

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 30 MARCH 2022 FROM 7.00 PM TO 8.15 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
Graham Cadle, Interim Assistant Director Finance
Catherine Hickman, Lead Specialist Audit and Investigations
Mark Thompson, Chief Accountant

57. APOLOGIES

There were no apologies for absence received.

58. DECLARATION OF INTEREST

Councillor Imogen Shepherd-DuBey declared a general Personal Interest on the grounds that she had money in the Berkshire Pension Fund.

59. PUBLIC QUESTION TIME

There were no Public questions.

60. MEMBER QUESTION TIME

There were no Member questions.

**61. 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:

- The report outlined EY's findings against each of the risks reported to the Committee in November as part of the Audit Planning report and highlighted any issues arising with the audit. The report included the known adjustments to date, and those sections would be updated with results worked through e.g., in relation to Elms Field.
- Helen Thompson, EY advised Members that the audit work was largely complete. There were two outstanding issues which were outside of the Council and EY's control.
- Members were updated on the outstanding areas referenced on page 9 of the agenda.
- With regards to Capital Receipts in advance, the additional testing advance which had been required, had been completed. There were no matters to report.
- For the revaluation of land and buildings, work was completed subject to final review.

- The adjustments required for the accounting for Elms Field were being worked through the ledger. Final checks were required for this, and the report would be updated.
- In relation to the Group Consolidation, the work that had been outstanding was clarifications and ensuring that everything tied through, and there was nothing significant outstanding in this area. Responses received were being reviewed but no further issues were anticipated.
- The remaining outstanding issues referencing conclusion procedures could not be undertaken until the end of the audit. The first issue related to Pensions. When the assurance letter had been received from Deloitte, a caveat had been included stating that work was ongoing because their audit was not complete. This work was not expected to be completed until later this year. EY had been advised that this material caveat could not be disregarded. Work relating to the Pensions element could not be completed until caveat was removed. Further clarification had been sought from Deloitte as to the anticipated timetable. The second area was a largely national issue. An issue regarding infrastructure assets had been identified. A large number of councils had been adding expenditure to infrastructure assets without derecognising the asset that it was replacing, so the balance was effectively increasing year on year without recognition. CIPFA had established a Task and Finish Group to agree a way forward. Until an approach had been agreed it was not known what work was required.
- A final Audit Results report would be provided once all issues had been resolved.
- Members noted the fee table and the fact that the Public Sector Audit Appointments had not yet determined for the fee for 2019/20. It was hoped that this would be resolved in the near future.
- Councillor Gee asked for clarification of the reference to the Annual Governance Statement and the WGA Data Collection Tool. Helen Thompson explained that it was the data collection exercise undertaken by Government each year. It would have also been reported on previously. However, this year there had been a delay by Treasury in providing the information to the Council to be able to pull together the information, which had also led to a delay in the issue of group instructions by the National Audit Office to auditors as to what work was required. She went on to explain how the Tool operated.
- Councillor Gee asked about the consultation on the Minimum Revenue Provision. She noted that other auditors had commented that councils using similar accounting to the Council, were imprudent in not providing for the MRP. Helen Thompson stated that the circumstances of each council would be different. EY had reviewed the MRP in light of the Council's own policy and had concluded that the Council had calculated MRP in line with its policy. The Policy was not out of line with current regulations. It would be sensible for the Council to keep this under review. The Interim Assistant Director Finance commented that there were areas of the consultation which were unclear. It was difficult to judge the impact until this clarification was received. The Council was acting in line with the law and the regulations.
- In response to a question from Councillor Loyes, Helen Thompson explained that one of the judgemental differences related to Carnival Pool multi storey car park and the other related to the Wickes Retail Unit property valuation. She went on to explain how the work relating to this was undertaken.
- Councillor Gee expressed concern regarding the staffing levels in the Finance team and indicated that she had raised this in previous years. She sought assurance that this was not leading to any specific risks in the preparation of the accounts and complying with the Audit. The Interim Assistant Director commented that the

Council had invested in boosting the resources in the Finance team to ensure the provision of a robust service. This resource was still coming in and people took time to be onboarded. The timing of the Audit and the impact of Covid had exacerbated the difficulty. The Council should be in an even stronger position next year. Councillor Gee indicated that she had been previously assured that all of the necessary staffing was in place and that the Finance team could not employ any more staff because it would lead to surplus capacity. The Finance team should also be resourced to cope with ups and downs and to make sure that risks were minimised when preparing the accounts and looking at internal control.

- Councillor Shepherd-DuBey commented that delays continued to be around Pensions and asked what could be done to stop this from happening again. Helen Thompson commented that she felt that there was not anything that the Council could do. It had been very active in trying to follow up and understand the reasons for the delays, through the Berkshire Treasurers Group. It was a factor of the wider challenge in the public sector audit market.
- In response to a question from Councillor Shepherd-Dubey regarding revaluation properties, the Interim Assistant Director Finance commented that property valuation potentially became an issue when the asset was to be sold and there was a need to realise the value. MRP was allowed for 10% and the valuation was closely monitored. The Chief Accountant added that properties purchased under the Property Investment Group, these were assessed every year and revalued them. They were assessed against how much had been paid for the asset and a policy of making sure that 10% MRP was set aside, was applied. If the value of the asset dropped below 90% an additional contribution to debt repayment would be made. The assets were continually under review and there were currently no plans to sell them. The rental income was currently covering the debt and interest costs.
- Councillor Younis about real time monitoring. The Interim Assistant Director Finance referred to the reports presented throughout the year to the Audit Committee. Officers undertook more detailed monitoring on a daily basis.
- Councillor Gee sought clarification whether the inclusion of a project in the Medium Term Financial Plan meant that it was committed to. The Interim Assistant Director Finance the Medium Term Financial Plan detailed planned expenditure for the financial year. Some projects would require further consideration and sign off.

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

62. STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

The Committee received the Statement of Accounts 2020/21.

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

- The Interim Assistant Director Finance requested that the Committee agree the reports and the accounts and delegate the final sign off of the final adjustments and the final matters that remained outstanding, to the Chairman of the Audit Committee in conjunction with the S151 Officer, pending anything significant arising in which case a further report would be taken to the Audit Committee. Councillor Gee expressed concern that this recommendation was being tabled at the Committee meeting. It was clarified that a similar approach had been taken the previous year.
- Members wished for the outstanding issues around pensions and the infrastructure assets to be resolved before the Statement of Accounts be presented to the

Committee, as opposed to the Chairman of the Committee in conjunction with the S151 Officer.

RESOLVED: That the Statement of Accounts year ended 31 March 2021 be noted and the completed accounts be brought back to the Committee once the outstanding issues around Pensions and infrastructure assets, be resolved.

63. ANNUAL GOVERNANCE STATEMENT 2020/21 - UPDATE

The Committee received the Annual Governance Statement 2020/21 update.

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

- Councillor Ross asked if the Committee would be updated when the update of the HR policies was finally completed and was informed that they would be.

RESOLVED: That the update on the improvement actions arising from the 2020/21 Annual Governance Statement be noted.

64. CORPORATE PLAN ANNUAL REVIEW

The Committee considered the Corporate Plan Annual Review.

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

- Members questioned why the Plan was being presented to the Committee when it had been agreed by Full Council, limiting the opportunity for input. The Chairman explained that it was good practice that it was considered alongside the Annual Governance Statement, which would typically be considered earlier in the year.

RESOLVED: That the Council's activity and output over the last year be noted.

65. 2022/23 INTERNAL AUDIT CHARTER

The Committee received the 2022/23 Internal Audit Charter.

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

- Members were advised that one of the requirements of the Public Sector Audit Standards was to have a terms of reference for Internal Audit. This included a formally defined Internal Audit purpose, authority, scope, responsibilities, and reporting lines. It required approval by the Audit Committee.
- The refresh had taken into account the new Internal Audit service going forwards from 1 April 2022 and incorporated the recommendation from the LGA Peer Review that the reporting lines for Internal Audit be clarified.

RESOLVED: That the Internal Audit Charter be approved.

66. 2021-22 INTERNAL AUDIT AND INVESTIGATION PROGRESS REPORT (TO 28 FEBRUARY 2022)

The Committee considered the 2021-22 Internal Audit and Investigation Progress Report (to 28 February 2022).

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

- The report helped to enable the Chief Audit Executive (role fulfilled by Head of Internal Audit and Investigation) to give an overall opinion on the Council's internal control, governance and risk management framework at the end of the financial year.
- The team had been progressing through a period of transition due to the dissolution of the Shared Audit and Investigation Service, which was to take place on 31 March 2022 and the new Internal Audit and Investigation Service which would be established from 1 April 2022.
- Councillor Sargeant asked whether any outstanding work would automatically transfer to the next year's plan and was informed that it was hoped that the majority of work would be completed and that there would be minimal carry forward.
- Councillor Shepherd-DuBey noted that external specialist support had been sourced for the Climate Emergency audit and asked how it was determined whether external resources were required. The Lead Specialist Internal Audit and Investigations indicated that there was a framework agreement in place to ensure that the appropriate specialist skills could be procured. So far as possible work was undertaken in house, but this was supported, where required, with specialist technical expertise to enhance the audit.
- Councillor Shenton noted that the Council had been assessed as having the 22nd best Climate Emergency Action Plan of more than 400 local authorities in the UK and Northern Ireland. However, it had been reported previously that it had had the 8th best. He questioned what had caused this drop and was informed that further information had been taken into account across all the local authorities. Further clarification and information would be sought from the service department.
- Councillor Gee expressed concern that the SEND audit was being deferred due to staff changes in the directorate. The Lead Specialist Internal Audit and Investigations indicated that a review was being undertaken internally but that she would discuss the matter with the service.
- Councillor Gee was concerned that there were separate audits on equalities matters and questioned what overview would be in place. She was informed that the annual report would provide more detail.
- Councillor Gee wanted to see the highest level of audit opinion achieved for the Cash and Bank Reconciliation audit. The Lead Specialist Internal Audit and Investigations indicated that all reconciliations across the Council were currently being reviewed and the outcome of that audit work would be provided to the Committee when completed.
- Councillor Ross queried why the progress report was up to the end of February and was informed that it was to provide Members with the most up to date position at the time of reporting and that the Annual Report would include the last month of the financial year. This would be presented to a future meeting of the Audit Committee.
- The Lead Specialist Internal Audit and Investigation clarified what information and data would be collected and considered as part of the diversity and equality data collection.

RESOLVED: That the progress of audit and investigation activity against the 2021/22 Work Programme to 28 February 2022, be noted.

67. 2022/23 INTERNAL AUDIT INVESTIGATION PLAN AND STRATEGY

The Committee received the 2022/23 Internal Audit Investigation Plan and Strategy.

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

- Members were advised that the Plan and Strategy aimed to reflect the new approach to Internal Audit and Investigation work and service redesign from 1 April 2022.
- The Internal Audit Strategy supported the Plan and explained the high level aims of the Audit Plan, the approach taken to its preparation, the resourcing of the Plan's delivery, intended reporting arrangements, and how compliance with professional standards would be ensured.
- Members noted the proposed audit topics for 2022/23 which had been prepared with the Corporate Leadership Team and managers. The aim was to have better links to and focus on the Council's Corporate risks, the Annual Governance Statement Improvement Plan, actions from the Peer Review where appropriate, and areas highlighted by the wider Auditing network.
- Councillor Gee praised the layout of the report. She went on to question whether staffing levels in the Finance Team could be considered under the Financial Resilience/Compliance with CIPFA Financial Management Code audit. The Lead Specialist Internal Audit and Investigations indicated that this could be discussed in the audit scoping meetings with the Interim Assistant Director Finance to consider whether it would be appropriate to include this. Councillor Younis questioned whether staffing levels in the Finance Team were considered a risk and whether it was on the risk register.

RESOLVED: That the 2022/23 draft Internal Audit and Investigation Plan and Strategy be approved.

68. DRAFT ANNUAL REPORT AUDIT COMMITTEE 2021-22

The Committee received the draft annual Audit Committee report 2021-22.

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

- Members agreed that the report be updated to highlight that the Committee had deferred the agreement of the Statement of Accounts, prior to its consideration by Council.

RESOLVED: That the draft Audit Committee report 2021-22 be noted.