted. She also stated that there a lot of updates to be made and questioned whether the Committee should approve the delegation. The Chair was of the view that any proposed amendments discussed were not material, although assurance was still sought regarding the pension fund. She would be satisfied with the delegation.

**RESOLVED:** That

- 1) the latest draft statement of accounts for 2020-21 (Appendix A) be noted. These should be considered alongside the audit results report presented by our External Auditors, Ernst & Young (EY);
- 2) delegation for the signing of the 2020-21 accounts to the Chair of the Audit Committee, in consultation with the Chief Finance Officer, on the basis of the remaining assurances from the auditor of Berkshire Pension Fund being received with no further significant impact on the accounts, be approved.

**62. FORMAL COMPLAINTS REPORT – 9 MONTH SUMMARY APRIL – DECEMBER 2022**

The Committee received an update on formal complaints.

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

- Over the three quarters 69% of complaints submitted had been resolved without formal escalation. Across all stages 30% of complaints were upheld, 54% not upheld and 16% were undecided.
- Compared to the end of Q4 2021-22 complaints had increased by an average of 7%. This was mainly due to the rise in Stage 1 complaints, which was in turn the result of a new Housing Complaints policy being implemented in May 2022 that removed the option of informal resolution. The policy change combined with seasonal factors had seen Housing Services make up 40% of all complaints received, compared to an average of 25-35%.
- Of the 465 complaints that did not formally escalate, 85% were attributed to Place and Growth.

- During Q1-3 unforeseen spikes could be seen. In November 2022 there was a focus in the national media around poor mould management by a social housing company which had resulted in the death of a toddler. This had prompted concerns from tenants and an increase in service demand, which in turn had led to an increase in complaints as the service had struggled to meet the increased demand.
- Those complaints upheld tended to relate to delays in addressing or completing a request for service. When a customer found a decision unsatisfactory, they sometimes confused this with poor performance. These complaints then tended to escalate but were usually not upheld. However, they offered opportunities for improving the management of customer expectations.
- During the period covered by the report several long standing Ombudsman cases had reached a decision in favour of the complainant. Recommendations had centred on ensuring that statutory timeframes were met for Education, Health and Care Plans, a review of how health assessments were sourced, and improved staff training to ensure that those with neuro diverse conditions received the appropriate level of understanding and assistance.
- When a complaint was unlikely to be resolved informally it was beneficial to signpost the complainant to the Stage 1 process.
- Councillor Davies asked whether analysis had been done regarding whether there would have been an increase if early resolution had still been in place. The Customer Relations Manager stated that this was difficult to judge as the Housing Ombudsman had indicated that early resolution and an informal process was no longer possible. It was likely that levels would have remained at a similar level.
- In response to a Member request for further details around seasonal factors, the Customer Relations Officer referred to the period cold weather in December and the national media focus on poor mould management.
- Mike Drake asked how the Council compared with other Councils. Whilst some benchmarking work had been carried out, it was difficult to make comparisons because of the different complaints structures in place.
- Councillor Gee complimented the readability of the report.
- Councillor Smith referred to the equality monitoring data. He felt that 18-65 years old was too large a category. He questioned whether there was data available regarding the breakdowns of complainants per type of complaint. The Customer Relations Manager indicated that this age band was being reviewed. The detail had not been broken down by type of complaint but this was something which would be looked at.
- The Committee discussed complaints which were received whilst the situation being complained about, was still live.

**RESOLVED:** That the formal complaints report – 9 months summary April-December 2022 be noted.

### **63. 2022/23 INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT**

The Committee considered the 2022/23 Internal Audit and Investigation Q3 Progress Report.

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

- The report detailed the work of Internal Audit and Investigations up to the end of December 2022.
- No new audits had been completed in Quarter 3 that had attracted the lowest categories of audit opinion.

- The team were on track to achieve the majority of the Internal Audit Plan by the end of the financial year, with minimal carry over to the next year.
- High risk concerns and follow up activity were shared with the Chair of the Audit Committee.
- To the end of December there had been 8 high risk concerns. 2 were due to be implemented and had been implemented. The due date had not arisen for the remaining 6. In response to a Member question, the Head of Internal Audit and Investigation explained the table detailing the high risk concerns, in more detail.
- Appendix Ai detailed the audits in progress to the end of December. Where there had been activity since the last Committee meeting, these had been highlighted.
- The Chair noted that the team had had a post frozen during the year, and questioned whether this would have any impact on the ability to give an opinion. The Head of Internal Audit and Investigation indicated that other assurance mechanisms had also been taken into account, such as the Peer Review work and Safety Valve project.

**RESOLVED:** That the 2022/23 Internal Audit and Investigation Quarter 3 Progress Report (activity to 31 December 2022) be reviewed and scrutinised.

#### **64. 2023/24 DRAFT INTERNAL AUDIT PLAN, STRATEGY AND INTERNAL AUDIT CHARTER**

The Committee considered the 2023/24 Draft Internal Audit Plan, Strategy, and Internal Charter.

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

- The Internal Audit Strategy explained the approach to audit work over the coming year. Appendix A contained the work areas that had been proposed for the year. This would assist in informing the Head of Internal Audit in the audit opinion on the internal control risk management and governance framework.
- The Head of Internal Audit and Investigations advised how the Plan was produced.
- It was noted that the audits in the plan were also mapped to the Corporate Risk Register. Key risks to the Council were focused on.
- The Head of Internal Audit and Investigations drew Members' attention to the table which detailed the key corporate risks and the years in which they would be audited.
- The Plan needed to be remain flexible in order to address unforeseen factors.
- In terms of resourcing the Plan it was assumed that a Senior Auditor post that had been frozen, would be reinstated. A business case had been submitted for this and also an apprentice role. The business case for a Corporate Investigator had been approved recently and recruitment was due to start.
- The Internal Audit Charter, a terms of reference for Internal Audit, was presented annually alongside the Audit Plan, to ensure that the professional standards were still complied with. Changes made were minor.
- Councillor Gee questioned whether the team would be under resourced. The Head of Internal Audit and Investigations indicated that it would resource the Plan presented. In answer to a further question from Councillor Gee as to whether the plan was necessary to ensure that everything was done satisfactorily, the Head of Internal Audit indicated that it was. Councillor Gee asked for confirmation when the posts were filled. The Committee agreed that it was important that the team had sufficient capacity.

- Mike Drake commented on the clarity of the report.
- Mike Drake queried whether the highest risks on the Corporate Risk Register should be audited every year. The Head of Internal Audit and Investigation referred to the planned audits around the budget and financial resilience and also cyber security. With regards to SEN assurance was being sought via the Safety Valve project.
- The Chair questioned whether Minimum Revenue Provision was part of the internal audit plan and was informed that it was not.
- Councillor Gee questioned whether Internal Audit should be situated under Finance. The Head of Internal Audit and Investigation indicated that she had monthly 1-2-1's with the Chief Executive and also met with the Chair of the Audit Committee to look at key areas of risk. The Deputy Chief Executive commented that complete and total independence was not possible.
- The Committee discussed non audit duties.

**RESOLVED:** That

- 1) the 2023/24 draft Internal Audit and Investigation Plan and Strategy be reviewed and scrutinised.
- 2) the 2023/24 Internal Audit Charter be approved.

## **65. CIPFA MANAGEMENT CODE**

Members received a report regarding the CIPFA Management Code.

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

- The Deputy Chief Executive introduced the report and commented that there was a best code of practice. Whilst there was no requirement to undertake an assessment against it, the Council had done so to provide assurance that the financial management arrangements were safe and sound. It would also help to identify any improvements required.
- Having completed the self-assessment, the Internal Audit team had undertaken a more traditional audit approach. The second highest score had been achieved, which suggested that the picture was good overall but that there was room for improvement.
- Areas for improvement identified had included; A more formal approach to financial training would be put in place for all budget managers; Job descriptions to be reviewed to ensure they included more specific budget responsibilities and value for money responsibilities; and improved engagement on the budget setting with stakeholders.
- Councillor Gee commented that if the Council wanted to improve engagement with residents, documents needed to be more understandable and easy to read. The Deputy Chief Executive stated that it was a challenge to make financial documents easy to read but officers were trying to make improvements. The Medium Term Financial Plan was not the only way that the Council communicated to residents regarding its finances. Mike Drake suggested that more could be added to the narrative of the report to provide further context.
- The Chair requested that an update on areas for enhancement be provided at a future meeting in the new municipal year.

**RESOLVED:** That

- 1) The findings of the review and associated internal audit report be noted;
- 2) the actions identified to further improve the approach going forward be noted.

**66. AUDIT COMMITTEE ANNUAL REPORT 2022-23**

The Committee considered the draft annual Audit Committee Annual Report 2022-23.

Members felt that the report was very readable.

**RESOLVED:** That the draft annual report for 2022/23 be recommended to Council for approval.

| ACTION  | OFFICER                                     |
|---|---|
| Mike Drake commented that the narrative [Statement of Accounts] was out of date in parts and also some of the comments in some of the notes. In addition, there were a number of rounding differences. Helen Thompson indicated that officers were aware of the casting errors, and these were being looked at. The Assistant Director Finance commented that an explanatory paragraph would be added to the narrative. | Chief Accountant/Assistant Director Finance |
| Mike Drake went on to state that in some of the notes, figures were provided for the Council but not for the Groups. Helen Thompson indicated that the CIPFA guidance suggested that certain of the notes did not require the Groups as well as the single entity. However, the notes would be rechecked.   | EY  |
| Mike Drake sought clarification regarding the reference to unfunded pensions...Officers agreed to come back with further details around the reference to the unfunded pension element.  | Chief Accountant/Assistant Director Finance |
| Mike Drake suggested that a definition of the comprehensive income and expenditure statement be included in the list of definitions.  | Chief Accountant/Assistant Director Finance |
| Councillor Smith referred to the comprehensive income statement and the difference in the 2019/20 and 2020/21 figures for Adult Social Care and questioned the reason behind this. The Chief Accountant referred to increased expenditure as a result of Covid and Covid  | Chief Accountant/Assistant Director Finance |



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|---|---|
| grants, and also increased demand overall. Officers could undertake further analysis and feed back.   |   |
| Councillor Smith highlighted some inconsistencies in the presentation of figures.   | Chief Accountant/Assistant Director Finance |
| Councillor Smith questioned how unusable reserves had increased by 33% in a year and was informed that this related to increases in property valuations. It was noted that there was a note which referred to the breakdown of unusable reserves. Officers agreed to provide further analysis.            | Chief Accountant/Assistant Director Finance |
| He questioned whether there was data available regarding the breakdowns of complainants per type of complaint. The Customer Relations Manager indicated that this age band was being reviewed. The detail had not been broken down by type of complaint, but this was something which would be looked at. | Customer Relations Manager                  |
| Committee to be informed when posts in Internal Audit and Investigation were filled   | Head of Internal Audit and Investigation    |
| The Chair requested that an update on areas for enhancement be provided at a future meeting in the new municipal year. [CIPFA Management Code]  | Deputy Chief Executive                      |