

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 23 NOVEMBER 2020 FROM 7.00 PM TO 9.05 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  
Carol Cammiss, Director Children's Services  
Andrew Moulton, Assistant Director Governance  
Bob Watson, Head of Finance  
Julie Barker, Senior Specialist Audit & Investigations  
Catherine Hickman, Head of Audit & Investigations

**25. APOLOGIES**

There were no apologies for absence.

**26. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Committee held on 23 September 2020 were confirmed as a correct record and will be signed by the Chairman at the next available opportunity.

Councillor Burgess questioned when Members would see the survey on the effectiveness of the Audit Committee. It was explained that the CIPFA guidance that would be worked to, had been delayed, but a survey would be produced shortly.

**27. DECLARATION OF INTEREST**

There were no declarations of interest submitted.

**28. PUBLIC QUESTION TIME**

There were no Public questions.

**29. MEMBER QUESTION TIME**

There were no Member questions.

**30. UPDATE ON STATEMENT OF ACCOUNTS**

The Committee received an update on the Statement of Accounts.

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

- The Head of Finance commented that it had originally been envisaged that the Statement of Accounts would have been presented to the Committee for signature. However, they were delayed, as there were delays with the audit of the Berkshire Pension Fund. The delay on the audit opinion on the Pension Fund did not allow Ernst & Young to provide an audit opinion whilst an item on the Pension Fund remained outstanding.
- It was proposed that the Statement of Accounts be taken to the February Committee meeting. The Annual Governance Statement would be part of the Statement of Accounts.

- Councillor Gee commented that previously it had been indicated that extra work would need to be carried out around the value of property investments, given the uncertain market. She sought an update on whether this had been done after 31 March. The Head of Finance indicated that a review of valuations had been carried out to assess the impact on Covid. Anything post 31 March was a post balance sheet event. The Finance team were working with Ernst & Young on the matter.
- Councillor Ross questioned whether the delay was likely to be an annual occurrence. The Head of Finance hoped not and agreed that the situation was frustrating. The Section 151 Officer had taken the matter back to the Berkshire Treasurers. He felt that it not necessarily governance issues and additional assurance was being sorted.
- Helen Thompson stated that Deloitte, the auditors of the Pension Fund, had indicated that they had hoped to provide the relevant information by early October. However, this had been dependent on them receiving information from the Pension Fund and other third parties. It was believed that there had a delay in the provision of this information. It had been a challenging year for the auditors, however she understood Members' frustrations. Deloitte had been clearer on when work was likely to be completed which had meant that Ernst & Young and the Council had been better able to plan.

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

### **31. WOKINGHAM BOROUGH COUNCIL AUDIT COMMITTEE - AUDIT PROGRESS REPORT**

The Committee received the Wokingham Borough Council – Audit Progress Report.

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

- The delay from Deloitte had impacted on the completion of the audit. Deloitte would go back to complete the audit on the Pension Fund in early December. It was possible that the February Audit Committee would need to be moved later in the month as a result.
- There were two areas where Covid had particularly impacted on the audit process;
  - Valuations – where the valuers for the Council had included a material uncertainty that was linked to Covid 19 within their valuation report. That particularly impacted those properties that were either valued at fair value or at a market value. Ernst & Young had taken the approach that where there were assets that were valued at fair or market value and were material, there was a need to make use of the valuation specialists. This team had been particularly under pressure.
  - Going concern and disclosures around that – to ensure that disclosures around going concern stated the basis for preparation for the change in auditing standards that were coming in for 2022. This year was currently a bridging period.
- Working remotely and in different ways had been a challenge.
- With regards to the audit, two split visits had been carried out to date. Some work had been carried out in August and also in September/early October. Ernst & Young were due to visit again in the week beginning 30 November and had had a meeting with the Finance team regarding progress.
- Councillor Burgess sought further information on the valuation process. Helen Thompson explained that the material uncertainty clause was a cover for the valuers to be clear that whatever value they placed in their reports, may be

impacted by Covid. Whilst it was a general caveat that had been included, it was most applicable to those properties valued at either fair value or market value. A sample of assets would be selected to carry out a more detailed review. Ernst & Young had been required to use specialists for this work due to the level of uncertainty. The valuers would come to a potential range for an asset, and if the value that the Council's valuer had concluded fell within that range based on the same data, there was not an issue.

- Councillor Burgess questioned whether there had been discussions on going concern, and what key issues might be for going concern. She was informed that the going concerns assessment needed to cover a period of 12 months from the date of the signing of the Statement of Accounts so management had not yet been asked to undertake detailed assessments for areas of going concern.
- Councillor Gee asked what was meant by REFCUS and was informed that it was revenue expenditure funded from capital under statute. The Head of Finance explained that in certain limited circumstances capital money could be used to fund revenue expenditure. Councillor Gee asked whether this had been implemented this year. Helen Thompson indicated that she would report back once the audit work had been completed.
- With regards to going concern, Councillor Gee asked that if councils were unable to go bust, why whether the Council was a going concern, was considered. Helen Thompson referred to councils with significant exposure to particular commercial investment (e.g. Luton Council owned Luton Airport) and the fact that they would need to consider whether they had resources to continue to hold the asset. Councils could have going concern due to exposure to challenging circumstances or because they had run out of reserves. Croydon Council had issued a S114 notice and were now only going to deliver statutory services. Going concern was one of the auditing standards. The Head of Finance reminded Members that there were consequences to Councils that issued S114 notices.

**RESOLVED:** That the Wokingham Borough Council – Audit Progress Report be noted.

## **32. TREASURY MANAGEMENT MID - YEAR REPORT 2020-21**

The Committee considered the Treasury Management Mid-Year Report 2020-21.

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

- It was one of three treasury management reports which went through Audit Committee and on to Council, the others being the Outturn Report and the Treasury Management Strategy.
- The format of the report had been changed to make it more readable and accessible.
- The statutory prudential indicators had not been breached.
- The Chief Financial Officer had asked that the report demonstrated that the Council was on a secure financial footing.
- The report demonstrated the level of debt that the Council held in terms of its overall internal and external debt, and the amount of that debt that was not funded by invest to save schemes or the income lines coming through the Council's development programmes.
- The cost that the council taxpayer had to fund was £7.52 for an average Band D property. He explained how this figure was reached.
- The debt financing costs in the Council's Medium Term Financial Plan were £7.8m.
- Net indebtedness after cash balances was £83m at end of September.

- The Government had provided some funding throughout the year to assist with cash flow, because of the pandemic.
- The amount of debt taken on board and investment balances had increased. Most of the money in the cash investments balances was a short-term hold based on the Council's cash flow expectations.
- Operational boundaries for debt and permitted debt levels had not been breached. The Council had tried to convert a certain amount of internal borrowing to external borrowing ratio to what was recognised as an industry standard rate. More debt had been taken on, but historically the Council had been under borrowed.
- Councillor Sargeant commented that the report was much clearer.
- Councillor Burgess commented that the Audit Committee was not a means of political point scoring and provided independent assurance. She went on to ask whether the presentation of the cost of financing debt and the net position had changed from previous years. The Head of Finance stated that the presentation had changed. It represented that not all of the £7.8m gross figure was funded by council tax income, being mostly funded through other income streams from the commercial investments and the treasury investments, and invests to save.
- Councillor Burgess commented that the presentation of the net indebtedness had changed and asked whether the Covid funding would be time limited or spent in the near future, meaning that the net indebtedness would rise. The Head of Finance indicated that the Government had given certain leeway as a result of Covid such as not having to pay all the business rates on a monthly basis. The indebtedness levels would decrease and more detail would be provided in the Outturn report.
- Councillor Burgess noted that the Value of Realisable Assets ratio to External Borrowing was 1.53:1, and asked the Head of Finance if he was comfortable with this level and what the lowest rate was that he would allow. The Head of Finance indicated that he was comfortable with 1.53:1.
- Councillor Shepard-DuBey stated that the loans had not been included in the Housing Revenue Account, and questioned how much a council tenant living in a Band D property would be paying. The Head of Finance indicated that there was no distinction because the council tax base was assessed in the same way and that it would be £7.52. Loans around the HRA were ring-fenced. He would provide further information on the HRA.
- Councillor Shepherd-Dubey questioned how interest that was charged on internal borrowing was reflected. The Head of Finance emphasised that the opportunity cost around internal borrowing was currently very low.
- Councillor Gee asked why it was reasonable to show the financing cost offset against the General Fund, if borrowing was not undertaken for particular investments. The Head of Finance emphasised that it depended on cash balances.
- In response to a question from Councillor Gee regarding realisable assets, the Head of Finance explained that the Council had a form of asset cover for the level of indebtedness that it held.
- Councillor Gee stated that in last year's report, the cost of debt financing was similar to this year, £7.4m was the budget and £7.3m was the forecast. However, the return on investment last year was only £3.5m-£4m. She asked what had been offset this year that did not appear in the treasury management report last year. The Head of Finance agreed to check and feedback to the Committee.
- Councillor Gee commented that it was difficult to compare reports following the change in presentation.

- With regards to net indebtedness, Councillor Gee asked why the particular ratio had been selected and was informed that it demonstrated the Council had sufficient cover for the assets that it held in the balance sheet and the true level of debt.
- Councillor Burgess stated that borrowing was going to increase and including internal and external borrowing from reserves, this would go up to almost £700m in 2022/23. She asked what impact the effect of Covid would have on the timing of this debt reducing. The Head of Finance emphasised that the Council would remain within its levels for debt. It was likely that the peak debt would be moved later due to Covid as would the time of repayment. The pace of recovery of the country would have an impact.

**RESOLVED:** That the Audit Committee:

- 1) support this report and recommend it to Executive.
- 2) note all approved indicators set out in the treasury management strategy have been adhered to and that prudent and safe management has been maintained.
- 3) note that the net cost per council tax payer for the financing of all borrowing to date equates to £7.52 which is 0.4% of the average Band D council tax charge.
- 4) note that the total external general fund debt is £324m, which reduces to £83m after taking into account cash balances (net indebtedness).
- 5) note the Council's realisable asset value of £496m, of which its commercial assets is estimated at £192m.

### **33. CORPORATE RISK MANAGEMENT**

The Committee considered a report on Corporate Risk Management.

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

- There had not been any significant changes to the Corporate Risk Register since the last iteration. Some additional governance measures had been added to a number of risks.
- The Director Children's Services provided an update about Children's Services. The fact that the full impact of Covid was not known was a concern. Children would potentially be one of the last to be impacted in terms of their development and pressures on family life. Consideration had to be given to how the Children's Services offered in the future, was shaped.
- Staff in the service had done a great job during the pandemic. As many face to face visits as could be carried out safely, including 100% of child protection visits, had been carried out during the first lockdown. Services had continued to be delivered, some of this remotely. Some parents had found the process of undertaking child protection conferences remotely, less stressful. Attendance at multi agency meetings had improved as people did not have to travel to attend.
- Progress was been made about SEN and an SEN improvement plan was being developed. A Quality Assurance system and auditing programme had also been developed.
- Members were informed that Ofsted had made changes to the regulatory framework. It was likely that the Council would receive a safeguarding during Covid, visit, during early spring.

- Councillor Soane commented that home schooled children often undertook activities outside school in order to socialise, many of which had been unable to be carried out during the pandemic. He questioned the impact on the children's mental health and how any issues were being addressed. The Director Children's Services indicated that the Council was working with the voluntary sector where it could to support activities when appropriate. The Council did assess elective home education offered to determine that a well-rounded education was being provided. However, this was a voluntary process and parents had to agree to a local authority assessment.
- Councillor Burgess asked how the safeguarding risk was being mitigated against, and noted that there had been an increase in reports of domestic abuse. The Director Children's Services commented that there had been an increase in the visibility in the community about being responsible and looking out for domestic abuse. Thames Valley Police had carried out a door knock of families known to be at risk, in a sensitive manner. The position of Domestic Abuse worker for Children had been advertised and would sit in Children's Services. In addition, Children's Services were funding a worker within the Berkshire Women's Aid.
- Mental health support teams in schools would going fully live in the new year. A therapies in schools service was being also being developed.
- With regards to children with autism or who used sign language, or required additional educational support, Councillor Shepard-DuBey asked how this had been managed during the pandemic. She was informed that teaching assistants had been provided with the relevant PPE to support working in close proximity with children with SEN.
- Respite centres had been kept open during the pandemic.
- Councillor Shepard-DuBey commented that a number of children had had to socially isolate due to classmates having symptoms of Covid. Those who did not have computers at home had been potentially disadvantaged. The Director Children's Services emphasised that schools were now set up for this situation and had contingency plans in place. If a child had to self-isolate and did not have access to a computer at home, it was for the school to provide one temporarily. Members were asked to inform her if they were aware of cases where this had not been the case.
- Councillor Shepard-DuBey questioned whether SEND transport was still being paid and was informed that it was. The appropriate guidance was being followed.
- With regards to the SEN team, Councillor Gee asked about staff morale and if there was sufficient permanence within the team to deliver the service. The Director Children's Services stated that this was a very difficult area to recruit to and to access high quality staff. She felt that there was a difference between stability and permanence. The team was stable and included some SEN locums. Councillor Gee asked whether any of the locums would be put on to permanent contracts. The Director Children's Services advised that this would be offered where appropriate.
- Councillor Burgess referred to the Climate Emergency risk and stated that the Climate Emergency Task and Finish Group had indicated that the Climate Emergency Action Plan needed further work. A 6 monthly update had been agreed but had not been taken forwards. The Assistant Director Governance agreed to feed back the comments made. An Internal Audit of the Climate Emergency project would be undertaken.
- Councillor Burgess asked what would be the main actions to reduce the financial risk. The Head of Finance indicated that it could not be mitigated entirely as some

factors such as the amount of government funding received, was outside of the Council's control.

- Councillor Burgess asked that the Brexit risk register be circulated to the Committee.
- The Assistant Director Governance commented that he had no further update to give in relation to the housing risk.
- Councillor Burgess commented that it had been agreed that the wording of the equalities risk would be amended to highlight the Covid related risks to this area.

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

#### **34. 2020/21 INTERNAL AUDIT & INVESTIGATIONS - QUARTER 2 PROGRESS REPORT**

The Committee received the 2020/21 Internal Audit and Investigations – Quarter 2 Progress Report.

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

- The Committee had received the annual report at the previous meeting.
- The Assistant Director Governance introduced the Senior Specialist – Audit and Investigations and the Head of Audit and Investigation. The Senior Specialist had undertaken the follow up work on the equalities and Public Health audits.
- The Head of Audit and Investigations indicated that the report highlighted progress up to September. There had been a need to refocus the audit work due to Covid as there had been some vacancies within the team and also some of the team had been redeployed. The Head of Audit and Investigations was confident that the team would be in a position to provide an audit opinion.
- The Public Health and Equalities audits had improved to Category 2.
- Councillor Gee felt that the layout of the report was confusing. She questioned what 'H, M and L' meant. The Lead Specialist – Audit and Investigations indicated that it stood for high, medium or low levels of concerns.
- Councillor Gee commented that it would be helpful to have more detail around the areas of concerns. The Senior Specialist – Audit and Investigations offered to provide a summary with regards to the Public Health and Equalities audits. Future reports could contain an appendix of findings.
- Councillor Burgess stated that it would be helpful to have more information on high risks and what actions had been taken.

**RESOLVED:** That the 2020/21 Internal Audit and Investigation Quarter 2 Progress Report be noted.

#### **35. FORWARD PROGRAMME**

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

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

- Helen Thompson indicated the Audit Plan 2020/21 would not be ready for the next meeting.
- The Head of Finance emphasised that the Annual Governance Statement would form part of the Statement of Accounts.

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