

AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 19 MAY 2022

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

Also in attendance: Councillor David Hilton, Councillor Ewan Larcombe, Councillor Helen Price, Lisa Fryer (SWAP), Jonathan Gooding (Deloitte) and Ben Sheriff (Deloitte)

Officers: Mark Beeley, Adele Taylor, Andrew Vallance, Steve Mappley, Emma Duncan, Elaine Browne, Lyn Hichinson, Andrew Durrant and Alysse Strachan

APOLOGIES FOR ABSENCE

There were no apologies for absence received.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes from meeting held on 17th February 2022 were approved as a true and accurate record.

Councillor Bond asked if the action around Andrew Vallance providing additional information for some of the questions that he asked at the meeting could be completed.

Andrew Vallance confirmed that he was happy to do this.

UPDATE ON THE STATEMENT OF ACCOUNTS

Jonathan Gooding, Deloitte, provided an update on the 2019/20 accounts and the audit of the pension fund. Work was largely complete with objections having been completed and Deloitte had issued their letters to the objectors. There was a key point around infrastructure assets and there was a nationwide issue around infrastructure accounting. CIPFA were currently investigating the issue, with the consultation expected to conclude in June. Deloitte were discussing with the RBWM finance team how to best deal with the change in guidance. Subject to the infrastructure matter being resolved, the 2019/20 accounts would be completed shortly.

For 2020/21, the pension fund audit was largely complete with the plan being to complete the full audit by the end of August. On the authority audit, there was still some outstanding work to complete. Deloitte were aiming to complete the 2021/22 audit by the deadline of November.

Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance and Ascot, asked for clarification that the 2019/20 audit was concluded other than how Deloitte would manage asset values.

Jonathan Gooding confirmed that was correct.

Councillor L Jones asked what the timescale was for the infrastructure issue to be resolved and if Deloitte were reliant on another organisation to solve the issue.

Jonathan Gooding explained that the timetable for CIPFA was outside of Deloitte's control. The consultation was due to be concluded in June, Jonathan Gooding was hopeful that the new guidance would be available towards the end of June. Deloitte had to consider whether it was appropriate to conclude before that changing guidance had been issued. RBWM had been providing additional information in this area.

Councillor L Jones said that she was aware of a number of local authorities that had already concluded their 2019/20 accounts. She asked why RBWM needed to wait until the new guidance was issued, why could they not conclude the accounts now and then apply the new guidance going forward.

Jonathan Gooding said that this was a sector wide issue, there was concern about the variable amount of infrastructure assets on the balance sheet nationally and whether disposals were being correctly recorded. CIPFA were working on a change to the guidance to solve the issue and this could change the auditors opinion of the accounts, which was why it was important that the accounts were not concluded too early.

Adele Taylor, Executive Director of Resources, said that it applied to any set of accounts that were still open. Officers did not want to duplicate work on the accounts and the guidance would also have an impact on the 2020/21 and 2021/22 accounts. The infrastructure assets included things like highways and roads, with some of the record keeping even pre-dating some local authorities.

Councillor Bond asked if the council would be responding to the CIPFA consultation. Due to this change in circumstances, he asked if Deloitte still felt the November deadline was achievable for the 2021/22 accounts.

Adele Taylor said that the council would respond to the consultation, it would also be discussed at the meeting of Berkshire S151 officers. She did not envisage this being an issue for the 2021/22 accounts, it was important to get the correct resolution now so that could feed through into future years accounts.

Councillor Sharpe asked how many other local authorities were also affected by this.

Andrew Vallance, Head of Finance, confirmed that it had affected all upper tier local authorities, regardless of which accounting year the authority was currently trying to conclude. The CIPFA consultation was on a temporary solution, so they would need to come up with a permanent solution or the issue could appear again in future.

Councillor Hilton commented that the impact on the accounts was relatively small and the main issue was a delay to concluding the accounts.

Adele Taylor said it was a technical adjustment to the accounts and agreed that the main issue was the timing had been delayed.

Councillor Bhangra asked if RBWM was subject to any penalties for not submitting the accounts on time.

Adele Taylor confirmed that there were no penalties, she needed to keep writing to government departments to confirm details around grants and provide updates on the progress of the accounts.

AUDIT AND INVESTIGATION ANNUAL REPORT 2021/22

Andrew Vallance said that the report was a summary of the work completed by the previous internal auditors, from the shared service with Wokingham Borough Council. The key piece of information for the Committee to consider was the audit opinion, which was that control was substantially completed and effective but some improvements were required. Most key controls were in place with risks reduced to an adequate level, with a small number of exceptions identified. SWAP would do audits on these areas to ensure that actions had been followed up. Three category 3 opinions had been carried forward; debtors, cash and bank reconciliations, and reconciliations which were financial and non-financial.

Councillor L Jones commented on debtors, she asked if the council picked up on comments like performance against corporate expectations as there was no measure.

Andrew Vallance responded and said that more work would be done corporately on debt.

Councillor L Jones asked if the action plans would be seen by the Committee. She was informed that they would be.

Councillor Sharpe was concerned around the number of outstanding actions and wanted to understand what the impact would be on RBWM finances.

Adele Taylor said that the last two years had been a challenge when considering corporate debt, due to the measures that were put in place. It was not easy to put some of the recommendations in place as a result. Adult social care debt would have a specific focus, the raising of debt was difficult due to the measures from the pandemic. Corporate debt would be a focus area for officers going forward. SWAP would follow up on the recommendations that had been made in the report.

The Chairman commented on the temporary staffing in the housing team, now permanent staff were in place. The temporary accommodation would start in September 2021, the Chairman asked for clarification on if the post was temporary.

Adele Taylor confirmed that it was a permanent post around temporary accommodation.

Councillor Hilton commented on the debt monitoring and that there was no exception reporting so that it was in the threshold of what was expected.

Adele Taylor added that it was an area that officers wanted to focus on, particularly around the performance measures.

Councillor L Jones said that part of the remit of internal audit was to make the relevant Cabinet Member aware of any risks that had been identified and were coming forward. She felt that it would also be appropriate to advise the Chairman and Vice Chairman of the Audit & Governance Committee too. On resource issues impacting the achievement of goals, Councillor L Jones asked if resource issues had been resolved.

Adele Taylor said that there had been significant turnover in the service area, she could not confirm whether the issue had been resolved. Some additional finance temporary resource had been brought in to support the housing team.

Councillor Sharpe said that 40 audits had been undertaken by the shared audit service at Wokingham, six had been completed and eight were substantially complete. This meant that there were a number of outstanding issues which the new internal audit partners, SWAP, would be able to consider.

Adele Taylor clarified that this was the overall audit opinion which had been given by the internal auditors. If everything in the audit came out green, that would be a concern as the council would not be picking up things that needed to be monitored or improved.

Councillor Sharpe agreed that the high risk areas should be focused on.

Councillor L Jones felt that the report was very finance based, the remit of internal audit was more than that. However, reading more of the report this had been noted and she hoped that governance would also be considered by internal audit going forward.

Adele Taylor said that a significant amount of time had to be spent by internal audit considering Covid grants.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted:

- i) The annual report from SAIS.**
- ii) The Annual Internal Audit Opinion.**

INTERNAL AUDIT PLAN 2022/23

Lisa Fryer, SWAP (South West Audit Partnership), outlined the internal audit plan for 2022/23. SWAP stated the importance of the audit covering risk, governance and the control environment. The plan would form the basis of the audit opinion for next year. A risk-based approach would be followed, SWAP had 26 partners and had picked up a wealth of knowledge from working with them. Follow up work would be done from the previous auditors and SWAP were happy to accommodate requests for audit work. Core systems were covered, like finance and procurement. The council had a huge range of services, regular risk assessments were performed with local issues being based on the Corporate Plan and operational risks. The document was live and needed to be representative of current risks. The plan was broader in scope than the previous year's plan, rather than just focusing on finances. The Q1 Plan which had been presented at the last Committee meeting in February had been incorporated into this full year plan and work had already started on some of those audits. The audits started with those that were linked to the priorities of the Corporate Plan, before moving on to the strategic risks. These risks were all covered other than the regeneration of Maidenhead. Audits would then be completed on corporate themes and follow up reviews, there was an increased focus on counter fraud. The Annual Internal Audit Charter was also included in the report which outlined the roles and responsibilities of the internal auditors in relation to the council.

Councillor Sharpe said it was refreshing to hear the broad range of topics which would be covered by the internal auditors. He asked for reassurance that all of these audits could take place in the financial year.

Lisa Fryer said that SWAP had a fully resourced team and she felt confident that the plan could be delivered. Some audits could take longer but it was a rolling plan and things could change depending on how work progressed. The plan was broad and would therefore not be focused on a specific service area or team which would dilute the impact.

Councillor Sharpe commented on the prioritisation of audits.

Adele Taylor said that prioritisation had come from directors at RBWM where they felt work should be completed. Topics would be broad and therefore the same officers would not constantly be impacted by additional work. The strength of the plan was that it was covering key areas but it would depend on the scope of each audit, the plan was dynamic and could respond as things happened over the course of the year.

Councillor Sharpe said that internal audits could take up a significant amount of time and effort, it was important not to overburden officers.

Councillor L Jones said that she had read internal audit should be a critical friend and advisor on major change. She asked if internal audit would be involved with transformation, as this was where major change occurred at the council. Councillor L Jones asked how the Committee should interact with internal audit outside of meetings.

Adele Taylor said that transformation was part of a number of the topic areas that had been outlined in the plan, rather than being its own separate topic. For example, the charging regime for adult social care was part of transformation and was part of the internal audit. There was the balance of bringing internal audit to comment on things that were planned, along with things that had been put into place. This was the first year of the arrangement and Adele Taylor was keen for the Committee to have involvement in the plan.

Lisa Fryer added that SWAP would support the council with transformation, the plan was live and could be added to as things developed.

Councillor Bond said that some of the reports listed in the plan were interesting, for example on the Corporate Plan. He asked if the reports would be shared with the Committee.

Lisa Fryer said that a draft report would be shared with the people involved and the Executive Director would also receive a final copy. Reporting to the Committee was done by exception, focus was on the areas where lower levels of assurance had been made.

Adele Taylor said the Committee was an important aspect of the assurance of the council.

Councillor Bond commented on the economic recovery report, he said it would be interesting to read what was going on in this area.

Councillor L Jones said that there was a risk around the workforce particularly with the shortage of skills. She asked what could be done to help RBWM understand these risks.

Adele Taylor explained that a lot of reporting was done on the workforce, for example the annual turnover report. It could be something that the Corporate Overview & Scrutiny Panel could consider, rather than internal audit. She was happy to discuss this with Councillor L Jones outside of the meeting.

Councillor L Jones said it was primarily focused around the RBWM workforce being sufficient and appropriate, she was happy to discuss it with Adele Taylor after the meeting.

Councillor Larcombe said that he had some concerns about expenditure in Wraysbury. He said that these had been submitted in writing but had been converted into Freedom of Information requests. Councillor Larcombe commented on the SWAP report where it stated that internal audit would have access to all and any information that it required to complete its work. Therefore, he asked if he should take his concerns directly to SWAP.

Adele Taylor said that she was aware that Councillor Larcombe had been involved with discussions with the external auditors and the matters were being dealt with. This was more appropriate than going through internal audit.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and approved the Internal Audit Plan for 2022/23.

KEY MANAGEMENT REPORT

Steve Mappley, Insurance & Risk Manager, explained that he brought the report to the Committee every six months to outline the key strategic risks, so that the Committee was

provided with assurance that processes were in place to mitigate key risks. Key operational risks were also mentioned in the report. The approach to management of risk was detailed which showed things like metrics, definitions, processes, responsibilities and the assurance strategy.

Councillor L Jones noted that a risk around the failure to deliver a sound Borough Local Plan had been removed. She said that there was a possible court case around this and asked if this risk had been removed too soon.

Emma Duncan, Monitoring Officer and Deputy Director of Law & Strategy, said that the consequence of legal action on things like the accounts was considered as this could have a material impact on the budget. When the Annual Governance Statement was considered later in the year, there would be a risk management framework which would include consideration of any legal risks. There were no legal risks at the current time which would impact on the budget or finances of the council. Considering the Borough Local Plan, the worst case scenario was that the court would declare that the council had made the wrong decision and the decision would then simply need to be remade. Therefore, the risk to the council in this case was not substantial.

Councillor L Jones said that if there was a delay to income due to the Borough Local Plan, this would then not be considered a material issue. If it progressed further, then that judgement could change.

Emma Duncan confirmed that this was correct, the court case was not yet off the ground. If required, the council could review the risk to this legal challenge should things progress.

Councillor Hilton asked if a court case could only be successful if the review found that there was a fault in how the council arrived at the decision that had been made.

Emma Duncan said that the decision could be referred back to the council, or if the court decided the decision would have been made anyway regardless of the fault then the decision would not need to be remade.

Councillor L Jones was concerned that flooding had not been mentioned in the risk register, it had impacted the council a significant amount in the past.

Steve Mappley said that flooding was on the risk register but was treated as an operational matter rather than a strategic one. The Executive Director for Place had considered how well the council could deal with an emergency situation arising due to a flooding event and also what were the prevention measures to stop the event before it occurred. Steve Mappley said that he was happy to circulate the detail of the risk to Members of the Committee after the meeting.

ACTION – Steve Mappley to circulate the detail on the flooding risk to Members of the Committee.

Councillor L Jones was concerned that the withdrawal of financial stimulus by the government could affect the financial strategy, particularly as one off grants from the government may not be coming. She asked how this had been taken into account on this risk.

Andrew Vallance said that no council had certainty on government grants. All officers could do was continue to monitor it, the Medium Term Financial Strategy would be brought forward in the next few months. The current position on financial settlements was short term.

Councillor L Jones noted that Cabinet Members were informed of changes to key risks, she asked if the Chairman and the Vice Chairman of the Committee should also be kept informed of changes as they occurred.

Adele Taylor said that one of the first elements of the internal audit plan for the financial year was around risk management and a review of the risk management processes which the council undertook. Cabinet Members were informed of changes during their Cabinet Member briefings, Shadow Cabinet Members were also briefed of changes. If anything changing was a key strategic risk, officers would look to brief all Members.

Councillor Hilton confirmed that during his Cabinet Member briefing, a significant part of the discussion was around risk.

The Chairman asked how far in advance officers were notified about the changes to funding from the government.

Adele Taylor explained that the budget was brought forward with the knowledge that officers had at the time. Officers were usually notified in December each year of any withdrawal of funding from the government. Any risks where there was concern that funding would not come forward were highlighted to Members.

Councillor L Jones asked for an explanation of the risk appetite and how capacity could affect this.

Steve Mappley said that the risk appetite was where the council would be prepared to accept a given level of impact should the risk occur. Controls were used to bring the current risk exposure to a level consistent with whatever the appetite assessment position was.

Councillor Bond commented on the definitions for risk appetite in the report but could not see how they linked back to the risk register.

Steve Mappley said that he was hoping to provide the risk appetite definitions in the risk register going forward, due to an improvement in the software used.

Adele Taylor added that risk management was being reviewed so there could be some changes made.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and approved the Risk Management Strategy.

RECOMMENDATION FROM CABINET

Emma Duncan explained that the report had been considered by Cabinet earlier in the year. The report was regarding an amendment to the waste contract, with the mitigation actions being considered by the Committee for review. The authorisation for the amendment to the waste contract had been made by an officer, this was over £500,000 and was above the threshold for delegated decision making and the decision should have therefore been made by Cabinet. As a result, the decision had been referred back to Cabinet to make the decision. The issue should have been picked up earlier by officers and the Chief Executive had apologised to Cabinet at the meeting. Mitigation methods had been considered to ensure that this did not happen again. The internal audit plan showed that audits would be completed on procurement compliance, along with delegated decision making. Some work had been done on procurement in last year's Annual Government Statement and the accompanying action plan.

The steps that had been taken by officers to avoid this happening again were:

- Contract Standing Orders had been revised to emphasise key decision limits.
- The decision-making guidance covering key decision thresholds and delegated decisions had been reissued and would be discussed at Corporate Leadership Team.

- A decision tracker had been implemented for papers submitted to Cabinet, so that there was clarity around if decisions were required and the constraints around the decision-making process.
- Procurement already existed as an area for action within the Annual Governance Statement with a Procurement Toolkit and training planned and the reissued decision-making guidance would be promoted as part of this process.

Emma Duncan was confident that the mitigation put in place would ensure that the chance of a mistake like this happening again was reduced. The audits planned from SWAP would supplement training and advice given to officers. It was important to have a culture of good governance and transparency, this was an improvement of processes.

Councillor Sharpe said that it was good to see the report come to the Committee. The report showed that the council could put in place a process to prevent this from happening again.

Councillor L Jones said that she had two questions from a resident and one question of her own. The resident had asked for further detail on how this had come to light, particularly as initial concerns appear to have been rebuffed. The resident also requested to know if other contracts had also been reviewed recently as a result. Councillor L Jones asked what the threshold was for a delegated decision to be published as an officer decision notice.

Emma Duncan confirmed that Councillor L Jones had initially queried the amendment to the waste contract as potentially being an issue. She felt that rebuffed was harsh but there would be a discussion on any concerns that were raised by Members or officers. On officer decision notices, it was up to the council at what level decisions were published as the guidance was not clear. Emma Duncan had been in discussion with the Statutory Officers Group to determine what the level should be. It was currently left to officers to publish officer decision notices that they felt were appropriate in the public interest. Emma Duncan said that she would like to see more delegated decisions published going forward. RBWM had not conducted a detailed analysis of the contracts that had been entered in to. There would be work done to ensure that if contracts were changed or amended that the processes were correct. There had been a reduction in the number of waivers used and there was a managed process of oversight on procurement. The procurement message needed to be consistent across the authority.

Councillor Bond noted that this issue first arose in February 2021 and November 2021, he asked if work would be done to improve the timescales so that an informed decision could be made. He asked if procurement included contract amendments.

Emma Duncan responded by saying that there were broad project plans now in place for major procurements so the risk of this happening again was greatly reduced. Things could change over the course of a long contract. Variations of contracts occurred as part of the procurement process, amendments needed to comply with the regulations on public procurement. Waivers were put in place if required in order to meet service needs if a contract was near to ending. The Procurement Manager produced a report on procurement issues every quarter for the Statutory Officers Group and was also considered as part of the Monitoring Officer annual report.

Councillor Bhangra asked when the issue was discovered and how long it was before action was taken.

Emma Duncan confirmed that it was brought to her attention just before Christmas, work was then done to consider how the decision had been made. A section 5 report was then produced in collaboration with the Chief Executive and the Executive Director of Resources, the report was brought to the next Cabinet meeting after this had been completed.

Councillor L Jones asked for a comment to be made to Cabinet, that officer decision notices needed to be put on a more formal footing, particularly those with a financial aspect. Decisions over a certain amount needed to be published in the public domain.

Emma Duncan suggested that this could be something for the Constitution Working Group to consider, Councillor L Jones was a member of this group. The group could then consider if it wanted to make any changes to the constitution, which it would recommend for adoption by Full Council.

RESOLVED UNANIMOUSLY: That the Audit & Governance Committee:

- i) Reviewed the suggested improvements to process which had been identified in the report.**
- ii) Recommended that the Constitution Working Group reviewed how officer decision notices were published, particularly the threshold at which decisions that had a financial impact were published.**

WORK PROGRAMME

Mark Beeley, Democratic Services Officer, informed the Committee that there had been a suggestion from Councillor L Jones on the timescales for a review of the code of conduct in the items 'suggested but not yet programmed' section. This had been suggested at a previous meeting of the Committee and added to the work programme. After discussion with officers, it was advised that this item would fall under the remit of the Member Standards Panel rather than the Audit & Governance Committee.

Emma Duncan said that the timescales had been included as part of the Monitoring Officer report, this would come forward in June.

The meeting, which began at 7.00 pm, finished at 9.00 pm

CHAIRMAN.....

DATE.....