

AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 22 SEPTEMBER 2022

PRESENT: Councillors Neil Knowles, Julian Sharpe (Vice-Chair, in the Chair), Gurpreet Bhangra, John Story and Simon Bond

Also in attendance: Councillor John Bowden, Councillor David Hilton, Jonathan Gooding (Deloitte), Benjamin Sheriff (Deloitte) and Lisa Fryer (SWAP)

Officers: Mark Beeley, Steve Mappley, Adele Taylor, Emma Duncan, Andrew Vallance, Raman Singla and Martin Stevens

APOLOGIES FOR ABSENCE

An apology for absence had been received from Councillor L Jones. Councillor Knowles was attending the meeting as substitute.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 28th July 2022 were approved as a true and accurate record.

STATEMENT OF ACCOUNTS 2019/20

Andrew Vallance, Head of Finance, introduced the item and outlined the Statement of Accounts 2019/20.

Jonathan Gooding, Deloitte, said that the pension fund audit had been completed in May. The adjustments made had been summarised, including updates to the accounting on joint ventures, classification of expenditure, reserve movements and asset valuations. The accounts had been delayed due to the number of objections which had been received, six of the objections had been accepted. There were some issues with the quality of the financial statements which had been received, while there were also new issues in the industry which were a factor, for example on infrastructure assets. Once final issues had been concluded, Jonathan Gooding anticipated that an unqualified opinion would be issued on the accounts. Part of the opinion would have an empathise on material uncertainty in the property valuation. In respect of value for money and use of resources, three exceptions had been identified on a range of weakness on financial planning, reporting and governance. The report covered the areas of significant audit risk, including capital expenditure and property valuations.

Benjamin Sheriff, Deloitte, said that comments had been against the misstatements in the accounts. There were three technical areas on the pension fund accounts which had been corrected. Gross cost depreciation on infrastructure assets came out of the infrastructure asset national issue which had been discussed previously.

A registered public speaker, Mr Andrew Hill, addressed the Committee. Mr Hill said that the report had been in production for over two years, yet the report had only been published one day before the Committee meeting. Section 100 of the Local Government Act 1972 stated that documentation had to be available for five clear days before any meeting. This was to allow

Members and the public to digest the information in good time. Mr Hill felt it was disappointing that he therefore had only one day to consider and read the report. He commented on Braywick Leisure Centre, there was a £6.4 million misstatement in 2018. However, in 2019 there were no further misstatements and the investigation was then closed. Mr Hill made reference to the Part II confidential leak to the local media about the land value of the St Cloud Way site. Mr Hill believed that Deloitte had missed something important, objections from the public had asked Deloitte to investigate this but they declined to do so. The first objections on this had been raised in 2020 by CIPFA, Mr Hill suggested that the Committee should advise Deloitte to review the Braywick deal as part of this audit.

Councillor Story asked about the property valuation report which had been received from Lambert Hampton Smith.

Jonathan Gooding explained that the control recommendation around the property valuation report was around evidencing officers review of that report. The methodology of values by officers was reviewed, in this case the evidence was not sufficient. In 2018/19, this control weakness had been identified and the follow up had occurred in the 2019/20 accounts.

Adele Taylor, Executive Director of Resources, added that it involved any transactions going forward. A control weakness had been identified and officers had changed how things were done in future, transactions would have the correct documentary evidence.

The Chairman asked if this was similar across other councils, that property valuations were done at the current point in time.

Adele Taylor said that property valuers were changed and the current property valuers knew the standards going forward.

Councillor Story asked what the key messages were since the property values report had been produced.

Jonathan Gooding said that Deloitte tested the valuation included in the accounts in March 2020, real estate specialists had been involved in testing the methodology and assumptions and whether these were in accordance with accounting requirements.

Adele Taylor added that this was the position in 2020, a revaluation occurred later that year. The valuation for March 2021 and March 2022 were part of the draft accounts which were available to view on the council's website. However, these were unaudited accounts. Deloitte did a significant amount of work to test assumptions which officers had made.

Councillor Bond commented on the process for raising objections, the government introduced the process when the audit commission was abolished. He expected to see more detail on the objections which had been received and the response from Deloitte. Councillor Bond suggested that the government should review the system as he felt it was not working effectively.

Councillor Knowles noted the management controls and asked if they were concluded on the current audit, rather than moving forward as an issue for future years.

Adele Taylor said that some management controls were ongoing as they needed to be tested in the accounts for 2020/21 and 2021/22. These would be picked up in these audits. Other areas were ongoing as they would happen again, but officers had put the controls in place to deal with them. Deloitte would test management controls in these audits and ensure that evidence was in place.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and:

- i) **Delegated responsibility to the Executive Director of Resources to agree a final version of the Letter of Representation and sign it.**
- ii) **Approved the audited Statement of Accounts and authorised the Chairman and the Executive Director of Resources to sign them.**
- iii) **Approved the management responses to the matters raised in the External Auditors' report.**

INTERNAL AUDIT PROGRESS REPORT

Lisa Fryer, SWAP, explained that the purpose of the plan was to allow Committee Members to have oversight of the internal audit plan and for SWAP to draw attention to areas where internal controls were in need of improvement. SWAP was on track to deliver the plan, a third of audits were at the reporting stage, while 26% of the plan was in progress. A key focus had been on grant audits to meet certification deadlines and a further three grant reviews had been completed since the last progress report was considered by the Committee. On assurance, three audits had been finalised, two of which were limited assurance. A summary of all audits which were a low level of assurance had been outlined, two audits on this progress report were deemed low assurance. One was on the risk management framework, strategic risks had not been refreshed for some time and the new RBWM Corporate Plan provided a good opportunity for this to happen. An audit had also been completed on fleet safety compliance checks, services were now individually managed and the council did not have a central record of all vehicles owned and leased. The climate change review had focused on the governance arrangements and received a reasonable opinion, it was an important area for the council.

Councillor Bond focused on the climate governance audit, the climate was a big issue. The National Audit Office had created a document that advised that the Committee should ask questions about the climate governance audit, Councillor Bond suggested that the audit could be made available for the Committee to review. He asked if he could view the audit by submitting a Freedom of Information request. Councillor Bond said that any completed audits could be listed under the 'background documents' section of the report, for the Committee Members to view should they wish. Councillor Bond concluded by suggesting that the climate governance audit should be added to the work programme. Councillor Bond had three questions on the audit:

- What were the strengths and weaknesses that the audit identified?
- Manchester's Section 151 officer was also leading on climate change, this linked with policy and resources in a realistic way. He asked if the audit shed any light on this method of governance?
- SWAP had completed climate audits at other local authorities, but these all had different titles. Councillor Bond asked why this was the case?

Adele Taylor said that audits that had been completed could be viewed by the Committee, she would work out the best way to do this so that Members could easily access them as they were completed. The Manchester S151 officer was leading on climate at a corporate level which was the reason for this method of governance, RBWM worked under a matrix management system. The audit on climate governance was undertaken to ensure that the council was part of the right and effective partnerships.

ACTION – Adele Taylor to explore the best of sharing completed audits with Members of the Committee.

Lisa Fryer added that SWAP needed to draw attention to areas of concern, reports were focused on areas with lower levels of assurance. Climate change was likely to feature on audit plans in the future, the service area were keen to get a view on the new governance arrangements.

The Vice Chairman asked how other councils were approaching climate change and if it differed to the approach of RBWM.

Lisa Fryer said that climate emergencies had been declared at many other authorities, it was a common feature of audit plans.

Councillor Knowles commented on the risk management weakness, he noted that the Head of Finance had flagged this area as something for internal audit to focus on. Councillor Knowles asked if there was any specific concern with risk management.

Andrew Vallance said that as part of the CIPFA report, it was a priority. A couple of years after the report was the right time for risk management to be reviewed.

Adele Taylor said that it was important that risk management also linked well with the Corporate Plan. It was expected that there could be more audits coming through with limited or lower assurance levels because officers were picking areas to audit which they felt could have issues and wanted to ensure that improvements continued.

The Vice Chairman felt that the council was making good progress and was moving in the right direction.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.

ACTION PLAN ON RISK MANAGEMENT FROM INTERNAL AUDIT

Steve Mappley, Insurance and Risk Manager, said that as risk management had been deemed as limited assurance by SWAP, officers would look to do something about it. The plan outlined what would be done and who would be doing it. The work would continue over the next six months or so and would hopefully encourage greater ownership of the process. The evidence base would be improved and a performance and risk management board had been created which would help ensure improvement.

Andrew Vallance added that the council would be completing a strategic risk refresher session in due course.

Councillor Bond noticed that some of the timescales for actions listed in the plan were quite short, he was concerned that extra training sessions could be an added burden on officers. However, it was important that the work was completed. It was good to see that a new board had been created to oversee the process.

Steve Mappley said that a lot of the material existed already which was the reason for the shorter timescales.

Adele Taylor said it was about being able to evidence risk and improve performance.

Councillor Knowles said that ownership was going in the right direction, risk could be debated but risk assessments could improve the democratic process and provide facts rather than opinions.

Steve Mappley said risk needed to find the right level before it became overwhelming, this would affect the level of detail on the risk assessment. High, medium or low risk could be vague and some reports could contain greater detail of the risk.

Councillor Story asked which items were of greatest concern for the Insurance and Risk Manager.

Steve Mappley said that after Directors and Heads of Service, the risk register was less well known. It would be ideal for most officers to have a basic understanding of what was on the risk register and why it was there. It could be something that was included as part of 1-1 appraisals. There was a relaunch of the risk management strategy planned which went through all tiers of staff, it currently did not get to all tiers of staff.

Adele Taylor said that risk was discussed at all team management meetings and it was considered at 1-1 meetings. This was about bringing risk to the fore and reminding staff of what they are doing and why they are doing it, which is why it needed to be refreshed. The council's organisational value 'empowered to improve' was linked to the need for knowledge of risk to be improved.

Emma Duncan, Monitoring Officer and Director of Law and Governance, said that risk was referenced on every report. She had discussed, with the Head of Governance, the potential of having a link through to the corporate risk register. Any large project should have its own risk register and risk registers should be included in service plans. High risks could be moved up the register which was routinely reviewed by Executive Directors and the risk management board.

The Vice Chairman asked if corporate risks would be reviewed on a regular basis.

Adele Taylor confirmed that they were reviewed by management teams regularly, usually on a monthly basis. There was a difference between corporate, strategic and operational risks and officers needed to make sure that they were in the correct category.

Emma Duncan said that governance risk was considered at each statutory officers group meeting and also formed part of the annual governance statement action plan.

Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance, and Ascot, said that he had been trained as an elected Member on risk by the Insurance and Risk Manager. The risk register included all of the strategic risks and the Berkshire Pension Fund Committee had created a risk register which was detailed, it would be interesting to see how often it was updated. Councillor Hilton said that he discussed risk with officers across a number of different service areas.

Adele Taylor said that officers were thinking about induction training for Members in May next year after the election, this would include training on risk management.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.

UPDATE ON GOVERNMENT RESPONSE TO REDMOND REVIEW AND IMPACT FOR RBWM

Andrew Vallance said that the briefing note was an update on the Redmond Review, which the Committee had considered last year. The proposals from the Department for Levelling Up, Housing and Communities (DLUHC) included confirmation that the Audit Reporting and Governance Authority (ARGA) would be the local audit system leader. Responsibilities would include regulation of local audit, monitoring and review of local audit performance, the Code of Local Audit Practice, and reporting on the state of local audit. The ARGA would also take over responsibility of value for money arrangements in local audit, while an annual report would be produced which went to Parliament on the state of local audit.

Andrew Vallance continued and explained that councils were encouraged to continue opting in to the PSAA arrangements for procuring auditors, RBWM had done this for the next five years. The DLUHC was considering making audit committees a statutory requirement for every council. RBWM had moved the audit and governance function out of the Corporate Overview & Scrutiny Panel into a separate Audit & Governance Committee and already met this

recommendation. Audit Committees should also include at least one independent member, who was not a Councillor. The council would need to consider changing its constitution to appoint an independent representative on the Audit and Governance Committee.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.

WORK PROGRAMME

Andrew Vallance outlined the items which the Committee would consider at the next meeting, in October 2022.

Councillor Bond suggested that the audit on climate governance could go in the 'items suggested but not yet programmed' section.

Adele Taylor said that once the accounts for 2020/21 and 2021/22 were ready, an additional meeting could be required between October and February. A number of the reports being considered by the Committee in October were important for the budget setting process.

The meeting, which began at 7.00 pm, finished at 8.30 pm

CHAIRMAN.....

DATE.....