

## AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 17 FEBRUARY 2022

**PRESENT:** Councillors Christine Bateson (Chairman), Lynne Jones (Vice-Chairman), Julian Sharpe, Gurpreet Bhangra and Simon Bond

Also in attendance: Councillor David Hilton, Councillor John Baldwin, Councillor Andrew Johnson, Councillor Gurch Singh, Jonathan Gooding (Deloitte), Benjamin Sheriff (Deloitte), David Hill (SWAP) and Lisa Fryer (SWAP)

Officers: Mark Beeley, Laurence Ellis, Emma Duncan, Adele Taylor, Andrew Vallance and Karen Shepherd

### APOLOGIES FOR ABSENCE

There were no apologies for absence received.

### DECLARATIONS OF INTEREST

The Chairman declared a personal interest as she was a council representative on trusts that were part of the Council Trusts report. These trusts included:

- Charters School Community Recreation Centre Trust
- Sunninghill Parochial Charities

Councillor Bhangra declared a personal interest as Norden Farm was mentioned in the Council Trusts report. The organisation was located in his ward but he did not have any financial interest.

### MINUTES

**RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 21<sup>st</sup> October 2021 were approved as a true and accurate record.**

Councillor Bond noted an action point from the last meeting, where he had asked if it was possible for the Committee to see the letters of objections which had been made against the accounts. Jonathan Gooding had taken the question away from the meeting to confirm the answer.

Jonathan Gooding, Deloitte, said that he was waiting to hear from Public Sector Audit Appointments Limited. There was a question around the anonymity of the objectors but Deloitte would submit a final report to the Committee with a summary of what the objections were and how Deloitte had responded to them.

### COUNCIL TRUSTS

Karen Shepherd, Head of Governance, explained that the annual report on council trusts was previously submitted for consideration by the Corporate Overview and Scrutiny Panel but this was now under the governance remit of the Audit and Governance Committee. The report comprised of a short covering page, the first spreadsheet listed those charitable trusts where Cabinet acted as trustees on behalf of the Council and therefore the council also administered the trust. The second spreadsheet related to trusts where the council appointed one or more trustees from its membership or in a few instances, a non-Councillor representative. For both

spreadsheets, where the council undertook an administrative role, the annual accounts were also provided. Any details of returns of annual accounts to the Charity Commission were also detailed for each trust.

Each council-appointed trustee had been individually contacted to give them the opportunity to provide feedback on the trust, in particular any issues of concern about the way the trust was being administered. The report showed that few issues had been raised as a concern. Democratic Services collated the information contained in the report but a number of other officers acted as the lead officer for some specific trusts. If any questions from the Committee could not be answered because of this, a written answer would be provided after the meeting.

Additional information had also been included in the report in relation to the Working Boys Club and the Kidwells Park Trust, which Members of the Corporate Overview and Scrutiny Panel had raised concerns about at the time of the previous report. The Head of Communities had confirmed that the Trustees, the Cabinet Members, were updated on the status of the two investment portfolios used by these two charities in November 2021. The Trustees noted the background and changes reported as an update, and the improved situation. The Trustees were advised that the two investment funds had recovered and were now back at values in excess of the values when the concerns about the losses in fund values were previously flagged by the Overview and Scrutiny Panel. The Trustees were satisfied that the two investment funds being used were a solid and appropriate investment base for the respective charities. No further action was identified at this stage by the Trustees.

Councillor Bond asked what the total overall value of the non-property trusts was, how they were managed and how effective it was. This would include whether it was under a digressionary management agreement or an individual investment project. Investment management was in relatively small pots and Councillor Bond suggested that there could be a better way of managing them.

Adele Taylor, Executive Director of Resources, said for the trusts the treasury management team at RBWM administered, the Head of Finance would be able to provide a further written response to the Committee after the meeting.

**ACTION – Andrew Vallance to provide a written response to the Committee in relation to the issues raised by Councillor Bond.**

Councillor L Jones commented on the Flood Relief Fund and that there was a conclusion in the annual report accompanying the accounts that communities downstream of the Jubilee River were not adversely affected. In the 2014 floods, the Jubilee River had been opened overnight and two properties downstream had flooded, Councillor L Jones was not sure that this conclusion should be there as she did not feel it was correct. She suggested that this could be passed back to the Flood Relief Fund.

Karen Shepherd confirmed that she would relay the comments from Councillor L Jones back to the trustees.

**ACTION – Karen Shepherd to relay comments from Councillor L Jones on the conclusion of the annual report for the Flood Relief Fund to the trustees.**

Councillor Sharpe said that the charities were independent in their own right. He noted that the council treasury management team was responsible for administering a number of the trusts, but if they were to be merged this could cause issues on how the charities were able to spend the money.

Adele Taylor said that the discussion had been about merging the funds rather the charities themselves, officers would look to provide a detailed answer on the management of funds.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report on Council Trusts.**

## ANNUAL GOVERNANCE STATEMENT PROGRESS REPORT

Emma Duncan, Monitoring Officer and Deputy Director of Law and Strategy, said that the report showed the progress made on the action plan. The Committee had approved the action plan when it was presented as part of the Annual Governance Statement in July 2021. The action plan was divided into a number of key areas where governance risk and resilience were assessed, with the key points being:

- A continued focus on ethical values, integrity and respecting the rule of law to include continuing work on the new Code of Conduct, workshop sessions for Members on the wider governance framework, a review of the Member/Officer Protocol and revisiting our procurement processes.
- Strengthening the strategic framework with a new outcomes based Corporate Plan emanating from a robust evidence base and consultation and engagement with our residents and communities, with enhanced reporting and tracking capability.
- Managing risks and performance more effectively with a review of our risk assessment framework, a new performance management system and implementing the Property Company Governance Action Plan.
- Reinforcing our Overview and Scrutiny function to give better oversight on key strategic priorities.
- Building up the Council's links with residents, communities, and businesses through a new approach to engagement to deliver better outcomes.

Emma Duncan said that all Members had now been trained on the code of conduct and the recent Corporate Peer Review would contain some recommendations on how scrutiny could be improved. A significant amount of work had been done on the Corporate Plan and the new performance monitoring framework, which would allow outcomes from the Corporate Plan to be assessed. In leadership, there was a new people strategy and leadership development programme being created. Most actions were now complete, where actions were not complete there was an explanation which provided an update on the action. A report on procurement had recently been considered by Cabinet and a recommendation would be coming to the Committee on this.

Councillor L Jones asked how the success of the action plan could be monitored, particularly after any outstanding actions had been completed. She felt that there was not the required level of resource behind the overview and scrutiny function for it to be effective.

Emma Duncan responded by explaining that the framework showed a selection of behaviours. Members had done a survey on scrutiny and officer relationships and it was important that a culture of good governance was created. Key areas for improvement would be identified so that changes could be made to the scrutiny process. There was a six month check from the Local Government Association which would also highlight and review progress that had been made. On overview and scrutiny, Emma Duncan said that this would be picked up in the Corporate Peer Review and resource was something that would need to be considered. The next update on the action plan would be in July 2022, where it would be outlined how many actions had been completed and if anything needed to be taken forward for the following years Annual Governance Statement.

Councillor Sharpe asked if RBWM would know how it was doing compared to other local authorities, particularly as the Local Government Association was involved with the process.

Emma Duncan said that self-assessment was important, RBWM was at the start of its journey. The council did not have large scale teams and needed to be supported by cultural changes. Members needed to be on board and supportive of changes to the scrutiny function for them to work.

Councillor Sharpe commented on the potential for new councillors to be elected in 2023 and that this could cause issues in continuing the good work that had already taken place.

Emma Duncan said that change was always a risk, she looked to engage with Members throughout the year to ensure that all understood the governance framework.

The Chairman asked if there was communication with other Berkshire local authorities.

Emma Duncan explained that there was a Berkshire Monitoring Officer group where good practise was shared along with other engagements and networking on a national level.

Adele Taylor said that the governance framework outlined how RBWM did things, the framework was supported by statutory officers, internal and external auditors. Members could identify risks and bring them to the attention of officers. There was a link between the Annual Governance Statement and the Statement of Accounts and this was why they were considered by the Committee at the same time.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report identifying any specific matters which should be brought to the attention of Council or Cabinet.**

### UPDATE ON THE STATEMENT OF ACCOUNTS

Jonathan Gooding updated the Committee on the accounts and explained that the 2019/20 accounts were almost complete and that there was very little left to finish. The key element which had taken time was the investigation of the objections, 22 objections had been made of which 6 had been taken forward as formal objections to the accounts. This was a relatively high number nationally compared to other local authorities. The last stage of the process was for Deloitte to share its final conclusion letter with the Public Sector Audit Appointments Limited Company, who would review the letters sent to objectors and provide comments. It was hoped these letters and comments would be shared with objectors next week. Once Deloitte had finalised the accounts, they would be in a position to be signed off. It was anticipated that the 2019/20 accounts would be completed by the end of March 2022.

Considering the 2020/21 accounts, Jonathan Gooding said that there was more work to be done but the accounts were well progressed. There had been a number of potential objections which needed to be worked through, it was anticipated that this review would be done in March and April. Additional resources could be allocated to these accounts in July and August, with a view for the accounts potentially being completed by the end of August. Deloitte would then move on to the 2021/22 accounts, which had a deadline of November 2022. Deloitte had an aim to complete the audit by this deadline.

Councillor L Jones commented on a statement made in the report, that two factors had been identified by Deloitte during their audit work. She asked what impact these factors would have on the completion of the accounts.

Andrew Vallance, Head of Finance, said that the main change was that the statement had been split, so that the authority only statement was now separate to the group statements. Associates had been classified as joint ventures.

Adele Taylor said that if changes were made, the accounts would be updated. The accounts remained open for a short period of time for these changes to be made.

Jonathan Gooding said that expectations could change over time, Deloitte revisited its work to ensure that best practise was up to date.

Councillor Johnson joined the meeting.

Councillor L Jones commented on the council's 'historic presentation of other operating income and expenditure' and asked if it was revenue expenditure from capital and that this had been moved to cost of services. Councillor L Jones said that she would take this offline to understand this further.

Adele Taylor said at the point of accounts being resigned, officers would explain where any changes had happened and why they had happened.

Councillor Bhangra asked what was classed as a formal objection.

Jonathan Gooding explained that the National Audit Office produced guidance on the criteria for an eligible objection. Deloitte often received communication from the public but an objection had to meet certain criteria for it to be taken forward. Examples included that the member of the public was a resident of the borough, whether the objection related to something in the public interest and whether it related to something in the accounts that could be investigated.

The Chairman asked about the cost of the audit and requested that further information was shared with the Committee.

Councillor L Jones said that this figure would be useful to have for the next Committee meeting in May.

Jonathan Gooding expected that the final report would include the cost of the work incurred by Deloitte, which outlined the hours of work, at a specified rate and also included any additional legal work.

Adele Taylor added that RBWM officer time could also be included, which would be an estimation of the amount of work spent on the accounts.

Councillor Hilton, Cabinet Member for Finance and Ascot, asked for clarification on if Jonathan Gooding had said that hundreds of councils across the country had received objections to their own accounts.

Jonathan Gooding clarified that of all the local authorities across the country, there was a relatively small number of objections.

Councillor Hilton additionally asked if Deloitte would provide any comments or analysis of the objections which had been made.

Jonathan Gooding said that in the final report the objections would be summarised along with the findings from those objections.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the update report from Deloitte on the progress of the accounts for 2019/20, 2020/21 and 2021/22.**

## **APPOINTMENT OF LOCAL EXTERNAL AUDITORS**

Andrew Vallance said that the contract with Deloitte would be ending in 2022/23. RBWM could either opt into the Public Sector Auditor Appointments (PSAA) scheme or do it alone. In 2017, only one council opted out of the scheme. RBWM would have to choose from an approved list of external auditors regardless and it would take longer to complete this process if the council was not part of the scheme. The recommendation was to remain part of the PSAA and would hopefully allow all the Berkshire local authorities to use the same auditors, which would help support the Berkshire Pension Fund audit, which was administered by RBWM. A decision

needed to be made by 11<sup>th</sup> March 2022, with a recommendation being submitted by the Committee for consideration by Full Council at the end of the month.

Adele Taylor clarified that the date of Full Council in the recommendation should read 22<sup>nd</sup> February 2022 rather than 24<sup>th</sup> February 2021 as had been stated in the original report.

Councillor Sharpe said that this seemed like an obvious decision and that it was the sensible thing for the council to do.

Councillor Bhangra agreed that this was the right thing to do.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and recommended to Council at its meeting on 22<sup>nd</sup> February 2022 that RBWM remained part of the PSAA collective procurement arrangement to appoint an External Auditor from the 2023/24 financial year on the grounds that this approach was most likely to achieve best value in a restricted market and avoided the need and cost of the Council itself undertaking a complex and time consuming procurement process.**

### SWAP INTRODUCTION

David Hill and Lisa Fryer, from South West Audit Partnership (SWAP), had attended the meeting to provide a presentation to the Committee as a way of introduction and to explain how SWAP worked. Areas that the presentation covered included:

- SWAP company overview
- Governance arrangements
- Mission and vision
- Strategic objectives
- What would change with SWAP and what the future of internal audit could look like
- The audit opinions and recommendations that SWAP would give RBWM
- One page reporting
- Adding value – both with resources and training

Councillor Sharpe asked what ‘disruptive technologies’ would be implemented by SWAP, as had been mentioned in the presentation.

David Hill said that there were two ways of dealing with data and decisions had to be made around the data that had been presented. A new analyser tool would be coming in, SWAP were happy to show the Committee the tools that were used at a future meeting.

Adele Taylor added that the disruptive technology would be used by SWAP as part of their role and how they operated. Anything that RBWM could learn as part of the process would be taken on board. She was supportive of one-page dashboards.

Councillor Bhangra asked how long SWAP had been around for.

David Hill informed Councillor Bhangra that SWAP had been established in 2005, with two Somerset councils joining initially. The organisation had grown significantly since then and now had around 80 staff and a good number of councils which it worked with.

Councillor L Jones said that she welcomed one-page reports from internal audit, dense reports did not give Committee Members the information that they needed. This would give the Committee a much better overview of where the issues were.

Councillor Hilton commented on the training and said that this was good to see. He asked what the relationship with the external auditors would be like.

David Hill said that SWAP had traditionally had a good relationship with external auditors but over the past few years this had changed. Through various reviews, it was encouraged to get this relationship back again and this would be something that SWAP would be looking to implement at RBWM.

Councillor L Jones said SWAP would be in post from 1<sup>st</sup> April 2022, she asked if there would be a priority list submitted to the auditors from the Executive Director of Resources.

Adele Taylor responded and said that the next item on the agenda was the Q1 internal audit plan which had been agreed between officers and SWAP and outlined the priority areas. This only covered Q1 as SWAP were not yet in post.

Councillor L Jones asked if it would therefore be a mix of priorities from officers and the internal auditors.

Adele Taylor confirmed that this was correct and said that the Committee would be part of the internal audit plans going forward.

The Chairman said that the Committee Members would like training and suggested that it would be good to have two sessions a year.

Councillor L Jones said that SWAP needed to understand RBWM before training could be provided.

David Hill said that training could be provided at any point, SWAP could then look to make it applicable for the Committee.

Adele Taylor said that training was something that officers had already agreed to look at for Committee Members and this would be part of a proposed suite of training.

### INTERNAL AUDIT PLAN 2022/23

Lisa Fryer said that the plan outlined the proposed areas of activity for Q1. There was a risk-based approach which would focus on key areas of the organisation. SWAP could now build up its knowledge of RBWM, engagement with senior management was planned and meetings on audit management would take place with senior officers across the council. A joint discussion could then be had to determine which priorities would be part of the internal audit plan. Once this had been completed, SWAP would be able to provide more detail at the next Committee meeting and hoped to provide a plan for the first half of the financial year. There would be a high-level review in Q1 on policy, controls, monitoring and reporting. An ICT governance review was also planned to highlight broad areas of assurance and if any weaknesses were found then audit work could be planned. SWAP had met with the current internal auditors at Wokingham Borough Council, so that significant areas could be quickly picked up.

Councillor Sharpe said it sounded like a system of self-auditing would be set up and processes could be followed, like a risk reduction framework.

Lisa Fryer said that all work done was a joint approach with the council. There was a risk-based approach which would show the priorities of internal audit.

Councillor Sharpe asked which areas SWAP had found at other local authorities where it was able to add most value.

Lisa Fryer said it was hard to generalise, the health organisation review was particularly powerful which provided assurance and fed directly into the Annual Governance Statement.

David Hill said that SWAP looked to stop doing the audit when it could no longer add value. A good relationship was essential between internal audit and senior officers.

Councillor Bond said that under fraud in the report, a 'corporate view of fraud maturity' was mentioned. He asked what maturity meant in this context.

Lisa Fryer said that a framework of counter fraud was investigated in the organisation and how robust and well implemented this framework was.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and approved the Internal Audit Plan for 2022/23 Quarter 1, April to June 2022.**

### WORK PROGRAMME

Mark Beeley, Democratic Services Officer, explained that the schedule of meetings for the next municipal year had been included on the work programme. An updated version of the work programme would be ready for the May meeting, as after the update from Deloitte during the meeting there was a better idea of the timeframe for the accounts to be considered by the Committee.

Adele Taylor said that following the section 5 report which had been considered by Cabinet, there was a recommendation that items in the report were considered by the Committee. She suggested that this would be added to the agenda for the next meeting in May.

Councillor Bond asked if there would be an opportunity for the Committee to consider the financial planning and management section of the Corporate Peer Review.

Adele Taylor said that this could be considered by the Committee once the final report and action plan had been published. There would be a role for both the Audit and Governance Committee and the Corporate Overview and Scrutiny Panel once the findings of the review had been published.

The meeting, which began at 7.00 pm, finished at 8.40 pm

CHAIRMAN.....

DATE.....