



WOKINGHAM BOROUGH COUNCIL

Audit Committee Annual Report 2022/23

Foreword by Councillor Rachel Burgess - Chair of Audit Committee

I am delighted to introduce the annual report of the Audit Committee, summarising the contribution the committee made during the 2022/23 Municipal Year to the achievement of good governance, effective internal control and strong public financial management within the Council.

All Members of the committee bring a balanced, independent and objective approach to business of the committee. The committee is well supported by several officers who regularly attend meetings and offer their expertise, and I would like to thank both members and officers for their contributions this year.

The committee has provided robust challenge and meaningful review of the Council's arrangements for risk, governance and audit, and in particular has:

- Overseen the production of the Annual Governance Statement for 2021/22 and monitored the progress of improvement actions;
- Received and reviewed in detail assurance reports on the key aspects of the Council's internal control arrangements, including risk management, complaints governance and financial governance, providing robust challenge to our arrangements and monitoring for areas in need of improvement;
- Provided oversight to the Council's internal audit function, receiving the annual report and opinion alongside regular updates on progress against the internal audit plan, including follow up in relation to limited assurance reviews.
- Monitored progress of the Council's statutory accounts subject to completion of the external audit; and
- Received regular updates and formal reports from the Council's External Auditor.

The committee continues to work hard with officers to understand and strengthen governance arrangements across the Council, and to ensure that risks are escalated appropriately. During the year the committee has built upon the cycle of internal control approach to officer reporting introduced in the 20/21 municipal year, with a continued focus on ensuring that governance arrangements are robust and that there is appropriate democratic oversight.

The committee seeks to continually improve in its role. Following formal annual evaluation of the committee, a number of improvements have been introduced during the year 2022/23. These include the recruitment and subsequent appointment of an independent member of the committee, closer links and interaction between the committee Chair and the Head of Internal Audit and Investigation, a full revision of the committee's terms of reference in line with CIPFA best practice, and effective training of members, in particular with regard to risk management and the role of an effective audit committee. The appointment of a committee Chair who is not a member of the ruling party is also a positive step towards independence from politically-motivated discussion. Further improvements are planned for the forthcoming year as the committee continues to adopt a varied work programme,

receiving annual assurance reports to provide routine oversight of arrangements, but taking a flexible and agile approach, adapting to emerging issues and concerns.

Councillor Rachel Burgess

Chair Audit Committee

1. INTRODUCTION

This annual report to full council demonstrates the importance the Council places on the authority's governance arrangements. The Chartered Institute for Public Finance and Accountancy (CIPFA) describes the overall aim of good governance as:

“to ensure that resources are directed in accordance with agreed policy and according to priorities that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities”

CIPFA Delivering Good Governance in Local Government Framework 2016 Edition (the Good Governance Framework)

Good governance is ultimately the responsibility of Full Council as the governing body of Wokingham Borough Council. This report provides assurance as to the way in which the Audit Committee has discharged its role to support Full Council in this responsibility. In addition, the report underpins the Annual Governance Statement, whose production is overseen by the committee, and will be provided to all Members. In particular, the report on the work of the Council's Audit Committee demonstrates how the committee has:-

- Fulfilled its terms of reference;
- Complied with national guidance relating to local government audit committees; and
- Contributed to strengthening risk management, internal control and governance arrangements.

2. COMMITTEE INFORMATION

Role of Audit Committee

The audit committee is appointed by Council to support the discharge of its functions in relation to good governance by providing a high-level focus on audit, assurance and reporting. CIPFA defines the purpose of an audit committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit Committees – Practical Guidance for Local Authorities and Police (2018)

The Terms of Reference for the Audit Committee are reviewed regularly against current regulations, CIPFA position statement and guidance for audit committees and best practice in comparable authorities.

The latest review of the Committee's effectiveness took place in February 2023 resulting in proposed changes to the Committee's terms of reference which are included in the "Changes to the Constitution" found separately on the 23 March 2023 Council agenda.

The core functions of the committee, reflected in its Terms of Reference, are to:

- Consider the Council's arrangements relating to the Accounts;
- Consider the Council's arrangements relating to external audit requirements;
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance;
- Review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management);
- Consider the Council's arrangements relating to internal audit requirements.

Membership

The committee has seen a significant change in membership for the 2022/23 municipal year, with 6 elected members new to the committee (since 2021/22) along with the independent member appointed with effect from the September 2022 meeting. For the 2022/23 municipal year there were seven elected members and one non-voting independent member appointed to the committee:

- Councillor Rachel Burgess (Chair)
- Councillor Maria Gee (Vice Chair)
- Councillor David Davies
- Councillor Peter Harper
- Councillor John Kaiser
- Councillor Tahir Maher
- Councillor Mike Smith
- Mike Drake (Independent Member)

Independence of the committee

As a Council appointed committee, the Audit Committee is appointed in accordance with the requirements of political balance but, in line with CIPFA guidance and best practice, strives for political neutrality. Michael Drake was appointed in September 2022 as a non-voting Independent Member to the committee. The introduction of an independent member to the committee has enhanced the independence of the committee as it discharges its functions. In addition, the professional experience and knowledge of its independent member, give depth and insight to the robust challenge the committee provides in considering the assurances received.

Knowledge and Skills Framework

Members bring with them a range of knowledge and skills from their working life and elected representative roles to the work of the committee. The skills and knowledge of the committee are further complemented by those of the Independent Member, who has brought with him a wealth of knowledge and experience in an audit setting and applies this knowledge, skill and experience to Wokingham Borough Council. A programme of development has been undertaken during the year to ensure that new members of the committee have the necessary knowledge and skills to discharge the functions of the committee – this has included specific training in Risk Management (November 2022) and more general training from CIPFA on the role and functions of Audit Committees in December 2022.

Further e-briefings have been provided to the committee from, for example CIPFA, to ensure that all Members remain up to date and informed to enable fulfilment of the committee's role.

In addition the Chair attends meetings of the South East Regional Audit Forum, a body set up to share good practice and topical information with expert speakers.

The committee looks forward to participating in further development opportunities over the 2023/24 municipal year which will commence with an introductory session led by CIPFA on 25 May 2023.

Operation of the committee

The committee has met on six occasions during the year with meeting dates structured around the receipt of annual assurance reports, external and internal audit reporting cycles, and the statutory requirements for production of the Accounts and Annual Governance Statement. This frequency of meetings ensures the committee can fulfil its responsibilities in an efficient and effective way.

Following the easing of social distancing restrictions, arrangements were made to return to a full programme of in person meetings in the 2022/23 municipal year. Live streamed webcasts of each meeting allowed members of the press and public to continue accessing meetings remotely.

The committee is supported by several officers who attend regularly and bring expertise in relation to finance, corporate governance, internal audit, legal compliance, and risk management. In addition, during the year the Committee has been attended by the Chief Executive, Deputy Chief Executive (and Chief Finance Officer), and various directors from the Corporate Leadership Team.

The work undertaken by the committee to support their approval of the Annual Governance Statement and Accounts, and in furtherance of the core functions of audit committees identified by CIPFA, is summarised in this section. The Accounts and Annual Governance Statement Council has delegated to the committee the authority to approve the Council's Annual Governance Statement and the audited Statement of Accounts on behalf of the Council.

The committee considered the 2021/22 Annual Governance Statement in July 2022, and went on to monitor implementation of improvement actions at its November 2022 meeting. As part of its review, the committee considered the Local Code of Corporate Governance, reflecting the seven principles of good governance set out in CIPFA Good Governance Framework. The committee noted that a Corporate Governance Framework which articulates the arrangements in place to meet the principles and commitments set out in the Code, will be received together with an assurance map prior to approval of the Annual Governance Statement for 2022/23.

The committee has received regular updates through the year on the auditors' sign off of the 2020/21 Statement of Accounts. During consideration of the accounts the committee sought assurance from officers on matters including the Council's MRP (minimum revenue provision) method for paying debt and received confirmation that the method is recognised in statutory guidance and in line with other authorities. Members also sought and received assurance on changes to the accounting treatment of infrastructure assets.

External Audit

The committee plays a significant role in overseeing the Council's relationship with its external auditors, and takes an active role in reviewing the external audit plan, progress reports and annual report setting out the findings of the value for money review. Ernst & Young (EY) is the Council's current appointed auditor, and will continue to audit the 2022/23 accounts, after which the appointment will come to an end.

Following consideration of other options, the committee concluded that participation in the national audit appointment scheme for appointing the external auditor from 2023/24 would produce the best outcomes for the council. The Council accepted the invitation to opt in to the appointment scheme (in January 2022) and was notified in December 2022 that the appointed external auditors from 2023/24 would be KMPG.

During the year, the committee has received regular reports and verbal updates from the external auditor setting out progress against the external audit plan for the 2021/22 accounts.

Internal Control

The committee has responsibility for monitoring the effectiveness of the Council's system of internal control and management of corporate risks. Through robust consideration of annual assurance reports in relation to a wide range of internal controls the committee has obtained assurance that relevant systems and processes are documented and defined; clearly communicated; effectively embedded; meaningfully monitored; and reviewed and refined.

Internal Audit

The committee works closely with the internal audit function, both overseeing the independence and effectiveness of the service, and receiving assurance from the service as to the adequacy and effectiveness of the Council's internal control environment.

The committee has received and considered regular reports from the Head of Internal Audit and Investigation throughout the year providing updates on progress against the 2022/23 Internal Audit and Investigation Plan, together with information relating to the wider work of the Internal Audit section. The committee are advised of the outcomes of every internal audit review, with greater depth, and follow up reviews, provided in relation to reviews resulting in limited assurance (category 3 level of assurance).

During the course of the 2022/23 municipal year the committee has considered one review (to date) identifying limited assurance overall:

- Debtors

The committee also receives a wide range of assurance in relation to the soundness of the council's arrangements through the reporting of Internal Audit work in addition to the formal reviews undertaken, for example

- work to support the Council's Covid-19 and other support grant claims, providing assurance that internal controls are in place and good governance is adhered to.

In June 2022, the committee received and considered the Internal Audit & Investigation Annual Report and noted a satisfactory overall opinion for 2021/22. The committee was satisfied that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing – what about PSIAS. The committee reviewed and agreed the annual risk based audit plan for the 2022/23 year in March 2022.

LOOKING FORWARD

The committee will approve its work programme for the 2022/23 municipal year at its June 2023 meeting setting out the receipt of regular update reports and annual assurance reports. Through the continuing receipt of regular reports the Audit Committee will provide the usual level of robust challenge to corporate governance and audit practice and procedure across the authority to ensure that our arrangements are up to date and fit for purpose, communicated, embedded and routinely complied with.