

AUDIT AND PERFORMANCE REVIEW PANEL

TUESDAY, 9 APRIL 2019

PRESENT: Councillors Sayonara Luxton (Chairman), Adam Smith (Vice-Chairman), Malcolm Alexander, Derek Wilson, Edward Wilson and Paul Brimacombe

Also in attendance: John Gooding (Deloitte UK)

Officers: Louise Freeth, Nabihah Hassan-Farooq, Steve Mappley & Rob Stubbs

APOLOGIES

Apologies for absence were received from Councillor L Evans.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

RESOLVED UNANIMOUSLY; That The Part I minutes of the meeting held on 12th February 2019 were approved as a true and correct record.

RBWM - COUNCIL PLANNING REPORTS

Jonathan Gooding, Deloitte representative outlined the above titled item. It was outlined that there were two reports focussing on the Royal Borough of Windsor and Maidenhead Council and The Berkshire Pension Fund. The Panel were informed that the report provided an update and confirmed the planning approach as previously communicated at the 4th February meeting 2019. Members were informed that the overall scope of the audit for RBWM included the following significant audit; valuation of properties, capitalisation of expenditure and management override of controls. It was highlighted that the significant audit risks were identified as management override of controls, valuation of the longevity hedge and valuation of the convertible bond investments. The Panel were told that the report was now more focussed upon the significant audit risks and provided more detailed information than the previous report considered in February 2019. Members were reminded that the planning processes were still being progressed and that they would be informed of any changes throughout the audit should they occur.

Councillor E Wilson queried whether there was a remit for the Audit Performance and Review Panel to have oversight of the Berkshire Pension Fund Audit and felt that the documents should also be considered at the relevant pension committee. It was outlined that there was a need to look at the governance surrounding the statement of accounts but that the Berkshire Pension accounts should be considered as a discreet entity away from RBWM accounts. Rob Stubbs, Head of Finance states that the Berkshire Pension fund was an administrative body with RBWM employees and thus formed part of the overall report.

Councillor E Wilson highlighted that the Audit Performance and Review Panel should not be expected to give assurance to the relevant Pension Committee but that Members should be well aware of how to explain information to residents relating to the accounts. It was agreed that this item should be discussed at Corporate Overview & Scrutiny Panel moving forward as the Audit Performance and Review Panel would be amalgamated into this Panel.

Councillor Brimacombe highlighted the need for property valuations to be valued every five years and whether there were controls in place over property valuations and whether there

was any choice in the rolling programme to review before the five year period. It was noted that there was a rolling programme and that property valuations had not yet been audited. Rob Stubbs, Head of Finance highlighted that there was a rolling programme currently in place and that in the past academies' had been transferred and that the five year programme was currently in place with no interventions.

Members discussed the need for the programme to be at arm's length from Councillor input and involvement. Jonathan Gooding, stated that Deloitte currently looked at the five year cycle and that judgements were made around assumptions and useful economic life span of assets.

Councillor A Smith queried whether there had been any diversification of the Council's balance sheet. Councillor E Wilson agreed that that there was a complexity of assets which were incredibly difficult to value, for e.g. the Town Hall and that these complex assets should be kept under review. Councillor D Wilson commented that it was good to keep members at arm's length and that it would be good to have a document which listed the complex assets which included the number of properties which had been looked at within the five year period, with increased or decreased values. Councillor D Wilson also highlighted that that within the key risk report, whether the increased number of individuals threatened with homelessness had been identified as an area of concern. Steve Mappley confirmed that an exercise had been carried out and that the inclusion of those threatened with homelessness were at no greater risk and for this reason had been taken off of the risk register.

Councillor E Wilson questioned whether schools currently presented a risk to the authority and whether assets had now been moved off of the council's balance sheets and transferred to the relevant schools and academies'. It was confirmed that previously schools had been missed off the balance sheet and that they had not been identified as a significant risk but that it was an important area for review. Councillor E Wilson was concerned with the way in which some boroughs had transferred assets to schools and had seen the illegal siphoning of funds when assets had been separated into trusts and independent managed by schools with little or no controls from the Council. Rob Stubbs, Head of Finance confirmed that there had been a change to the accounts in 2016/17 with regards to academies' and that there was no current risk as there were little too few schools converting to academies' in the locality.

At the conclusion of the report and discussion, the Panel noted the comments of the report.

KEY RISK REPORT

Steve Mappley, Insurance and Risk Manager (RBWM), outlined the above titled report. Members were informed that the report set out how satisfactory risk management was current in place for RBWM as part of its governance arrangements. The report included key strategic risks and how they were monitored and managed and followed up on issues arising from the previous report considered at the meeting on the 20th September 2018 regarding governance as part of risk management which had been applied to large projects. The Panel were informed that that the report had been discussed with the Corporate Leadership Team (CLT) and that discussions surrounding Brexit had been had frequently. Members were told that operational and strategic risks were reviewed frequently. It was outlined that the reserve position now included a sensitivity analysis which develops the financial bandings from the established risk scoring criteria into three categories, There is then an officer confidence level between 0% and 100% applied to the resulting assessment.

Councillor E Wilson queried how often risks were being reviewed in line with Brexit negotiations and how the financial implications of the matters on the risk register fed into the council's reserves. He highlighted that as part of the budget report that he had raised the opaqueness of money held in reserves as part of the risk register with the Lead Member for Finance.

Steve Mappley commented that there was currently £11.7m placed in reserves. Rob Stubbs, Head of Finance outlined that one off items were not included in the base budget and that any

significant items or amounts would fall under reported figures for next year. It was also highlighted that monies from the Business Rate Retention Pilot and Bad Debt provision had been included. Councillor E Wilson expressed that any money held in reserves was not seen as tangible spending to residents and that Members should be able to explain the linkage to residents back to the budget sheet. Rob Stubbs stated that there was confidence within the CLT that they were prepared for Brexit and that Andy Jeffs, Executive Director (RBWM) and the Performance Manager were currently members on a Berkshire wide Panel with other local authorities and reported back often. Members were informed that funding of £105,000 (2018/19) was available for allocation and £105,000 for 2019/2020 had not been expended as of yet.

Councillor Alexander queried whether waste should be included on the risk register. Steve Mappley stated that the officer who had further insight to the WASTE 0001 entry within the report was not present at the meeting and that there has been an entry for waste within the report for several years.

Councillor Brimacombe stated that he felt the sensitivity analysis was very good and that this promoted dialogue and discussions. He queried whether there had been useful dialogue between senior and junior managers and whether this had been happening frequently. It was confirmed that there had been good discussions but that more were needed and that there was a level of granularity needed. Single value analysis for impact and likelihood has inherent limitations and such assessments ought to be treated with caution. It was reported that the confidence levels were working well and that there had been challenges with reduced proximity. Councillor Brimacombe noted that the sensitivity analysis should be dynamic and encourage proactive dialogue between managers and prompt dynamic reassessment where necessary. Steve Mappley confirmed that this was an area that required improvement.

Councillor A Smith commented that it would be more accessible to remove codes from the report and label as appropriate to provide greater transparency to the public. Steve Mappley confirmed that these codes were taken directly from reporting systems and that this was the quickest and most efficient way to create and collate reports. Nevertheless, future such reports to the relevant panel would address this. Councillor E Wilson stated that RBWM had become more focussed on performance management review and that there was a possibility that the Council had measured things that were beyond their role or scope. Members discussed terrorism as a risk that was monitored and it was confirmed that it was on the register and that it was an important area to discuss and remained high in the agenda. Members were informed that David Scott, Head of Communities, Enforcement and Partnerships would be bringing a paper to CLT later this month outlining the progress regarding business continuity arrangements in the event of a crisis.

Councillor E Wilson queried whether CLT had been looking and reviewing reporting mechanisms. Steve Mappley confirmed that over the last 9 months that there had been a higher engagement with risk/internal audit and that there had been more dialogue around risk. Members were informed that insurance was being reviewed.

RESOLVED UNANIMOUSLY; That the Audit and Performance Review Panel noted the report and endorsed the approach to managing risk.

RISK BASED VERIFICATION POLICY

Louise Freeth, Head of Revenues and Benefits (RBWM) outlined the above titled report. Members of the Panel were informed that the report outlined a change to the approach in which verifying claims for Housing benefit were made from an IT based approach to a paper based approach. The report also included the expansion of the use of Risk Based Verification to include changes of circumstances. The Panel were told that the Council must adhere to Housing Benefit legislation when processing new claims and in changes in circumstances for

customers, but that the legislation did not specify in detail the level of information and evidence required from a customer in order to support their claim.

Members were told that the legislation does require the council to have sufficient supporting evidence to allow for an accurate assessment of a customer's entitlement. The Panel were informed that in 2011 the Department of Work and Pensions had developed and approved a new approach to evidence requirements referred to as Risk Based Verification and that this applied differing levels of checks depending upon the likelihood of fraud associated with that particular claim. It was confirmed that the Royal Borough has approved this approach in September 2015 but that it was not compulsory to adopt this method of determining levels of evidence to support a claim. The Panel were told that the current cost of the Risk Based Verification software solution was £11,700 per annum and that the change from a software solution to a paper based solution would make a revenue budget saving of this amount. It was highlighted that the council had already been operating a Risk Based Verification approach to the assessment of Housing Benefit claims.

At the conclusion of the report, Councillor Alexander queried how long data was retained for. It was confirmed that there was no change to the way in which data was stored and that hard copies were kept for 6 months and that the software scanning system would be retained where documents were collated and stored electronically. Councillor Brimacombe queried when the anniversary of renewal for the software was due and it was confirmed that the software company had been put on notice in order to achieve savings in year.

Councillor E Wilson queried whether paper based controls were as robust and effective as electronic methods and it was confirmed that there were currently 6000 live housing benefit referrals and that there had been a steady decline since the introduction of Universal Credit. Members were informed that there was no definitive inflection point needed to re-introduce a system and that the majority of claims had been identified as low risk.

RESOLVED UNANIMOUSLY; That the Audit and Performance Review Panel noted the report and endorsed the change from utilising software for risk based verification to a paper based approach and the expansion to changes of circumstances.

The meeting, which began at 7pm , finished at 7.55pm.

CHAIRMAN.....

DATE.....