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## CORPORATE OVERVIEW & SCRUTINY PANEL

WEDNESDAY, 27 MAY 2020

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

Also in attendance: Councillors John Baldwin, Gurpreet Bhangra, David Hilton, Helen Price and Samantha Rayner

Officers: Mark Beeley, Nikki Craig, Fatima Rehman, Mary Severin, Duncan Sharkey, Adele Taylor, Ruth Watkins, Simon Arthur, David Scott, Jonathan Gooding (Deloitte), Aron Kleiman (Deloitte) and David McConnell (Deloitte).

### ELECTION OF CHAIRMAN AND VICE CHAIRMAN

Cllr Sharpe nominated Cllr Targowski to be Chairman, which was seconded by Cllr Walters.

**RESOLVED UNANIMIOUSLY; That Cllr Targowski would be Chairman of the Corporate Overview and Scrutiny Panel for the municipal year 2020/21.**

Cllr Werner nominated Cllr L Jones to be Vice Chairman, which was seconded by Cllr L Jones.

Cllr Walters nominated himself to be Vice Chairman, which was seconded by Cllr Targowski.

As two nominations for Vice Chairman had been received, a named vote was taken.

**Resolved: That Cllr Walters would be Vice Chairman of the Corporate Overview and Scrutiny Panel for the municipal year 2020/21.**

### APOLOGIES FOR ABSENCE

None.

### DECLARATIONS OF INTEREST

Cllr Sharpe declared an interest as he was Chairman of the Berkshire Pension Fund.

### MINUTES

The minutes of the meeting held on 4<sup>th</sup> February 2020 were confirmed as a true record, provided the following amendment was made:

- Cllr Werner asked that it was clarified he expressed concern about parking charges across the borough, not only in Windsor as previously stated.

Cllr L Jones asked about the Working Boys Club and whether more information had been provided to the Trustees Cabinet. David Scott, Head of Communities, said that he received a detailed fund report and would be able to circulate a simplified version of the report if needed.

Cllr L Jones also asked about the highways audit. Mark Beeley said that the highways audit had been put on hold due to the ongoing health crisis but once the audit was completed the Task and Finish group would be scheduled.

## EXTERNAL AUDIT PLAN 2019/20

A member of the public had requested to speak on the item. Mr Hill said that 2018/19 final audit had missed the statutory deadline for publication by around ten months, and asked:

- Why it was not published when received last December?
- Why it was not returned to this panel as agreed would happen in November's meeting?
- Why it had not been sent to/returned by any of the mandatory consultees?

He expressed a number of concerns about issues identified in the 2018/19 final audits, including:

- £1m of unreconciled bank accounts
- £40.3m misstatement due to the use of out-of-date mortality tables
- £34.2m misstatement in respect of an American convertible bond

Mr Hill asked the committee if it was satisfied with the robustness of verbal declarations of interest when significant investments were at stake. He asked Deloitte whether they considered the facts they had uncovered constituted materially significant poor advice or governance, and if so had they reported it to the Pensions regulator?

Jonathan Gooding, Deloitte, explained that the audit set out the scope of their work. The audit considered risk assessment and whether RBWM had the appropriate measures in place to control issues or risks. There were significant weaknesses that had been identified in the Pension Fund, but recommendations had been made and a review had been commissioned.

Aron Kleiman, Deloitte, further explained the External Audit Plan 2019/20. The first significant property risk was set out on p.12 of the Plan, with one fifth of the property portfolio being revalued. Deloitte Real Estate specifically looked at the valuations, methodology and arrive at a conclusion on their findings. There were some significant risks in the audit plan, but management and officers at RBWM had taken on board some of the findings and was doing things to mitigate these risks. The national deadline for the accounts to be published had been extended from July to the end of November 2020, but there was confidence that the majority of the accounts would be delivered in June and July 2020.

The Chairman asked if the risks listed on p.3 of the plan were risk triggers and if officers were happy with new deadline.

Jonathan Gooding said that there was a presumption that management would override controls. There was a consistency across all local authorities and the audit identified any significant capital spend as a risk.

Adele Taylor, Director of Resources, said that they were trying to stick to the original deadline as there was other things later in the year that resources would need to be focussed on.

Cllr Werner asked if RBWM was more at risk financially than it had been in the past. He asked Cllr Hilton for assurance that RBWM was dealing with the worrying obstacles that had been detailed in appendix 4 of the Plan.

Jonathan Gooding said that the risk of misstatements was the focus in this report. Last year was the first year that Deloitte had been involved with the audit. There had been issues raised with officers and these issues would not recur. He said that there had been good engagement from RBWM.

Cllr Hilton said that there was a change of auditor for all councils. He said that there had been issues at the start in terms of the supply of data that RBWM was able to give to the auditors and how they inputted it into their system. The audit took a long time to complete but it was a learning process and Cllr Hilton believed that it had improved governance as a result.

Cllr Werner asked Cllr Hilton if he was confident that issues from last year had now been solved.

Cllr Hilton said that he could not guarantee that there were no issues, but said that problems of the past had been taken on board.

Cllr L Jones asked if there would be a progress report on the value for money issues and what has been done to address them. She also asked about the impact of Brexit on the audit.

Jonathan Gooding said that they had identified significant risks and followed up on areas which needed more focus. On Brexit, it would depend what arrangements are in place.

Cllr Price asked if the Panel had seen and signed off the final version of the 18/19 audit. The Chairman explained that the draft version had come to the Panel in November and delegated authority was agreed to sign off the audit, provided there were no materially significant changes. He said that this would be checked with officers.

David McConnell, Deloitte, set out the Pension Fund part of the Audit Plan. He said that Covid-19 has had a significant impact on how the audit would be conducted. On p.12, there had been some changes to the risk assessments, with two risk areas outlined. He said that the Panel would be updated if any area of the Pension Fund was regarded as a significant risk.

Cllr Werner asked what the scope of the review was.

David McConnell said that all pension funds are reviewed every three years, with the size of the fund and the impact it would have being important. RBWM was managing on behalf of other authorities as it was the host of the Berkshire Pension Fund.

Cllr Werner further asked if the deficit was forecast to get worse.

Adele Taylor said that pension funds were different investments and were less susceptible to interest rate rises in the way that shorter term investments may be. They also could not be sure of the impact that Covid-19 would have on the scheme at this stage as markets were volatile but this was an area that was kept under review.

Cllr L Jones asked if officers would be able to provide a briefing to Members before they considered the audit report in future.

Duncan Sharkey, Managing Director, agreed that it was good idea and something that could be looked into.

Cllr Sharpe if the auditors had a different perspective on the risks present in the Pension Fund.

David McConnell said that he was not able to comment on previous years as a comparison but they had identified the significant risks that were part of the current Pension Fund.

Cllr Price asked if the poor advice given was materially significant and whether a report had been made to the Pension regulator.

Jonathan Gooding said that Deloitte had not made a report to the Pension regulator but had made recommendations around the weaknesses of the Pension Fund and this would be followed up in this year's audit.

Cllr Tisi asked how aggressive the core actuarial assumptions were. She was told that an answer could not be provided just yet, but the issue would be assessed once the audit was complete which would be by the end of the summer.

## ANNUAL GOVERNANCE STATEMENT PROGRESS REPORTS

Nikki Craig, Head of HR, Corporate Projects and IT, introduced the item. She explained that the Panel had requested updates on progress from the Annual Governance Statement from last year, with this update providing information on a number of different areas. The areas included Health and Safety, Monitoring Officer Resources, PSN Compliance, Vision and Purpose for the Organisation and Business Continuity Plans.

- Health and Safety – Council buildings across the borough had been tested to ensure they met the required standards. School fire checks for compartmentalisation had been started although due to Covid had been paused but it was hoped this would be completed by the summer.
- Vision and Purpose – RBWM had recently refreshed its values after a series of workshops held with all employees and Members. The draft values had been presented and feedback was sought on them, with an aim to have the final values ready in the summer.
- Monitoring Officer Resources – RBWM had been able to double the time available from two to four days a week, which would allow the Monitoring Officer more time to carry out their work.
- Business Continuity Plans – the council was part of a joint emergency planning team which was hosted by West Berkshire Council. All services were looked at as part of the plans and there had been a significant step up due to the current crisis. The plans would be refreshed during the recovery phase.
- PSN Compliance – As this involved sensitive information, this part of the Progress Report would be discussed in the Part II meeting.

The Chairman asked if the Health and Safety side of things was becoming more aligned with the current situation, especially as risk assessments would be required for offices whereby recent staffing levels were not as usual. Nikki Craig confirmed that the appropriate checks were being carried out including legionella and fire alarm tests.

Cllr Werner asked how long it would be before appropriate resources were in place to support the Monitoring Officer in her role.

Duncan Sharkey explained that this was something that had been flagged up last year and as a response the council now had two deputy monitoring officers. The level of resource available would not stop the challenge, and said that the Monitoring Officer had sufficient resources.

Cllr Werner further said that every eventuality could not be prepared for and questioned how useful the business continuity plans were.

Duncan Sharkey explained that RBWM had business continuity plans which were focussed on a loss of capacity in a certain area, and that emergency planning had considered the impact of a virus and these had been useful in recent months. However, the uniqueness of Covid was different to what was expected and it was therefore hard to plan for every virus eventuality. David Scott said that continuity plans were designed to be generic so that they cover as many possibilities as possible, the response from RBWM showed that the plans had been developed well.

Nikki Craig said that the success and timing of the Modern Workplace Project phase 1 had been particularly important and RBWM would be in a completely different position without it. The Panel thanked the IT team and everyone involved with the project for the good job that they had done so far.

Cllr L Jones asked if there had been any other issues identified since the last Annual Governance Statement.

Duncan Sharkey said that work was always happening to update the Annual Governance Statement, with the next one due to come to the Panel at the next meeting.

Cllr Sharpe asked what RBWM had learnt from the current situation and whether the council were in a good position to deal with future emergencies.

Nikki Craig said that they had utilised the joint emergency planning team and that the Business Continuity Plans had been able to step up services effectively during the crisis.

## CODE OF CORPORATE GOVERNANCE

Mary Severin, Monitoring Officer, explained that the Code of Corporate Governance was the underpinning of local governance and provided the basis for the Annual Governance Statement.

Cllr Werner asked if the document contained all the information that it needed to contain and if it would stop what had happened in the past. Mary Severin said that it was a fresh start but they still needed to work on the Annual Governance Statement and comply with all the necessary CIPFA requirements. She explained that the main basis of corporate governance was to set RBWM up in the right way.

Duncan Sharkey said that the code was about processes and policies and was a framework of how RBWM wanted to do things. Flags should be there to stop bad governance from occurring, but it would not stop all things from going wrong.

Cllr Sharpe asked how different would RBWM feel with this governance in place, especially as good governance was about ensuring that the right thing is done. Mary Severin said that it provided a good framework to follow, particularly where some had not been aware of good governance in the past.

Cllr Price said that she wanted to see RBWM as a learning organisation that would recognise its own mistakes. Duncan Sharkey said that it was a legal framework and was the overarching principles in the constitution, where RBWM could benchmark it would look to do so.

## ANNUAL SCRUTINY REPORT

The Annual Scrutiny Report had been drafted by the Panel and was due to go to Full Council in July.

The Panel agreed that the report would be finalised and agreed offline before it was taken to the June Panel where it would be confirmed.

## WORK PROGRAMME

The Chairman suggested only having items that the Panel needed to cover, while also suggesting that another meeting of the Panel could be organised between September and January.

Cllr Werner said that the Panel needed to deal with finance and that a financial update should come to every Corporate meeting.

The Chairman said that there was an opportunity for members to attend Cabinet where financial updates were considered.

Cllr Jones agreed with Cllr Werner and said there should be a financial update brought to Corporate every two months, otherwise it was just becoming an audit panel. She commented that the Task and Finish group on Highways had not yet taken place.

The Chairman said that the Panel works well in reviewing audit and the Task and Finish group was yet to take place because the highways contract audit had yet to take place due to Covid-19.

Cllr Sharpe said that some items should be shifted from June to July in order to balance the two agendas more evenly.

Cllr Werner said that a group could be created to look specifically at financial updates and there could also be a sub-committee of the Panel to look at the audit reports. Cllr Jones said that the audit function should be outside the Panel and Cabinet.

The Chairman said that he would look at the Work Programme and would ensure that members of the Panel were informed of discussions.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

**RESOLVED UNANIMOUSLY; That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.**

The meeting, which began at 6.15 pm, finished at 9.00 pm

CHAIRMAN.....

DATE.....