

CORPORATE OVERVIEW & SCRUTINY PANEL

TUESDAY, 30 JULY 2019

PRESENT: Councillors Lynne Jones, Julian Sharpe, Chris Targowski (Chair), Leo Walters and Simon Werner

Also in attendance: Councillor D Hilton & Jonathan Gooding (Deloitte)

Officers: Duncan Sharkey, Rob Stubbs, Elaine Brown, Karen Shepherd, Ruth Watkins, Catherine Hickman, Nabihah Hassan-Farooq.

APPOINTMENT OF THE VICE CHAIRMAN

The Chairman introduced the above titled item and asked for a proposal for vice Chairman. Councillor Sharpe proposed Councillor Walters and this was seconded by Councillor Targowski.

RESOLVED UNANIMOUSLY; That Councillor Walters be appointed as vice Chairman for the Corporate Overview & Scrutiny Panel for the municipal year 2019/2020.

APOLOGIES FOR ABSENCE

No apologies for absence were received.

DECLARATIONS OF INTEREST

None.

MINUTES OF THE LAST MEETING

RESOLVED UNANIMOUSLY; That the minutes of the last meeting held on the 13th June 2019 were approved as a correct and true record.

ANNUAL STATEMENT OF ACCOUNTS

The Chair introduced the item and informed members that this report would return to the next scheduled meeting.

Rob Stubbs, Deputy Director & Head of Finance (RBWM) outlined that the final audit was yet to be concluded. Members were informed that approval and publication were required to take place by no later than the 31st July in the relevant financial year or as soon as reasonably practicable after the receipt of the auditor's final findings. The Panel were told that the code on Local Authority guidelines was flexible and that all reasonable adjustments had been made by the Local Authority. Deloitte had been working upon meeting the deadline but there were several complications which had led to the delay in approving the final annual statement of accounts. Members were told that there had been a change in auditing partners and that RBWM had previously used KPMG but that this was the 1st year of five where Deloitte would be carrying out the full audit and producing the annual statement of accounts. It was highlighted that there were significant differences between KPMG and Deloitte which included an increase in working papers and level of detail required.

The Chair queried when the final statement would be ready and Jonathan Gooding (Deloitte) stated that it was difficult to assess as there were multiple factors involved with the delayed submission. It was highlighted that Deloitte's ambition had been to complete in early July and that mitigating measures had been put in place, such as placing a freeze on annual leave

entitlement for staff involved with the audit over June/July. Members were informed that the final accounts would be submitted beyond August and additional resources had been deployed for the audit. Members agreed that a placeholder date be found for the 1st two weeks of September in readiness to approve the accounts.

Councillor Werner queried what the contract was like with Deloitte and whether the authority would suffer any penalties as a result of the delayed submission. Councillor David Hilton (Lead Member for Finance and Ascot) addressed the panel and stated that Deloitte had not failed on their contractual obligations but that there were lessons to be learnt. It was highlighted that as KPMG had a long standing working relationship but that the ways in which Deloitte handled data was more intensive and required more time for formatting. It was highlighted that Deloitte had delivered upon the expectations as outlined in the Audit Plan. Members agreed that greater planning in detail was needed and that conversations with Deloitte should be had with respect to future actions and expectations.

Councillor Walters commented that no catastrophic mistakes had been made and that the authority would not be penalised for the delayed submission. Councillor Werner queried whether mistakes had been made and it was confirmed that there had been a number of factors including senior staff illness absence which had contributed to the delay in submission of the final statement. Rob Stubbs highlighted that the audit was intensive and would prove to be more thorough than last years accounts and there was confidence that the information and detail provided would be more robust.

ACTION- Seek additional date for special Corporate Overview & Scrutiny Panel for September.

RESOLVED UNANIMOUSLY; That the Corporate Overview and Scrutiny Panel noted the report and agreed to hold a special meeting once the audit had been concluded.

ANNUAL GOVERNANCE STATEMENT

Elaine Browne, Head of Law & Governance (RBWM) outlined the above titled item. Members were informed that the annual review of the Council's governance framework was required under the Accounts and Audit regulations 2015 required a sound system of internal control. It was outlined that the AGS was required to demonstrate that systems and processes were in place to ensure that Council business was conducted lawfully and in accordance with proper standards. The AGS process was intended to demonstrate that public money was safeguarded, properly accounted for and used economically, efficiently and effectively. It was recommended that this report be fully considered at the special meeting to be arranged for September.

ACTION- That the Annual Governance Statement be added as an agenda item for the special meeting of the Corporate Overview & Scrutiny Panel in September.

Councillor Targowski queried whether the Corporate Governance issues reported in appendix 2 had been properly considered and whether further scrutiny in areas such as budget pressures, health and safety, GDPR compliance and the business continuity plan should be looked at in more detail. Members agreed that a short report be provided in relation to the emerging corporate governance issues as identified within the AGS.

ACTION- That Elaine Brown provide a progress report on the corporate governance issues identified within the Annual Governance statement at the next special meeting.

Opposition members expressed their concerns in relation to speaking rights at Cabinet and felt that they did not have opportunity to have their questions answered when in attendance. Councillor Hilton addressed the panel and advised that he would speak with the Leader of the Council to address these concerns.

RESOLVED UNANIMOUSLY; That the Annual Governance Statement report be deferred and further scrutiny of the report be considered at the special meeting in September.

ANNUAL AUDIT AND INVESTIGATION REPORT

Catherine Hickman, Lead Specialist, Audit and Investigation outlined the above titled item. Members of the Panel were informed that the proper practices for internal audit were defined in the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) and required the Chief Audit Executive, Assistant Director, Governance (Wokingham Borough Council), to deliver an annual internal audit opinion on the Council's internal control, governance and risk management framework and a report that would be used by the organisation to inform its Annual Governance Statement (AGS). Members were reminded that this report compliments the 2018/19 Interim Audit and Investigation Progress report that had been considered by the previous Audit Performance and Review Panel (now disbanded and amalgamated into Corporate Overview & Scrutiny Panel) in February 2019, which outlined the first 9 months of work (to December 2018). At the time of this report, there were five audit areas that had fallen into a lower category of audit report opinion, a summary of which is contained within this report. Follow up work has been programmed to be undertaken in each of the areas as part of the 2019/20 Audit and Investigation Plan to ensure that concerns were being addressed by management and the outcome of this work would be reported to a subsequent meeting of this Panel.

It was highlighted that work in corporate investigations in 2018/19 had proved to be successful, with total financial losses identified of £344,756 (of which £269,907 related specifically to Business Rates relief/exemptions investigations) Work of corporate investigations during the year concentrated on the following areas:

- Business rates/relief exemption
- Council Tax Reduction Scheme (CTRS)
- Council Tax discount/exemption
- School investigation

In respect of a School investigation, from a potential loss to official funds of £25,598, £19,299 was identified as part of the investigation and a further £8,185 was repaid to the School.

It was highlighted that there were no investigations undertaken during 2018/19 that required authorisation under the Regulation of Investigatory Powers Act (RIPA). In addition, refresher training was provided in May 2019 for key RIPA officers.

At the conclusion of the report, Councillor Walters queried whether £344,756 was a good recoverable amount for the local authority. Catherine Hickman outlined that this was a new field of proactive work and that the results achieved in the year were good.. Councillor Sharpe queried how RBWM ranked compared with other neighbouring local authorities in this investigative work and it was confirmed that there were differing approaches taken across local authorities in relation to corporate investigation work and areas covered and this Council were committed to resource this work and it has proved lucrative for the Royal Borough with the highlighting of recoverable financial losses and monies recovered from misadministration. Rob Stubbs highlighted that the Audit and Investigation team were integral to the ongoing good work.

RESOLVED UNANIMOUSLY; That the Corporate Overview & Scrutiny Panel noted the report summarising:-

- i) **The Shared Audit and Investigation Service activity for the financial year end 31st March 2019**
- ii) **Progress in achieving the 2018/19 Audit and Investigation Plan.**

EXTERNAL AUDIT- DRAFT IAS260 REPORT

Jonathan Gooding, Partner- Audit and Assurance; Deloitte outlined the above titled report. Members were informed that the audit was ongoing and whilst significant amount of audit work had been performed but that the final completed audit would surpass the 31st July 2019 deadline. Members were told that progress of the pensions audit was overall good. Third party communications had been worked on and currently work streams relating to specialist valuations and bonds was being undertaken. Progress updates on the audit plan included significant risks, which comprised of management override of controls and capital expenditure. The Panel were told that data extraction included all transactions from the general ledger and that these would be reconciled. Deloitte employed a data analytics platform which highlighted fraud through transactions. The platform provided evidence whilst looking at transactions to negate fraud. It was noted that there had been no highlighted or visible issues with the ongoing work in capitalised expenditure.

Members were told that the Council participates in the fund it administers, the Berkshire Pension Fund. It was highlighted that the Council's pension liability was affected by the recent legal case; McCloud in respect of potential discrimination in the implementation of transitional protections following changes in the public sector. It was highlighted that there was a need for assumptions to be amended and that this had been tested by the selected actuary. There were two international standards being published over the upcoming months and it was confirmed that this would have little to no impact on RBWM. There had been various strengths highlighted with financial reporting measures. It was highlighted that value for money arrangements were in progress with no significant identified weaknesses.

At the conclusion of the report, Councillor Targowski queried if there were any current pressures that would negate the audit being completed. It was stated that there were no obvious concerns but that working collaborations and willingness to adjust had been working well, but that confirmation could not be given at this stage. Councillor Walters queried whether Deloitte had an independent valuation partner and it was confirmed that they did but that they remained impartial and independent of the organisation. Councillor Jones queried whether the narrative report had been updated and it was confirmed that the narrative report had been amended and would be discussed with the team and further amendments would be made if needed with relation to non-financial KPIs. Duncan Sharkey, Managing Director (RBWM), outlined that the Council had selected key identifiable indicators and these had limited flexibility. It was noted that more context would be added to improve performance monitoring and that proxy measures showed the general direction of travel of Council performance for its respective service areas. Councillor Sharpe queried how the authority compared nationally and it was confirmed that a high number of local authorities did not have a good quality annual report and that strengthening was needed to identify clear opportunities and KPIs.

ACTION- That the final IAS260 report return to the special meeting of the Corporate Overview & Scrutiny in September for consideration and agreement.

ANNUAL PERFORMANCE REPORT

Duncan Sharkey, Managing Director(RBWM) outlined the above titled item. The Annual Performance Report 2018/19 summarises the annual performance for the 25 measures aligned to the strategic objectives in the Council Plan 2017-2021. It was highlighted that in total, 16 of the 25 measures had met or exceed target. Seven measures had fallen short of their respective targets but remained within tolerance and two measures had fallen below target and required improvement. The report set out commentary on performance and remedial action for those measures which had fallen short of target. The measures which needed improvement were as follows:

- Percentage of children with a review at 2-2.5 years of age
- Performance of the Tivoli contract

It was noted that various measures had been put in place to improve performance in these areas which included children in areas of deprivation to be seen and review and that further work would be carried out upon voluntary reviews. It was highlighted that nationally there were difficulties in this area of work with residents and that these figures varied nationally. Next steps included looking at best practice and focusing on residents who were engaged with services and needed further support.

At the conclusion of the report, Councillor Jones queried whether geographical locations were a barrier to accessing support. It was confirmed that there may be some linkages to geographic locations but that the main settings were nursery based and not in one central location. Duncan Sharkey outlined that Hilary Hall, Deputy Director Strategy and Commissioning had spoken with Tivoli and had advised that they would be placed on significant notice if performance did not improve. Members were informed that positive improvements had taken place since those conversations and new software had been implemented, personnel changes had occurred and there was confidence that there would be better performance moving forward.

Councillor Targowski commented that it was difficult to see how a difference was being made through performance measures as there was no context provided. It was confirmed that as part of future work that this would be included in performance reports moving forward. Members discussed that more detailed information relating to sample numbers vs % were needed and it was agreed that this would also be included moving forward. Councillor Werner queried whether targets should be evaluated. It was confirmed that the targets set were reasonable and that the measures and targets were set as a result of a number of considered factors. Councillor Sharpe stated that efforts should be focussed on the impact to residents and their customer journey with the Council. Members discussed that this could be a possible task and finish group item for further consideration and would return to this at a later meeting.

RESOLVED UNANIMOUSLY; That the Corporate Overview & Scrutiny Panel noted the report.

SCRUTINY TOPICS AS SUGGESTED BY RESIDENTS

Nabihah Hassan-Farooq, Scrutiny Officer outlined the above titled item. Members were informed that work with the communications team had been carried out and that there was now a live form for residents to submit their scrutiny topic for consideration and assessment. It was outlined that when the forms were received that they were assessed against a criteria which was available on the RBWM website. The Panel were told that there had been a good number of comments and good engagement from residents on recent Facebook posts and Twitter feeds. It was also highlighted that an article had been produced and published in the most recent In and Around the Royal Borough resident newsletter. Members were told that three topics had been received and that they were currently being assessed and that residents would be informed as to whether they had been accepted for onward submission to the relevant Overview & Scrutiny Panel.

At the conclusion of the update, members noted the update.

WORK PROGRAMME

Nabihah Hassan-Farooq, Scrutiny Officer (RBWM) outlined that the work programme as above.

Members requested that a special meeting be arranged for the start of September and to include:

- Annual Governance Statement (final),
- Annual Statement of Accounts (final);

- External Audit IAS260 report (final),
- LGA Peer Review Recommendations

Members also requested an extra meeting to be scheduled for October/November.

Task and Finish Groups:

Members discussed a need to focus on the customer journey for residents and to look at the way in which each service performs.

Members also discussed the need for a separate task and finish group to focus on contracts and procurement process. This group would look at ways to review and monitor existing and new contract performance. It was agreed that this working group would have a particular focus on highways and to provide a visible audit of these contracts.

DATES OF FUTURE MEETINGS

Dates of future meetings were confirmed as follows:

- Special meeting to be scheduled- September (Date and Venue -TBC)
- Additional Meeting- October/November (Date and Venue- TBC)
- 25th September 2019, 6.30pm- Council Chamber, Town Hall, Maidenhead
- 4th February 2020, 6.30pm, Council Chamber, Town Hall, Maidenhead
- 22nd April 2020, 6.30pm, Council Chamber, Town Hall, Maidenhead

The meeting, which began at 6.30pm, finished at 20.04pm

CHAIRMAN.....

DATE.....