

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 30 NOVEMBER 2021 FROM 7.00 PM TO 8.40 PM**

**Committee Members Present**

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

**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  
Andrew Moulton, Assistant Director Governance  
Matt Pope, Director Adult Services  
Mark Thompson, Chief Accountant  
Bob Watson, Assistant Director Finance

**35. APOLOGIES**

There were no apologies for absence received.

**36. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Committee held on 15 September 2021 were confirmed as a correct record and signed by the Chairman.

**37. DECLARATION OF INTEREST**

Councillor Shahid Younis declared a personal interest on the grounds that he was a Non-Executive Director of Loddon Homes.

**38. PUBLIC QUESTION TIME**

There were no Public questions.

**39. MEMBER QUESTION TIME**

There were no Member questions.

**40. WOKINGHAM BOROUGH COUNCIL UPDATE AUDIT PLANNING REPORT  
YEAR ENDED 31 MARCH 2021**

The Committee considered the Wokingham Borough Council Update Audit Planning Report Year ended 31 March 2021.

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

- Helen Thompson, EY, confirmed the completion of the audit planning, which had been largely completed at the time of the last committee, apart from value for money.
- In terms of value for money the initial risk assessment against the three reporting criteria, had been completed. No significant risks in relation to the Council's proper arrangements had been identified, therefore no specific work in any particular area was required.
- The commentary which would be provided as part of the Auditor's Annual Report would be presented to the Committee once the audit had been completed.

- There had been a change in the auditing standard around the auditing accounting estimates, which had increased the work required on actuarial models in particular.
- The audit was in progress, and it was anticipated that a report would be presented at the February committee meeting.
- Councillor Shenton questioned whether items subject to accounting estimates included investment or other properties. Helen Thompson commented that the most prominent estimates that were included were around Property, Plant and Equipment valuations and the IAS 19 Pension Liability reported in the Financial Statements. There were other estimates in the financial statements, but not all would be subject to the same level of complexity and judgement.

**RESOLVED:** That the Wokingham Borough Council Update Audit Planning Report Year ended 31 March 2021 be noted.

#### **41. UPDATE ON 2020/21 STATEMENT OF ACCOUNTS**

Members were updated on the 2020/21 Statement of Accounts.

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

- Helen Thompson commented that it would have been a challenge to have the audit completed for the committee meeting given that the 2019/20 audit had been signed off in August. Members were informed that the areas of work were well underway. There was work to complete across all areas of the audit, particularly the valuation of Property, Plant and Equipment investment properties and the IAS 19 Pension Liabilities, which would continue into December and January.
- The Assistant Director Finance highlighted that whilst budget setting had commenced early it had run on into the period. The delay in signing the previous accounts had meant a delay in beginning the accounts.
- Members were informed that 91% of local authorities had not met the deadline for signing their accounts. Some had also not signed off their 2019/20 accounts. It was hoped that the signed set of accounts would be brought to the February Committee meeting.
- Councillor Sargeant questioned whether the Committee would review a draft set of accounts before they were signed off. It was noted that a draft set of accounts was published on the website. It was anticipated that the Committee would have early sight of the draft accounts. Helen Thompson added that the accounts needed to come to the Committee in February for approval. The Audit Results Report would help inform it.
- Councillor Sargeant sought an update on where EY and the Council were with regards to valuation work. Helen Thompson stated that they were better progressed at this stage of the audit. Conversations had been had with the valuations team, the sample selected, and information provided from the Council's valuers to the EY team or the EY Real Estate Team which was looking at a number of assets. The Real Estate Team continued to be under pressure.
- Councillor Gee questioned whether the valuation of property and pensions was holding up the audit. Helen Thompson commented that the audit started in October and that there was a lot of work to complete.
- Councillor Gee went on to state that the latest version of the accounts on the website was dated 30 July. The Assistant Director Finance confirmed that this was the version that had been available for inspection by the public.
- Councillor Gee went on to state that the existing version of the accounts stated that adjustments still needed to be made in August 2021 for revaluation of Council

dwelling and approximately 60 other assets. Adjustments were also needed for assets held for sale, including sale of residential properties related to Elms Field redevelopment and one HRA property. Councillor Gee questioned the nature of the adjustments, how much they were, whether they were reducing income and whether they were realised or unrealised. The Assistant Director Finance agreed to provide this information following the meeting. Councillor Gee asked that this include those amounts which would hit the income and expenditure account.

- Councillor Gee sought clarification as to whether realised losses were taken against income available for services. The Assistant Director Finance indicated that it depended on the nature of the loss. If it was a downward valuation, then it would be written through the income and expenditure into a valuation reserve. The revaluation reserve would be brought down to a point where if it went below its original holding value, it was then charged to the income and expenditure account.

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

## **42. CORPORATE RISK REGISTER**

The Committee considered the Corporate Risk Register.

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

- Members praised the presentational changes made to the Corporate Risk Register.
- Since the last report to Committee a risk around 'Health and Social Care reforms' had been added.
- The "IT Infrastructure" and "Telephony" risks had been removed following the successful mitigation of both risks.
- A number of statutory duty risks such as Health and Safety, regulatory inspections and equalities had been amalgamated under one risk "Failure to meet Statutory Duties."
- In response to a request from the Committee, the Director Adult Services outlined the approach to risk taken by the Department and the Department Risk Register. Members were advised that the Departmental Risk Register was discussed at least once a month and regularly reviewed through the departmental leadership team. Those risks which were particularly high were considered by the Corporate Risk group and escalated. Discussions were also had at the Corporate Leadership Team.
- Risk 13 Health and Social Care Reform was an emerging risk. Currently it was predominantly a financial risk to the Council. The Director Adult Services explained that the Government had announced the intention to address the long-term future of Adult Social Care funding. As part of this the Levy had been announced which would generate approximately £12billion a year, however only in the region of £1.8 billion of this was going to Adult Social Care. Changes around the care cap and funding threshold would mean that the gap between what the Council was likely to receive and the additional cost to the Council, was significant, potentially £20million or higher. One of the reasons why it was such a large risk to Wokingham Borough, was the high level of self-funders. Currently the Council supported in the region of 1,700 to 1,800 individuals. This could potentially rise to approximately 5,000. Mitigating actions included conversations with the Government and the MPs around the impact.
- Risk 6 – Failure to meet statutory duties and Risk 14 – Failure to meet statutory duties (Safeguarding Adults) were well mitigated.

- Risk 7 – Adult Social Care Supplier Sustainability – related to the Adult Social Care market. This market was struggling from historic under funding and other factors such as Covid, Brexit and recruitment issues. Capacity could be difficult to secure.
- Councillor Shepherd-DuBey asked about the impact of any care workers having to leave their role because they were unvaccinated. The Director of Adult Services explained that Covid vaccinations were mandatory for care workers who went into care homes. This had impacted only small numbers and the viability of the care homes had not been impacted. However, it added to capacity issues in addition to other factors such as under funding and recruitment issues. The care market needed to grow.
- Councillor Shepherd-DuBey went on to ask about the support of charities which had provided a lot of support to residents during the pandemic. The Director Adult Services commented that in the absence of a long term funding deal for Adult Social Care, it was very difficult to commit to long term funding for charities. Work was being undertaken via the Voluntary Sector Strategy.
- In response to a question from Councillor Loyes, the Director Adult Services emphasised that any financial impact from the Health and Social Care reforms would have a net increase burden on the Council as a whole.
- Councillor Younis stated that the pandemic had increased the impact of mental health issues and pressure on mental health services. He questioned whether this should be reflected in the Corporate Risk Register. The Director Adult Services emphasised that the majority of services for mental health in the Borough, were managed by health. The role of the Council related to people's social care needs around mental health, and also prevention. An increase in need had been seen following the pandemic, but new services such as the MIND service, had been introduced to help mitigate this. Demand was currently monitored on the Directorate risk register.
- Councillor Gee questioned how long the Adult Social Care precept was anticipated to last and if it was likely to increase. The Levy had been announced but it was not yet clear how it would be used.
- Councillor Sargeant asked whether the change in relationship with Optalis had had an impact on the ability to manage risks. He was informed that the changes had had a positive impact.
- With regards to Risk 12 High Needs Block overspend, Councillor Gee questioned what was meant by 'Due to the increased demand and costs of SEN education provision there is the risk that the DfE requires repayment of our high needs block overspend of £xm resulting in a significant impact on reserves and budget pressures.' The Assistant Director Finance explained that the Dedicated School Grant was a ringfenced element from funds received from the Department for Education. Historically it had been insufficient for the level of needs that had to be provided for, and there had been an overspend. Under Government Guidance the Council had been able to build up a deficit of unusable reserves on the accounts. The risk highlighted that any change in policy may mean that the Council would be required to make up the deficit shortfall. The risk was not highly likely at present but would potentially have a large impact should it come about. Councillor Gee questioned what the deficit was currently running at and was informed that it was approximately £4million. Members were reminded that it was reported in the Quarterly Monitoring Reports to the Executive.
- Councillor Younis commented that Risk 12 had been on the Corporate Risk Register for some time. He referred to the mitigating action 'Discussions with the Education and Skills Funding Agency around additional funding' and asked how

these discussions were progressing. He was informed that the Council was required to have an action plan in place to slow the increase in the deficit.

- Councillor Shepherd-DuBey asked what the risk would be should funding not be received for the Winnersh Farm School. The Assistant Director Governance agreed to refer this query to Children's Services and to feed back to the Committee.
- Councillor Shepherd-DuBey stated that Risk 1 Budget and Financial Resilience remained at a high level. She questioned why this had not reduced. The Assistant Director Governance highlighted the uncertainty around the 3 year settlement which was due to be announced.
- Councillor Gee indicated that she was satisfied with the identification of the risks and some of the controls identified. She expressed dissatisfaction with the lack of movement in some of the risks. With regards to Risk 1, she indicated that the mitigating actions had been unchanged for some time. The Assistant Director Governance commented that with the new presentational style, it was now easier to see the target that was being aimed for. There was an aspiration to reduce the impact and likelihood of risks. Part of the Committee's role was to challenge if the mitigations were correct and provide further suggestions.
- Councillor Shenton referred to the risk relating to Climate Emergency and the complexity of behaviour change. He questioned why more was not being done to promote sustainable transport and walking. The Assistant Director Governance stated that in the presentation of the new risk register, Officers had tried to be clearer as to what the risks were. The Climate Emergency risk was multi-faceted, and Officers would review the risk mitigation actions to ensure that they were appropriate.
- Councillor Ross was of the opinion that Risk 7 could be more clearly worded.
- Councillor Loyes asked how discussions were progressing with Reading Borough Council regarding the Winnersh Farm School. The Assistant Director Governance indicated that he would seek a response from Children's Services.

**RESOLVED:** That the risks and mitigating actions of the Council's corporate risks as detailed in the attached CRR be noted.

#### **43. TREASURY MANAGEMENT MID - YEAR REPORT 2021-22**

The Committee considered the Treasury Management Mid-Year Report 2021-22.

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

- The Mid Year report was the second of the Treasury Management reports presented to the Committee and on to Council, over the year.
- The Mid Year report was at the 30 September 2021 and gave a summary of where the Council was with its Prudential Indicators and the likely outturn at the end of the financial year in terms of level of debt, level of borrowing, and the return on investments.
- Prudential indicators had been made clearer following previous observations made by the Committee.
- Members were reminded that the report was no longer considered by the Executive but went direct to Council from the Audit Committee.
- Councillor Loyes referred to the less internal funded borrowing under the Council's Net Indebtedness and asked for further information. The Assistant Director Finance commented that at the time of the Outturn Report borrowing had exceeded the capital financing requirement. The Council was working to reverse the level of over borrowing to where the Council was potentially one third internally borrowing funded

and two thirds external funded borrowing. At year end the position was £190million of internal funded borrowing, by repaying elements of debt when receipts had been available to repay it and reducing the level of internal investments.

- In response to a question from Councillor Loyes regarding the difference between the HRA figures the Assistant Director Finance explained that this related to a change in financing costs against the actual revenue stream in the HRA. A reduction in the ratio was a good news story.
- Councillor Gee referred to revaluation losses and losses on sale. She questioned how much this year and the previous year had gone through the income and expenditure account, reducing income available to spend on services. The Assistant Director Finance indicated that the Treasury report was based on the availability and returns the Council was taking from the investment strategies. The investments, assets and the income and expenditure account were part of the Statement of Accounts. Any money generated from investment activity over and above the cost of financing the investment activity became available for services to residents.
- The revaluation for Carnival Pool was operational, land and buildings and not investment properties.
- Minimum revenue provision for investment properties was currently running at 10% over 15 years. If an extraordinary reduction in the value of the properties was seen the Council would need to make a voluntary revenue provision through the accounts to ensure that any devaluation on the properties was covered.
- Minimum revenue provision was discussed in detail.
- Councillor Shepherd-DuBey commented that capital expenditure for forthcoming years had been reprofiled and questioned how this had been achieved. She was informed that this was part of capital monitoring. When the Council monitored its capital expenditure programme for the year and set its capital budgets going forwards for the next few years, the amount spent on capital impacted on the amount needed to be borrowed as a Council. The Capital Monitoring reports considered by the Executive contained details of what capital programmes had been reprofiled.
- The contents of "Table A", as set out in the report, showed the net benefit per council tax band D equivalent, from the income generated less the financing costs on all borrowing to date equated to £36.62 per band D for 2021/22. Councillor Loyes asked how likely it was that this figure would change. The Assistant Director Finance commented that it may change depending on fluctuations in the Bank of England base rate. The Chief Accountant indicated that the Council was not forecasting to take any further external borrowing until March.

**RESOLVED:** That the Audit Committee supports the Treasury Management Mid-Year Report 2021-22, recommends it to Council and notes:

- 1) that all approved indicators set out in the Treasury Management Strategy have been adhered to;
- 2) the contents of "Table A", as set out in the report, which shows the net benefit per council tax band D equivalent, from the income generated less the financing costs on all borrowing to date equates to £36.62 per band D for 2021/22. This income is used by the Council to continue to provide priority services for the borough residents.

- 3) As at the end of September 2021, the total external general fund debt was £416m, which reduces to £120m after taking into account cash balances (net indebtedness); External debt is forecast to reduce to £266m by the end of the financial year.

#### **44. PROCUREMENT OF EXTERNAL AUDIT**

The Committee considered a report regarding the procurement of external audit.

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

- Under the Local Government Audit & Accountability Act 2014, the Council was required to have appointed an external auditor to audit the accounts. The Council had previously opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- The Assistant Director Governance highlighted the possible options. Officers recommended that PSAA be used, which was the approach used by most Councils.
- Councillor Shenton asked whether there was a requirement to rotate auditors and was informed that PSAA had a requirement that engagement leads were rotated every 5 years (with a possibility of extension for 2 years). There was some rotation at firm level.

**RESOLVED:** That it be recommended to Council that external audit be procured using the Sector Led Body, the PSAA, by indicating an option to 'opt in.'

#### **45. 2021/22 INTERNAL AUDIT AND INVESTIGATION WORK PROGRAMME UPDATE TO 31 OCTOBER 2021**

The Committee considered the 2021/22 Internal Audit and Investigation Work Programme update to 31 October 2021.

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

- Since the last report the Team had been undertaking a number of audits of key corporate risks, including the Council's Corporate Governance arrangements. This audit helped to demonstrate the new added value approach to undertaking audits. A toolkit had been developed for the ongoing monitoring of the Council's Corporate Governance arrangements against its Local Code of Corporate Governance. The aim was to assist in the further embedding of corporate governance across the Council. This work would also inform the preparation of the Annual Governance Statement and the associated action plan.
- The Corporate Governance audit had also helped to inform the Peer Review.
- Work had commenced with regards to a Climate Emergency audit. A joint piece of work under a co-sourced arrangement was being undertaken, which would help to enhance the audit product where more technical expertise was required. Scoping had been undertaken with Price Waterhouse Coopers and the audit would begin in December.
- Two pieces of work were being scoped around Equality and Diversity.
- A high-level review around the Public Protection Partnership had been agreed and was planned for early Quarter 4.
- Appendix A detailed the status of the audits from the 2021/22 Audit Plan. No audits completed to date had received a category 3 or 4 audit opinion.

- Councillor Gee questioned how likely it was that all audits were achieved by March. The Lead Specialist, Audit and Investigation commented that some factors may cause delays. Any delays would be reported back to the Committee. There was usually some carry forward into the next year.
- Councillor Gee emphasised that the Climate Emergency audit had been requested by the Audit Committee in addition to Overview and Scrutiny. The Assistant Director Governance clarified Overview and Scrutiny had recommended a carbon audit.
- Councillor Gee asked that the key for the audit opinion be included in future reports.
- Councillor Shepherd-DuBey questioned whether how calls were put through from customer services to other departments, was monitored. She was informed that there was nothing in the current audit plan, but concerns could be picked up for future audit work.

**RESOLVED:** That the progress of audit and investigation activity against the 2021/22 Work Programme as at 31 October 2021 (attached as Appendix A) be noted.

#### **46. 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 that the 2020-21 Annual Audit Letter should be renamed Auditor's Annual Report. It was hoped that a draft would be available for the meeting. It was possible that the report would need to be taken to the following meeting.
- It was likely that the Outline Audit Plan would need to be deferred to June.
- The 2022/23 Internal Audit and Investigation Plan, Strategy and Internal Audit Charter would be presented at the next meeting.
- The Committee thanked the Assistant Director Finance for his hard work over the years and wished him well in his new role outside of the Council.

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