

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 30 NOVEMBER 2022 FROM 7.00 PM TO 9.05 PM**

Committee Members Present

Councillors: Rachel Burgess (Chair), Maria Gee (Vice-Chair), John Kaiser, Tahir Maher, Mike Smith and Mike Drake (independent Committee member)

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Helen Thompson, Ernst and Young (online)
Graham Cadle, Assistant Director Finance (online)
Catherine Hickman, Head of Internal Audit and Investigation (online)
Steve Moore, Director Place and Growth (online)
Andrew Moulton, Assistant Director Governance
Mark Thompson, Chief Accountant (online)

34. APOLOGIES

An apology for absence was submitted from Councillor David Davies.

Councillor Peter Harper attended the meeting online.

35. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 28 September 2022 were confirmed as a correct record and signed by the Chair subject to the following amendment:

Mike Drake indicated that under item 31 Corporate Risk Register it should read *Mike Drake praised the presentation of the Corporate Risk Register. He went on to question whether there was a reputational risk for the financial situation of potentially having unqualified accounts.*

Councillor Harper suggested that a table of actions be produced separately to make them easier to track.

Councillor Burgess referred to the following actions. Councillor Harper had requested data regarding complaints from a longer period than previously provided by Officers. The Assistant Director Governance agreed to look into to this.

Councillor Davies had requested a simplified summary of the infrastructure assets and how they were stated in the accounts. The Assistant Director Finance agreed to look into further.

Following concern expressed by Councillor Gee regarding investments in gilts, it had been confirmed that the Council did not have any investments in gilts.

Councillor Kaiser had requested the debtors audit report which had now been circulated to the Committee.

In response to a query from Councillor Kaiser regarding the possibility of representation from the Council on the Pension Board given the fact the Council was a large contributor, the Assistant Director Finance clarified that how this governance was arranged was set by guidance. He would summarise the guidance and share it with the Committee.

36. DECLARATION OF INTEREST

There were no declarations of interest submitted.

37. PUBLIC QUESTION TIME

There were no Public questions.

38. MEMBER QUESTION TIME

There were no Member questions.

39. UPDATE ON THE ACCOUNTS (2020/21 AND 2021/22)

The Committee received an update on the accounts 2020/21 and 2021/22.

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

- With regards to infrastructure, Members were advised that there had been movement in this area since the previous committee meeting. A statutory instrument which would create a statutory overlay, had been laid before Parliament. If no challenges were received it would become part of the legislation that governed the way in which the financial statements were presented. CIPFA had also recently published its amendment to the Code of Accounting Practice. This would allow progress to be made and enable an unqualified opinion to be issued.
- With regards to the pensions fund audit, the letter from the pension fund auditors which would allow completion of the audit, was now expected by Christmas. It had been agreed with Officers that it would be better to have an unqualified opinion, hence the accounts and audits result report had not been presented at the November Committee meeting.
- The possibility of alternative procedures around the pension fund element, in future, was being looked at, to potentially mitigate against delays. The Assistant Director Finance added that Officers were working across other Berkshire authorities to provide pressure and support where appropriate.
- In response to a question from Mike Drake regarding alternative procedures, Helen Thompson commented that it related to testing the value of investments and getting assurance over the value of investments that were held by the Pension Fund.
- Councillor Kaiser asked if the Council had invested in any companies which might be suffering financial issues. The Assistant Director Finance stated that the main providers were financially stable, and there was not an immediate risk at this time.

RESOLVED: That the update on accounts 2020/21 and 2021/22 be noted.

40. TREASURY MANAGEMENT MID YEAR REPORT 2022-23

The Committee received the Treasury Management Mid Year Report 2022-23.

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

- The level of internal borrowing continued to remain higher than detailed in the Treasury Management Strategy, reflecting the current financial climate. It also reflected a delay in the Capital Programme and allowed a review going forwards.
- A new Treasury Management Strategy would be presented in February.

- Councillor Kaiser questioned whether the Council was close to a point where the level of internal borrowing could be considered unsafe, and was informed that it was not. There was a profile of some debt which was renewing in the next year so there was some flexibility going forwards. It was important to take the right decisions according to the conditions of the economy.
- In response to a question from Councillor Kaiser as to whether the Council was moving quick enough to move money out of accounts as necessary to maximise investments, the Assistant Director Finance commented that there was a balance. Many current arrangements had default costs. Officers regularly met with external advisors to look at potential opportunities. The current issue was making those commitments in the long term and having the best possible forecast as to whether rates would go up or down.
- Councillor Gee commented that she had previously requested more detail in the Treasury Management reports. She wanted information on the borrowing structure over different periods with the interest rates and the maturity dates of those borrowings. The Assistant Director Finance stated that Officers would be working with external experts to consider whether to bring this in for the next year.
- Councillor Gee responded that it was difficult to ascertain how liquid the Council was, what was invested, the maturity structure of investments and the maturity structure of borrowing, and the total level of borrowing.
- Councillor Gee commented that there was no reference to the changes to Minimum Revenue Provision within the report. The Assistant Director Finance explained that the changes had been proposed for some time. Further clarification as to what they would or would not encompass was required. The scheme had been delayed and there would not be any changes prior to April 2024.
- In response to a question from Councillor Gee, the Assistant Director Finance explained that the Town Centre regeneration business case had included the requirement to provide funding and for the return of income and the sale of properties to repay the debt and interest charges. A higher interest rate had been included in the business case. As the work was nearing completion a detailed review had been undertaken. The level of charge was higher than the Council was reflecting and the charges of interest to that fund had been amended. Councillor Gee queried whether this was a switch on the return of community investments and the financing costs in the General Fund. The Chief Accountant agreed to check this, but confirmed it was a movement as to which line this was classified on. The net cost to the Council would remain the same.
- Councillor Harper asked whether there was a list of capital expenditure projects that were being delayed and was informed that there had been some reprioritisation of projects. The Executive received Capital Monitoring reports and Members could be sent links to these.
- Mike Drake agreed it would be useful to have information on the interest rates for the different maturities of the borrowings.
- Mike Drake referred to Table A and noted that the annual benefit to the taxpayer had decreased by £0.5million.
- Councillor Smith commented that the average interest rate of external borrowing for 2022/23 was forecast to be 1.56%. He queried how this would change going into 2023/24. The Assistant Director Finance indicated that there were a number of long-term loans and borrowing arrangements in place. It was important to understand the future capital requirements, the level of internal borrowing and the best time to borrow if additional funds were required.

- Councillor Kaiser stated that a lot of the borrowing was forward funding of infrastructure which would be paid as CIL was collected from developers. The Assistant Director Finance confirmed that some of the funding would be from this.
- Councillor Gee requested further narrative in the report about what was certain and what was uncertain.
- Councillor Smith referred to the table regarding the Council's net indebtedness, and questioned whether Officers were happy with the level of movement. The Assistant Director Finance confirmed that they were.

RESOLVED: That the Audit Committee support the Treasury Management Mid Year Report 2022-23 and recommend it to Council and note that:

- 1) all approved indicators set out in the Treasury Management Strategy have been adhered to; with the exceptions of internal borrowing which is forecast to be higher than set out in the strategy and ratio of financing costs to net revenue stream – General Fund;
- 2) due to the current uncertainty in the interest rate market, the internal borrowing parameter is being reviewed with our external treasury management advisors and will be reported back as part of treasury management strategy;
- 3) 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 £15.29 per band D for 2022/23. This income is used by the Council to continue to provide priority services for the borough residents;
- 4) As at the end of September 2022, the forecast for the total external general fund debt was £112m at March'23, which reduces to £81m after taking into account cash balances (net indebtedness) reducing interests costs in the current economic climate;
- 5) The Executive agreed on 27th October 2022, recommendation 3 of the Capital Monitoring 2022/23 – Q2 report 'note that due to the current uncertainty surrounding higher interest rates, as part of our financial management process, a review is to be undertaken to determine what capital projects can be postponed this year, to minimise exposure to borrowing at high rates. Any postponement is to be agreed at Executive.'

41. CORPORATE RISK REGISTER REVIEW

The Committee considered the Corporate Risk Review.

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

- The Council's top corporate risks were Budget and financial resilience; and Health and Social Care reform.
- There had been an overall increase in risk faced by the Council since the last review of the risk register due to increased national political and financial instability, significant challenges on the budget position, and uncertainty on the timing of the Health and Social Care reforms.
- No new risks had been added since the last review. However, the Cyber and Information Governance risk had been split into two separate risks to enable a more

- appropriate focus on the different elements. Risk 5 Outcomes and Costs for Children with SEND and Risk 11 High Needs Block had been combined.
- Members were informed that Risk 1 Financial Stability, Risk 4 Uncontrolled Development and Risk 8 Climate Change, had seen an increase.
 - The Risk Management Group, a group of officers from the different directorates, met monthly. It had carried out a self-assessment and an action plan for improvement was included in the report.
 - Benchmarking work with other Berkshire authorities had been undertaken.
 - With regards to the risk around financial resilience, the Director Place and Growth emphasised the uncertainty around the level of the local government settlement, which was expected in the next few weeks. The economic downturn had brought greater demand for services, and increased costs within the system. Changes in inflation rates were also having a significant impact. The Council was working hard to mitigate the financial resilience risk.
 - The Local Plan was still progressing and was at Regulation 18 stage. The Council continued to be successful in defending against uncontrolled development.
 - The Director of Place and Growth indicated that the Climate Change risk had increased, largely relating to the financial element. Funding from central government and partners playing their part was vital to the delivery of this.
 - The Director of Place and Growth referred to inward migration from areas such as Ukraine. He indicated that hosting arrangements would not continue indefinitely and an increase in housing presentations was expected. A more strategic approach was required to the wider asylum situation.
 - The Director Place and Growth referred to public transport and buses in particular. Whilst bus patronage had increased following the pandemic, it was starting to plateau. Nationally, bus driver recruitment and retention, was an issue, and there was also uncertainty around government funding beyond March. The Council was working closely with its partners and providers and looking at skill and employment opportunities.
 - With regards to the risk around the Local Plan, Councillor Kaiser queried the target date for Regulation 19, and was informed that it depended on national planning policy, but it was anticipated for next summer. The risk relating to the five-year land supply and the Local Plan was discussed in more detail.
 - Councillor Kaiser referred to the impact of increasing inflation such as rising material costs and an impact on salaries. He questioned whether salary increases had been considered as a separate risk. The Director of Place and Growth highlighted some of the issues around increasing construction costs.
 - Councillor Kaiser commented that the S106 agreements in place did not take in to account inflation at 10% or more, which would put pressure on the Council's Capital Programme.
 - Councillor Smith questioned whether there should be a specific risk about the Capital Programme on the Corporate Risk Register. The Assistant Director Finance commented that he would expect a level of contingency within each bid. There was also a corporate contingency within the Capital Programme.
 - In response to a question from Councillor Smith regarding the hierarchy of risks, the Director of Place and Growth indicated that there were a number of factors which affected the level of risk. Those in the top right hand corner of the graph within the report were the highest level.
 - Mike Drake noted that all in all risk areas bar one, the current risk was higher than the target risk. He questioned whether the target risks were unrealistic, and if they were considered realistic what the plans were to reduce the current risks down to

the targets. The Assistant Director Governance responded that the mitigating actions would help to reduce down to the risk appetite. However, the Council still had a way to go in terms of making more precise connections between the current assessment and the desired position. Mike Drake asked whether there were any timescales for this and was informed that it varied by risk.

- Councillor Harper was of the opinion that the risk around the website replacement project was significant and should come to the Committee. The Assistant Director Governance indicated that it was on the relevant departmental risk register and was also encompassed in the information governance risk.
- Councillor Burgess sought an update on the budget setting process, and the nature of the lobbying around the local government settlement. The Director Place and Growth stated that the Council had been one of the lowest funded authorities in the past, and that a lot of lobbying was being undertaken. The Council had been prudent over a number of years. Officers were focusing on what the local government settlement could entail, and the Corporate Leadership Team was considering a range of possible assumptions and how best to mitigate. The Assistant Director commented that whilst difficult decisions would be required, the Council was in a stronger financial position than many. Updates on the budget setting process would be taken to the Community and Corporate Overview and Scrutiny Committee in December and January. The Assistant Director Governance commented that CIPFA had produced a lessons learnt report from those authorities that had issued Section 114 notice. An assurance report which would highlight the assurances in place in Wokingham, would be presented to the Committee in the new year.
- Councillor Gee expressed concern regarding the Safety Value programme, which she believed was for the twenty councils that had the highest deficits in the Dedicated Schools Grants. She questioned the timescale for repaying the deficit, and if the forthcoming new SEN school would form part of the Council's SEN provision. The Director Place and Growth indicated that nationally demand for SEN provision was increasing. The Council was required to produce a robust plan to demonstrate how it planned to cover the gap. The Assistant Director Finance stated that work was ongoing in this area, and the Safety Valve programme was for all Councils not just those with the top twenty highest DSG deficits. Councillor Gee suggested inviting the Director Children's Services and the Executive Member Children's Services to a future meeting to provide an update.
- Councillor Smith suggested that the risk around the website project include the replacement of the CRM system.
- The Assistant Director Governance agreed to check the relevant Director and Executive Member for the cyber security and information governance risks.
- In response to a question from Councillor Maher regarding reviewing the financial situation, the Director Place and Growth indicated that the local government settlement would give a clearer picture.

RESOLVED: That

- 1) the Corporate Risk Register be reviewed;
- 2) the Risk Management Group effectiveness be reviewed.

42. 2022/23 INTERNAL AUDIT AND INVESTIGATION PLAN - QUARTER 2 PROGRESS UPDATE (TO 30 SEPTEMBER 2022)

The Committee received the 2022/23 Internal Audit and Investigation Quarter 2 Progress Report (activity to 30 September 2022).

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

- The Head of Internal Audit and Investigations highlighted the Council's key corporate risks as of September. The team was not resourced to be able to audit all of those risks every year. Those being undertaken this year were annotated with a progress update.
- Overall, the Audit Plan was on track to be delivered. There were two financial audits which were key to feeding into the Head of Internal Audit's opinion; financial resilience and compliance with the CIPFA financial management code and; financial management.
- A treasury management audit had now been programmed for Q4.
- There were no new Category 3 or 4 audits.
- With regards to investigations, work in Q2 had concentrated on the National Fraud Data Matching Initiative. The remaining two datasets around payroll and creditors were now complete.
- Work had also been undertaken around empty homes and Covid grants.
- In August an initial RIPA inspection and then a more detailed inspection had been carried out. Positive feedback had been received and RIPA procedures were considered to be comprehensive.
- Two audit reports showing as being in draft in the report, had now been finalised.
- Councillor Maher questioned why Risk 3 Workforce and Risk 4 Uncontrolled Development, were not being audited that year and was informed that there was a need for prioritisation due to resource levels. The Head of Internal Audit and Investigations attended leadership meetings and discussed with senior officers which areas should be focused on.
- Councillor Kaiser noted that there was £16.5million of debt over 30 days. The Assistant Director Finance commented that some of this could be with other public bodies, which reduced the risk. Work was being undertaken around the debtors service. Members would be provided with a breakdown of the £16.5million.
- In response to a question from Councillor Kaiser, the Assistant Director Finance indicated that the collection of council tax and business rates remained on track currently.
- Mike Drake questioned whether there was a programme over three years during which all risk areas were covered, but the riskier areas were audited each year. He went on to note that there a number of outstanding new actions which had not been closed. He suggested the inclusion of a management comment on how risk concerns were being addressed. The Head of Internal Audit and Investigations commented that there was a move away from a three year Audit Plan as the situation was constantly changing. The Council now had an annual plan. There was always a focus on key corporate risks and the Committee reviewed the Plan before it was finalised.
- The Head of Internal Audit and Investigations agreed to check if there were any overdue high risk concerns.
- Councillor Burgess queried what awareness and training was provided to staff regarding fraud. The Assistant Director Governance commented that there was some but more needed to be done,

- Councillor Gee commented that the return on community assets was not visible on the Council's website. She questioned whether Internal Audit would ever review whether assets were under utilised. The Director Place and Growth commented that the Strategic Growth and Asset Board looked at all assets and understanding the level of need. He would be happy for the visibility of community assets to be audited.
- Councillor Kaiser referred to a delay in charges for deferred care payments. He questioned what was meant by 'alternative recovery methods are being sought.' The Assistant Director Finance agreed to feed back on this matter.
- Members were assured that there was not a high level of unallocated payments.

RESOLVED: That the 2022/23 Internal Audit and Investigation Quarter 2 Progress Report (activity to 30 September 2022) be noted.

43. ANNUAL GOVERNANCE STATEMENT 2021/22 - UPDATE

The Committee received the Annual Governance Statement 2021/22 update.

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

- The Annual Governance Statement had identified seven improvement actions to the Council's governance arrangements. Whilst none of the actions were due to be fully implemented at this stage, the report provided the latest (November 2022) position.
- Positive progress was being made regarding risk management and the approach taken was improving. Councillor Harper praised the risk management training provided to the Committee.
- The Assistant Director Governance informed the Committee that a report on the CIPFA Code of Financial Management would be taken to the next Committee meeting.

RESOLVED: That the update on the improvement actions arising from the 2021/22 Annual Governance Statement be noted.

44. FORWARD PROGRAMME

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

Due to the large number of items scheduled for the February meeting it was agreed that an extraordinary meeting be scheduled for March. The Assistant Director Governance indicated that the Audit Committee Annual Report would be presented at the March Committee meeting.

RESOLVED: That the forward programme be noted.

ACTION	OFFICER
Councillor Harper had requested data regarding complaints from a longer period than previously provided by Officers.	Andrew Moulton
Councillor Davies had requested a simplified summary of the infrastructure assets and how they were stated in the accounts.	Graham Cadle

<p>In response to a query from Councillor Kaiser regarding the possibility of representation from the Council on the Pension Board given the fact the Council was a large contributor, the Assistant Director Finance clarified that how this governance was arranged was set by guidance. He would summarise the guidance and share it with the Committee.</p>	<p>Graham Cadle</p>
<p>Councillor Gee commented that she had previously requested more detail in the Treasury Management reports. She wanted information on the borrowing structure over different periods with the interest rates and the maturity dates of those borrowings.</p>	<p>Graham Cadle</p>
<p>In response to a question from Councillor Gee, the Assistant Director Finance explained that the Town Centre regeneration business case had included the requirement to provide funding and for the return of income and the sale of properties to repay the debt and interest charges. A higher interest rate had been included in the business case. As the work was nearing completion a detailed review had been undertaken. The level of charge was higher than the Council was reflecting and the charges of interest to that fund had been amended. Councillor Gee queried whether this was a switch on the return of community investments and the financing costs in the General Fund. The Chief Accountant agreed to check this, but confirmed it was a movement as to which line this was classified on.</p>	<p>Mark Thompson</p>
<p>Mike Drake agreed it would be useful to have information on the interest rates for the different maturities of the borrowings.</p>	<p>Graham Cadle</p>
<p>Treasury Management - Councillor Gee requested further narrative in the report about what was certain and what was uncertain.</p>	<p>Graham Cadle</p>
<p>Councillor Harper was of the opinion that the risk around the website replacement project was significant and should come to the Committee.</p>	<p>Andrew Moulton</p>
<p>The Assistant Director Governance commented that CIPFA had produced a lessons learnt report from those authorities that had issued Section 114 notice. An assurance report which would highlight the assurances in place in Wokingham, would</p>	<p>Andrew Moulton</p>

be presented to the Committee in the new year.	
Safety Valve - Councillor Gee suggested inviting the Director Children's Services and the Executive Member Children's Services to a future meeting to provide an update.	Helen Watson/Prue Bray
The Assistant Director Governance agreed to check the relevant Director and Executive Member for the cyber security and information governance risks.	Andrew Moulton
Councillor Kaiser noted that there was £16.5million of debt over 30 days. The Assistant Director Finance commented that some of this could be with other public bodies, which reduced the risk. Work was being undertaken around the debtors service. Members would be provided with a breakdown of the £16.5million.	Graham Cadle
Internal Audit report – Mike Drake suggested the inclusion of a management comment on how risk concerns were being addressed.	Catherine Hickman
The Head of Internal Audit and Investigations agreed to check if there were any overdue high risk concerns.	Catherine Hickman
Visibility of community assets audit.	Catherine Hickman
Councillor Kaiser referred to a delay in charges for deferred care payments. He questioned what was meant by 'alternative recovery methods are being sought.' The Assistant Director Finance agreed to feed back on this matter.	Graham Cadle
The Assistant Director Governance informed the Committee that a report on the CIPFA Code of Financial Management would be taken to the next Committee meeting.	Andrew Moulton
Audit Committee annual report to be presented at March meeting.	Andrew Moulton