

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 2 JUNE 2021 FROM 7.00 PM TO 8.15 PM**

**Committee Members Present**

Councillors: Angus Ross, Daniel Sargeant (Chairman), Imogen Shepherd-DuBey, Shahid Younis (Vice-Chairman), Abdul Loyes and Ian Shenton

**Other Councillors Present**

Councillors: Prue Bray

**Also Present**

Helen Thompson, Ernst and Young  
Stephan Van Der Merwe, Ernst & Young  
Madeleine Shopland, Democratic & Electoral Services Specialist  
Catherine Hickman, Lead Specialist, Audit and Investigation  
Steve Moore, Interim Director Place and Growth  
Andrew Moulton, Assistant Director Governance  
Bob Watson, Assistant Director Finance

**1. APOLOGIES**

There were no apologies for absence.

**2. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Committee held on 22 March 2021 were confirmed as a correct record and signed by the Chairman.

**3. DECLARATION OF INTEREST**

Councillor Imogen Shepherd-DuBey declared a Personal Interest regarding Item 6 Wokingham Borough Council Outline Audit Plan year ended 31 March 2021 on the grounds that she had money in the Berkshire Pension Fund.

Councillor Daniel Sargeant declared a Personal Interest in Item 6 Wokingham Borough Council Outline Audit Plan year ended 31 March 2021 on the grounds that he was Non Executive Director of Wokingham Housing Limited and Berry Brook Homes.

Councillor Shahid Younis declared a Personal Interest in Item 6 Wokingham Borough Council Outline Audit Plan year ended 31 March 2021 on the grounds that he was a Non Executive Director of Wokingham Housing Limited and Berry Brook Homes.

Councillor Gee questioned whether it was appropriate that Audit Committee members were Non Executive Directors of subsidiary companies. The Chairman indicated that the Monitoring Officer had confirmed that it was not a Prejudicial Interest.

**4. PUBLIC QUESTION TIME**

There were no Public questions.

**5. MEMBER QUESTION TIME**

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

**5.1 Prue Bray asked the Chairman of the Audit Committee the following question:  
Question**

During the recent local elections, the Conservatives issued leaflets that said “Ernst & Young’s independent audit states WBC’s debt is £83 million”. Where can I find Ernst & Young’s report which shows this?

**Answer**

Thank you for your question.

Ernst & Young have confirmed that the assurance they provide the Council in their statutory role of external auditors does not include the quoted statement.

However, it is not within the remit of this Committee to comment on election literature produced by any political party.

**Supplementary Question:**

In my view this episode shows a woeful lack of understanding of Audit on the part of a number of Conservative councillors, some of whom are in senior roles, and at least one of whom I believe, calls himself an accountant. To prevent this kind of thing happening again, can a briefing note be sent to all councillors on the role of the external auditors and of the Audit Committee, including in it that the external auditors should not be dragged into party political campaigns, particularly when the claim being made about them is untrue?

**Supplementary Answer:**

Yes, I think that is probably a reasonable request. It is always good that councillors have an understanding of the role of the Audit Committee and the external auditors and how they interact with risk management in the Council. That will be fine, and we can arrange for that to take place.

**6. WOKINGHAM BOROUGH COUNCIL OUTLINE AUDIT PLAN YEAR ENDED 31 MARCH 2021**

The Committee received an update on the Wokingham Borough Council Outline Audit Plan year ended 31 March 2021.

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

- Helen Thompson indicated that the 2019/20 audit was not yet completed but it was important that Members had sight of the risks that were considered relevant for the 2020/21 audit.
- Stephan Van Der Merwe indicated that the risks remained largely unchanged. The misstatement due to fraud and error and the risk of fraud in revenue and expenditure recognition, were inherently fraud risks and would be audited as significant risks. The valuation of land and buildings remained a significant risk and E&Y would be focusing on the properties that were largely influenced by market conditions; properties that were carried at estimated useful value and the investment properties that were under fair value. Other properties carried at depreciated replacement cost and the Housing Revenue Account properties that were influenced to some degree by the market conditions, would be audited as an inherent risk and would be an area of audit focus.
- The pension liability remained an area of focus.
- The going concern disclosure remained an area of focus due to the ongoing market conditions because of Covid.

- Accounting for the Covid grant was a new area of focus due to the significant level of government funding received in relation to Covid.
- Accounting for Public Finance Initiative and Group Accounts were also highlighted.
- With regards to the value for money assessment, Helen Thompson informed Members that a new code of practice was in operation. There were now three specified reporting criteria instead of a single criterion. A more detailed initial risk assessment against each of these reporting criteria, was now required. Each criterion was broken down into a set of specific arrangements. From the risk assessment the external auditors could either identify a weakness in the proper arrangements or conclude that proper arrangements were in place for the criteria and the sub arrangements. More work was required if a significant weakness was identified. The risk assessment would be reported to the Committee at its July meeting. Members were informed that if EY were not satisfied that there were proper arrangements in place then this would be referred to by exception in the audit report.
- From the 2020/21 audit, an Annual Audit Letter would no longer be produced. An Annual Auditor report would be produced instead which would contain the reporting around the value for money.
- With regards to the Groups Accounts, Councillor Gee asked whether there was now greater standardisation of the accounting policies.
- With regards to assets at depreciated replacement costs, Councillor Gee asked if it was likely that there would be a difference in opinion regarding valuation costs. Helen Thompson explained that the risks attached to these assets were different to those valued at market value. Conversations would be had with officers to ensure that any issues were identified and addressed at the start of the audit.
- Councillor Shepherd-DuBey queried whether the former Marks and Spencer's building was considered Property, Plant and Equipment or Commercial Property. The Assistant Director Finance agreed to provide a written response. He believed that most of the regeneration work around Peach Place were still classed as assets under construction. Helen Thompson assured the Committee that no assets would fall outside of the audit remit.
- With regards to the changes in looking at the capital assets, Councillor Ross asked if there would be any changes where construction was underway at the end of the year. Helen Thompson explained that assets that were under construction would be considered under the audit as before.
- In response to a question from Councillor Gee, Helen Thompson explained the value for money work and how it was reflected in the audit fee.

**RESOLVED:** That the update on the Wokingham Borough Council Outline Audit Plan year ended 31 March 2021 be noted.

## **7. UPDATE ON CHANGES TO ACCOUNTING POLICIES**

The Assistant Director Finance updated the Committee on changes to the accounting policies.

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

- It was best practice to bring changes to the accounting policies to the Audit Committee prior to the closure of accounts.
- There were two significant changes to the policies.
  - Revaluations policy – a new, 'basket of goods' approach would be taken. This would allow greater benchmarking within the asset class.

- Date assets valued at – going forwards valuations would be started earlier, with an aim to value as at 1 January of the year to which the accounts related.
- The changes had been discussed with the external auditors.
- Councillor Sargeant welcomed the new valuations approach which had been discussed by the Committee in the previous municipal year.
- Councillor Gee questioned what would happen should conditions change and a valuation had to be amended, and whether that would have an impact on the valuation of other assets within its class. The Assistant Director Finance commented that if there was significant change to an asset it would indicate that officers would either need to revalue the other assets within the class or to use the asset that was revalued as a proxy for a desktop revaluation of all the other assets in the class.
- In response to a question from Councillor Younis regarding the valuation classes, the Assistant Director Finance clarified that the designation of classes was under the CIPFA Code and the accounting policies was a decision of the council.

**RESOLVED:** That the revised Statement of Accounting Policies be approved for adoption and inclusion in the Statement of Accounts for the year ended 31 March 2021.

## **8. ANNUAL GOVERNANCE STATEMENT 2020/21**

The Committee considered the Annual Governance Statement 2020/21.

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

- Members were reminded of the Committee's role in relation to the Annual Governance Statement (4.4.3.2.g of the Constitution).
- The action plan of the previous Annual Governance Statement had had six actions, five of which had been completed. The action relating to Human Resources had been carried forwards.
- Councillor Gee suggested that an action around the function of the Audit Committee be added to the action plan. The Assistant Director Governance agreed that it would help to add focus.
- Councillor Shepherd-DuBey asked if there was a service level agreement in place around the consideration of Member Code of Conduct complaints. She went on to state that the Equalities Sector Duty work was an ongoing process.
- With regards to Members Code of Conduct complaints, the Assistant Director Governance felt that it was important that it was part of the AGS. A piece of work would be going through the Standards Committee regarding the quick processing of any complaints. There had been some issues regarding capacity in the past. Equalities had been part of the 2019 action plan and was now being carried forwards. Following the agreement of the updated Equality Plan at Full Council in March 2021, it was time to bed in and implement the plan.

**RESOLVED:** That the Audit Committee note the report and:-

- 1) Considers the draft 2020/21 AGS, identifying any specific matters which should be brought to the attention of Council or Executive;
- 2) Recommends the 2020/21 AGS to the Leader of the Council and Chief Executive for signature and publication with the council's Statement of Accounts, subject to the amended action plan;

- 3) Requests that update reports be provided to the Audit Committee summarising progress in achieving the governance action plan on those areas identified as requiring action in the AGS Improvement Plan.

## **9. CORPORATE RISK REGISTER**

The Committee considered the Corporate Risk Register.

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

- The Committee was reminded that the focus should be on satisfying itself that the Council's process of risk identification and risk mitigation, was sound, as opposed to the detail of the individual risks.
- Some improvements had been made with regards to risk management but there was more work to be undertaken. The Corporate Leadership Team would be holding a workshop to consider how the risk management arrangements could be further developed.
- There were no new risks but the risks around the end of the EU transition and the elections had been removed. Members were informed that Overview and Scrutiny would receive an update on lessons learnt in relation to the elections.
- Changes to individual assessments to individual risks were highlighted.
- The Interim Director Place and Growth emphasised that the risk regarding the Local Plan had moved from red to amber status, primarily due to the fact that the Council now had a process to Regulation 18 stage by the autumn. The Council was within the timetable to seek examination of its Local Plan prior to the introduction of planning reform.
- Regular conversations took place with Housing Developments.
- The Interim Director Place and Growth highlighted the Climate Emergency risk. Work continued around the Action Plan which he felt to be very comprehensive. The review, progress and implementation of the plan would be monitored.
- The Interim Director Place and Growth highlighted the need for a smooth transition from the joint Public Protection Partnership to a standalone service.
- The Committee was informed that as more people worked from home, domestic waste disposal had increased.
- Councillor Ross questioned whether returning to physical meetings as the pandemic continued had an impact on governance. The Assistant Director Governance indicated that a lot of work had been undertaken in a very short timescale following the announcement that the virtual meeting regulations would cease in May. Contingency planning was in place around the July Council meeting. The Council had a good technology solution in place to enable hybrid meetings. The matter would be part of the Governance risk register.
- Councillor Shepherd-DuBey questioned whether the transition from the PPP should be included on the risk register. The Interim Director Place and Growth suggested that it would be included going forwards. He assured the Committee that it was being closely monitored and he met regularly with his counterparts in West Berkshire and Bracknell. Some project management expertise had also been recruited which reported directly to the Interim Assistant Director of Place.
- Councillor Gee questioned why Risk 4 was a medium risk and the inclusion of some of the existing controls for this risk. The Interim Director Place and Growth commented that conversations had been continuing with officers, looking at other sites' availability, which formed a new timetable, a local development scheme document, which was due to go to Executive in July.

- With regards to the Climate Emergency risk, Councillor Gee felt that the further action to mitigate risk concerning the internal audit, should be reworded. She also stated that it would be helpful to have an Executive Member with specific responsibility identified for Climate Emergency. The Assistant Director Governance explained that the audit of the Climate Emergency Action Plan was within the Internal Audit Plan and was scheduled for Quarter 1. A lot of work was being carried out to find the correct resources and expertise to deliver that. Some external expertise would be sourced to assist. The point regarding the clarity of lead Member responsibility would be taken forward.

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

## **10. 2020-21 ANNUAL INTERNAL AUDIT AND INVESTIGATION REPORT**

The Committee received the 2020-21 Annual Internal Audit and Investigation Report.

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

- The original annual Audit and Investigation Plan had been agreed in February 2020 but due to the impact of Covid the Committee had later agreed to an in year review of the Plan. The revised Plan had been agreed in September 2020.
- As part of the review, new audit priorities had been agreed and the team's work had been refocused and reprioritised.
- The review had resulted in a number of audits being deferred. However, Internal Audit work had been enhanced in other areas. There had been a focus on areas that had previously attracted a Category 3 Internal Audit opinion, including debtors, housing rents and Public Health.
- A specific piece of work had been undertaken regarding risk management. Work had also increased in areas where there had been increased expenditure due to Covid or where there had been the payment of Government grants which had had to be paid within tight timescales.
- The Chief Audit Executive's opinion was that the governance, risk management and internal control framework was substantially complete and effective, but that there were some areas where improvement was required.
- Councillor Gee asked about conclusions reached with regards to the presentation of Treasury Management reports. The Lead Specialist Audit and Investigation agreed to feed back.
- Councillor Gee noted that Housing Rents had received a rating of 3 and had also been rated 3 the previous year. She questioned whether the same issues remained outstanding. The Lead Specialist Audit and Investigation indicated that the audit had had a different scope. It had improved to a Category 2 but because of the expanded scope and issues identified, it had moved to a Category 3 opinion.
- In response to a question from Councillor Loyes, the Lead Specialist Audit and Investigation indicated that there had been one audit that had been received a Category 1 opinion, the Payroll audit.
- The Assistant Director Governance reminded the Committee of the improvement actions around rents in the Annual Governance Statement.
- Councillor Ross commented that the work around the Covid grant fund was a good news story. The Lead Specialist Audit and Investigations indicated that the team had worked closely with the Revenues team to put controls in place to prevent fraud.
- It was noted that the table detailed in 4.2 was incorrect.

**RESOLVED:** That the Committee note the report, the Shared Audit and Investigation Service activity for the financial year ended 31 March 2021, and progress in achieving the 2020/21 Internal Audit and Investigation Plan.

## **11. 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:

- Councillor Shepherd-DuBey requested that there be training for the Committee and other Members on the role of the Audit Committee. It was suggested that an update be provided at the July meeting.
- The outcome of the internal audit of the Climate Emergency Action Plan would be reported within the relevant Internal Audit quarterly report.
- Members asked for an update on the accounts. The Assistant Director Finance commented that they were virtually completed. Councillor Gee asked for an update at the July meeting should the accounts not be complete at that stage.

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

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