

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 27 JULY 2022 FROM 7.00 PM TO 8.40 PM**

**Committee Members Present**

Councillors: Rachel Burgess (Chair), Maria Gee (Vice-Chair), David Davies, Peter Harper and Mike Smith

**Also Present**

Madeleine Shopland, Democratic & Electoral Services Specialist  
Stephan Van Der Merwe, Ernst & Young (online)  
Michael Bateman, Complaints Manager - Children's Services (online)  
Graham Cadle, Assistant Director Finance (online)  
Andrew Moulton, Assistant Director Governance (online)  
Mark Thompson, Chief Accountant (online)  
Jackie Whitney, Head of Customer Excellence (online)  
Clare Mundzar, Corporate Complaints Manager (online)

**13. APOLOGIES**

An apology for absence was submitted from Councillor Tahir Maher.

**14. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Committee held on 27 July 2022 were confirmed as a correct record and signed by the Chair subject to the following amendments:

Councillor Smith commented that Callum Wernham had been present at the meeting. In addition, he indicated that he had commented on the Risk Register on their timescales and how they were trending. Finally, he requested that future Minutes indicate if someone was attending the meeting virtually as opposed to in person.

It was confirmed that no comments had been received on the previous minutes from Members present at the meeting.

The Chair informed the Committee that progress was being made on appointing an Independent member of the Audit Committee, and the Committee would receive an update at its September meeting. With regards to training general Audit Committee training could be provided by a representative from CIPFA. The Chair indicated that she had set up monthly meetings with the Head of Internal Audit to discuss circulating internal audit reports and monitoring the internal audit recommendations.

**15. DECLARATION OF INTEREST**

There were no declarations of interest submitted.

**16. PUBLIC QUESTION TIME**

There were no Public questions.

**17. MEMBER QUESTION TIME**

There were no Member questions.

**18. FORMAL COMPLAINTS - ANNUAL REPORT SUMMARY 2021/22**

The Committee received the annual report summary 2021/22 from Jackie Whitney, Head of Customer Excellence, Clare Mundzar, Corporate Complaints Manager and Michael Bateman, Complaints Manager Children's Services.

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

- 71% of complaints (including enquiries as well as formal complaints) had been resolved early, using early resolution.
- The number of formal complaints handled in 2021/22 was 305 (from 203 individual customers) this was an increase of 61, compared to 2020/21. It was thought that the rise may be the result of customers feeling more confident to submit a complaint post Covid. Complaints had become more complex and therefore could take longer to resolve.
- Other local authorities had seen the same trend with their complaints.
- Members were informed of a new programme to improve writing skills to ensure that language used was easier to understand. A new approach was being taken to communication; the three C's; Care, Clarity, and Confidence.
- Jackie Whitney indicated that those who complained were asked how they felt that their complaint had been dealt with. Ratings were currently good.
- Michael Bateman added that a decrease had been seen in the volume of formal Children's Services complaints received and an increase of complaints resolved at the early resolution stage. The number of cases escalated to Stages 2 and 3 remained consistent with the last 2 years. There had been an increase in the number of cases dealt with via the Local Government and Social Care Ombudsman. However, the LGSO had been dealing with a heavy backlog due to the pandemic when they had closed for some time, and were only now beginning to catch up with cases once more. Members were informed that the number of formally recorded compliments outnumbered the number of complaints received in Children's Services.
- Michael Bateman advised Members that Children's Services complaints often related to alleged inaccuracies in social worker assessments or decisions reached by staff. Bite sized training sessions and staff supervision sessions had been run.
- Michael Bateman highlighted areas of development, including training for managers across Children's Services around the complaints process, and best practice of handling complaints. Sessions had been delivered on sharing the learning from complaints, with staff. Two sessions had been held so far and more would be undertaken.
- Councillor Harper noted that the data went back to Quarter 1 2021/22. He asked whether information could be circulated from several years as it was difficult to establish long term trends. Jackie Whitney agreed to provide the data going back 3-4 years. She indicated that the complaints process and recording had improved which might mean that the data was not fully comparable. An increase would be seen but this was partly the result of a tightened recording process. A new online system for recording complaints had been introduced and training had been carried out.
- In response to a question from Councillor Davies regarding early resolution, Jackie Whitney explained that early resolution was when a complaint came in, Officers apologised and the situation was quickly resolved or expectations managed, without it escalating to a Stage 1 formal complaint. The total number of formal complaints had increased by 61 on the previous year. Clare Mundzar clarified that early resolution had been in place in the previous year, but recording had improved.

- The Chair requested that the Committee be sent data on the level of early resolution from the previous year.
- Councillor Smith questioned if there was a mean time for the Local Government and Social Care Ombudsman to determine complaints by, and if there was a matrix of what matters were referred to the LGSO. He was noted that there were still several cases which were to be determined by the LGSO. Clare Mundzar explained that the LGSO looked to undertake its work within 6 weeks. However, closing during the pandemic had created a backlog as requests had continued to be sent in. The resultant backlog was starting to be addressed. The LGSO would only look at complaints which were under 12 months' old.
- With regards to corporate complaints, officers aimed to respond to Stage 1 complaints within 15 working days and within 20 working days for Stage 2 complaints.
- Councillor Harper asked whether officer time spent addressing complaints was recorded and was informed that it was not. There was a full-time officer who dealt with complaints at Stage 2 and the LGSO but information was also provided from the specific service area.
- Councillor Smith indicated that some residents had informed him that they had filled in an online form and had not received a response. He questioned whether such interactions were recorded. Clare Mundzar explained that if someone filled in an online form, they received an automated response acknowledging receipt from the Complaints Team, indicating that they should receive a response within 5 working days. The Complaints Team passed the correspondence to the relevant team for a response and reminded them of deadlines. More staff had been recruited to ensure that this was carried out. Jackie Whitney added that delays were more likely to occur if someone emailed an officer directly and copied in several others, for a number of reasons, for example, the officer was on leave, or there was confusion as to who was responsible for providing a response. Members were informed that a mediated process could also be run for those who could not access the online form.
- Councillor Smith asked whether many complaints were received regarding councillors not responding to residents and was informed that complaints regarding councillors were dealt with via a different route.
- Councillor Gee questioned how 71% of complaints had been resolved via early resolution when she had calculated that it was 58%. Clare Mundzar agreed to check on the calculations and feed back to Members.

**RESOLVED:** That the formal complaints annual reports summary 2021/22 be noted.

#### **19. UPDATE ON 2020-21 STATEMENT OF ACCOUNTS**

Members were updated on the 2020-21 Statement of Accounts by Graham Cadle, Assistant Director Finance.

- At the last Committee meeting it had been reported that there were two issues outstanding; the first being around Pensions, and the second around infrastructure assets, which was a national issue. Neither of those issues had yet been resolved.
- Graham Cadle advised that the Pension Fund was waiting on the completion of the audit of the Fund, which was administered by the Royal Borough of Windsor and Maidenhead. It was hoped that they were likely to conclude in August. At that point so long as there were no changes to their standing, this element could be signed off. Presently the only assurance that Deloitte, the pension fund auditors, would provide was that its work continued and that it did not expect any changes.

- Graham Cadle explained that the infrastructure issue related to infrastructure assets such as roads. Historically when money had been spent to re-lay the roads it had been added to the Capital Asset Value. At an audit sector meeting it had been raised that this was not appropriate and did not reflect the true value. CIPFA had undertaken a consultation in order to understand what the best approach may be, including an interim arrangement to help Councils close their more immediate accounts. The Council had participated in the consultation but had not yet received the outcomes. Options should there continue to be a delay were, to ask to close the accounts with a gap, undertake work on what it was believed would be required, or continue to wait. Officers proposed continuing to wait and then updating at the next Committee meeting.
- Councillor Harper questioned whether a deadline should be set for making a decision. The Chair proposed that the Committee receive the update at the September meeting and if there was no further progress, a decision be made on how to proceed.
- With regards to the infrastructure issue, Councillor Gee questioned whether the bottom line would be impacted because it was expected that assets where the cost was greater than the accumulated depreciation, but no proceeds were received, were removed. She went on to ask that if this was the case what the extent of derecognition of these assets were. Graham Cadle responded that the bottom line was not impacted. The current process did not truly reflect the value of what a road would be. There was not a material impact on the bottom line in the accounts.
- Councillor Burgess also questioned why the infrastructure matter was now an issue of concern. Stephan Van Der Merwe indicated that the issue related to the actual accounting of the infrastructure and whether or not these were at a granular level to enable Councils to be able to derecognise components within the infrastructure that had been replaced. A more detailed explanation on how the assets were accounted for, if they were recorded at cost or accumulated depreciation, if the Asset Register was accurate, and an estimate of the amount taken out of cost and accumulated depreciation, would be provided to Members outside of the meeting. Councillor Gee requested that the response be included in the Minutes of the meeting.
- In response to a question from Councillor Davies, the assets impacted by the infrastructure issue were clarified.
- In response to a question from Councillor Smith regarding the Pensions element, Stephan Van Der Merwe emphasised that assurance needed to be obtained from the Pension Fund auditor. Assurances had been received from Deloitte with the caveat that work was ongoing. It was likely that this caveat would be removed in September. All Councils that were part of the Pension Fund and the Berkshire Fire and Rescue Service were impacted.
- Councillor Harper asked if there was flexibility over who managed the Pension Fund on behalf of the Council. Graham Cadle commented that whilst there had been issues with delays previously, the Chief Finance Officers were committed to supporting the Pension Fund and improvements were being made. The Chair suggested that any penalties to withdraw from the Pension Fund scheme would be high.

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

**20. WOKINGHAM BOROUGH COUNCIL AUDIT PLANNING REPORT YEAR ENDED 31 MARCH 2022**

Stephan Van Der Merwe presented the Wokingham Borough Council Audit Planning Report year ended 31 March 2022.

- The report explained the audit risks that EY would be focusing on during the 2021/22 audit.
- Audit processes remained ongoing, and a further update would be provided to the Committee at the conclusion.
- Stephan Van Der Merwe brought to the Committee's attention, the risks that had been identified and which would be focused on during the audit. These risks were largely unchanged from the previous year's audit. The risks relating to accounting for Covid 19 grants and unreconciled imprest accounts were no longer considered areas of focus.
- The new focus for the audit was around the accounting for infrastructure assets. Depending on the outcome of the national consultation the level of risk may vary.
- Members noted the proposed audit fees for 2021/22.
- The Committee was informed that as the audit for 2020/21 was still ongoing the final audit fee was yet to be determined.
- Stephan Van Der Merwe highlighted an error in the report. In the planned fee column, the revised fee should read £154,643.
- The PSAA had recently determined the final fee scale variation for the 2019/20 audit of £68,541.
- Councillor Davies expressed surprise that the planned fees and the final fees would be aligned, and that the planned fees for 2021/22 were identical to the planned or final fees for 2021/22, given inflation. Stephan Van Der Merwe explained that the scale fee rebasing fee was essentially the evolving risks that EY considered related to the audit and what that would cost. This was a standard increase in the fee going forwards. In terms of the additional fees set by PSAA these were based on the latest guidance.
- Councillor Gee asked why the fee for 2021/22 was the same as that for 2020/21 if there was an increased infrastructure risk. She was informed that the costs for the additional risk identified were still to be determined based on the hours spent by the auditors.
- Councillor Harper noted that the Department for Levelling Up, Housing and Communities (DLUHC) paper "Measures to improve local audit delays" had moved the publication date for audited local authority accounts from 31 July to 30 November. Graham Cadle explained that during the pandemic greater leeway had been given in the whole of the accounting process.
- It was clarified that PPE stood for Property, Plant and Equipment.
- In response to a question from Councillor Smith as to the Committee's role with regards to the Audit fee, the Chair clarified that the Committee role was to have a view on the fees. Officers had not raised any concerns on them with her. Stephan Van Der Merwe added that the fees were submitted to the PSAA as part of the contract with them and they then reviewed them and determined if they were appropriate.
- Councillor Smith asked how value for money was considered on very large contracts, and the management of them by officers. He was informed that during the planning process EY looked at the various arrangements the Council had in place to ensure economy, effectiveness, and efficiency.
- Councillor Smith asked what large value contracts there were by department. Stephan Van Der Merwe indicated that this was not part of the Value for Money

process. Graham Cadle added that the external audit work did not cover specific contracts, however, some of this was covered by the work of Internal Audit.

**RESOLVED:** That the Wokingham Borough Council Audit Planning Report year ended 31 March 2022, be noted.

## **21. TREASURY MANAGEMENT OUTTURN 2021-22**

The Committee considered the Treasury Management Outturn 2021-22.

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

- Graham Cadle highlighted the performance against the Strategy. The income generated on the investments still provided a net benefit to the Council although it had reduced because of market pressures and additional MRP contributions.
- The General Fund debt had reduced and was lower than had been expected.
- Graham Cadle highlighted the level of realisable assets.
- Councillor Gee commented that the percentage of internal borrowing to CFR was 44% when the Strategy was 29%. She felt that unless this was an exception the Committee could not agree recommendation one of the report. Graham Cadle agreed that it was outside the target but emphasised that it was not a negative impact because of the reprofiling of the capital expenditure, an increase in and the timing of inward grants had meant that the Council had had to borrow less. He suggested a specific comment around that target in the report. Councillor Gee agreed that it needed to be noted as an exception and an explanation as to why and the fact that it was positive, included.
- With regards to Table A and the net annual benefit to the tax payer, Councillor Gee felt that the information provided was misleading. She felt that the taxpayer would incur a cost because the subsidiaries would have an interest cost in their accounts. When the Council and the subsidiaries were consolidated the benefit would disappear. Graham Cadle disagreed that the value should be removed. He stated that with regards to the subsidiaries it was an element of their costs of which they would be charging an income and delivering a service to make them an ongoing concern. They were a separate entity and overall would deal in a profit situation over a long period of time.
- Councillor Gee questioned whether losses were being accumulated in the subsidiaries whilst increases were being recorded in the General Fund, in recording the figures as such. Graham Cadle emphasised that the subsidiaries had been set up to run as a self-financing model.
- In response to a further query from Councillor Gee, Graham Cadle responded that there were rules around the interest rates that the Council could charge the subsidiaries. He felt that the information had been correctly reflected.
- Councillor Davies commented that he appreciated Councillor Gee's concerns but felt that a valid approach had been taken.
- The Chair questioned whether information could be included under Table A to address the concerns raised by Councillor Gee. Councillor Gee suggested that the net annual benefit to the tax payer be clarified between the amount that was accruing to the Council and also the offset.
- With regards to Table A, Mark Thompson commented that although the income for the companies for the loans that the Council had made to them was being shown, in the top row of the table was the cost to the Council of providing that expenditure to the companies through a loan. A note could be added to the net margin that the Council would make.

- Councillor Gee indicated that in the previous year's report the income of £700,000 had been included. She was of the view that the income to the Council was effectively cancelled by the cost to the housing companies, and that when looking at the Council as a whole then there was no net benefit to the tax payer. She believed that the income should be noted as a cost in the subsidiaries. Graham Cadle expressed concern that this would not reflect that the cost was enabling an income stream and investment.
- The Chair noted that the total gross finance cost had increased to £8.8million but borrowing had decreased. She questioned the reason for this. Mark Thompson explained that the Council had borrowed less money so debt costs had reduced. In addition, since the mid-year, interest rates had started to increase. At the point of the mid-year estimates the 2020/21 accounts were still being closed. Part of the work with the auditors had been looking at the Town Centre and in particular at what point assets became operational. The Council's policy was that as soon as assets were operational MRP was charged on them. Therefore, in the Outturn report, on reviewing the Town Centre position a greater amount of MRP had been provided on some assets than originally estimated.
- In response to a question from Councillor Harper regarding the graph on page 50 of the agenda, it was confirmed that the figures were correct.
- The Committee agreed that an explanation would be added to the report to explain that the internal borrowing was outside of the range, and that this wording would be agreed by the Chair.
- The Committee approved recommendation 1) ("that all approved indicators set out in the treasury management strategy have been adhered to") but wanted it noted that in fact the indicator for % of internal borrowing to CFR (29%) had not been met, with the outturn indicator at 44%. It was agreed this was in fact a positive reflecting a reduction in required external borrowing (reprofiling of the capital programme) and increase in cashflow of grants received.)

**RESOLVED:** That the Treasury Management Outturn Report 2021/22 be supported and recommended to Council, and that the Committee note:

- 1) that all approved indicators set out in the Treasury Management Strategy have been adhered to, noting the exception that the percentage of internal borrowing to CFR is 44%, which is outside of the range noted in the Strategy, but that this is a positive movement;
- 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 £22.25 per band D for 2021/22. This credit provides income to the Council to invest in its priority services.
- 3) As at the end of March 2022, the total external general fund debt was £196m, which reduces to £72m after taking into account cash balances (net indebtedness).
- 4) the Council's realisable asset value of approximately £443m, of which its commercial assets are estimated at approximately £249m.

## **22. ANNUAL GOVERNANCE STATEMENT 2021/22**

Andrew Moulton, Assistant Director Governance, presented the Annual Governance Statement 2021/22.

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

- All local authorities were required to produce an Annual Governance Statement to sit alongside the Statement of Accounts.
- It had been concluded that a good system of control was in place.
- The Statement detailed the seven core principles of the Council's Local Code of Corporate Governance which was based on the CIPFA/Solace model of good practice around corporate governance in local authorities
- The Annual Governance Statement had been based on best practice.
- Andrew Moulton took the Committee through the different sections of the Statement.
- Section 3 Review of Effectiveness detailed some of the different assurance mechanisms used. Andrew Moulton requested that reference be made to the internal audit of Corporate Governance which took place in 2021/22 which gave a good level of assurance. This was agreed.
- Councillor Gee stated that she was pleased to see the clarification of the reporting lines around the Chief Audit Executive. She went on to question whether the Monitoring Officer continued to report to the Section 151 Officer and whether he should report directly to the Chief Executive. Andrew Moulton indicated that this had been previously considered and improvements had been put in place. The Statutory Officers met on a monthly basis to discuss governance matters.
- With regards to Section 6 Areas of Significant Changes, Councillor Harper suggested that reference to a minority Liberal Democrat administration be amended to reflect the existence of the Wokingham Borough Partnership. The Chair noted that the description of a Liberal Democrat administration was indeed accurate, however she requested that Andrew Moulton review the wording to ensure the political make up of the Council was fairly represented.
- Councillor Smith asked about the weight given to the issues detailed in Section 5 Governance Issues and Improvements. Andrew Moulton emphasised that they had not been ranked and described measures put in place over the past 12 months to make improvements.
- Members requested that the reference in Section 5 to cyber security, be strengthened.
- The Chair was pleased to note that there was a strong awareness of the Whistleblowing Policy within the Council. She questioned how the Fraud arrangements were being strengthened and how this would be communicated to staff. Andrew Moulton indicated that the Fraud Policies were being updated and would be presented to the Committee later in the year. Online training on fraud awareness was being developed for staff. The Internal Audit team was considering its Fraud Strategy and would present it to the Committee. Members were informed that the most recent Staff Survey had highlighted a good awareness amongst staff of the Whistleblowing Policy.

**RESOLVED:** That the draft Annual Governance Statement attached at Appendix A be recommended to the Leader and Chief Executive and subsequent publication with the 2021/22 Statement of Accounts, subject to the amendments discussed at the meeting.

### **23. FORWARD PROGRAMME 2022-23**

The Committee considered the forward programme.

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