

## AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 28 JULY 2022

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

Also in attendance: Councillor David Hilton, Councillor John Bowden, Lisa Fryer (South West Audit Partnership) and Jonathan Gooding (Deloitte)

Officers: Mark Beeley, Emma Duncan, Adele Taylor and Andrew Vallance

### APOLOGIES FOR ABSENCE

There was a short delay to the start of the meeting, due to a technical issue where the sound from the Council Chamber was not coming through on Zoom and YouTube. The meeting started at around 7.20pm.

Councillor Bond submitted his apologies for being late to the start of the meeting.

### DECLARATIONS OF INTEREST

There were no declarations of interest received.

### MINUTES

**RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 19<sup>th</sup> May 2022 were approved as a true and accurate record.**

### STATEMENT OF ACCOUNTS 2019/20 AND 2020/21 UPDATE

Jonathan Gooding, Deloitte, said at the last meeting the 2019/20 audit was at its final stages. Since then, Deloitte had received the amended final accounts and comments were anticipated to be cleared in the next few weeks. However, the new guidance on infrastructure assets which was anticipated had not yet been received from CIPFA. It was likely that the accounts would be concluded in its absence, Deloitte were anticipating completing the accounts in the new few weeks with a final report scheduled to come to the next Committee meeting in September. Once the 2019/20 accounts had been completed, Deloitte would move on to the 2020/21 accounts.

Councillor Bhangra asked how long it was anticipated that clearance would take on the 2019/20 audit and what the timescale was for the 2020/21 audit.

Jonathan Gooding said that he anticipated that comments would be cleared on the 2019/20 audit in the next two to three weeks. The final report would then be shared with officers and would be published to the Committee at the next meeting, the accounts could then be signed off. The 2020/21 audit would continue to progress after the previous year's audit had been completed. There was still a considerable amount of work to do, this was therefore likely to be completed in months rather than weeks.

Councillor Sharpe asked if Deloitte was also having issues finalising the accounts of other councils too or was RBWM in a unique position.

Jonathan Gooding said that RBWM was not unique, there were various reasons at different local authorities. A number of authorities had been impacted by the guidance from CIPFA which had still not been issued. There were 13 authorities that had not signed off their 2018/19 accounts, 51 authorities had not signed off their 2019/20 accounts and 228 authorities had not signed off their 2020/21 accounts.

Adele Taylor, Executive Director of Resources, added that RBWM held responsibility of the pension fund for the county of Berkshire, the delays in completing the RBWM audits were holding up and causing issues for neighbouring authorities and the council remained committed to resolving any issues swiftly in recognition of this.

The Chairman was concerned that the 2019/20 accounts were still open. Any future changes to legislation potentially meant that more work would need to be done by officers and the accounts being signed off would be subsequently delayed. She asked if the outstanding work on the 2019/20 accounts sat with RBWM or with Deloitte.

Jonathan Gooding said that Deloitte would conduct the audit and RBWM would need to respond to any points raised.

The Committee noted the update.

## ANNUAL GOVERNANCE STATEMENT 2022/23 AND ACTION PLAN

Emma Duncan, Deputy Director of Law & Governance and Monitoring Officer, said that the council had made significant progress around the governance framework. When the Annual Governance Statement (AGS) had been brought forward for consideration by the Committee last year, there were a number of issues around Member conduct and putting the governance building blocks in place. Delegated decisions were another focus, as this had been inconsistent in the past and there was also work around procurement to ensure that there was consistent compliance. Reports would be considered by the Committee on procurement and delegated decisions, the action plan from the AGS would also be updated in six months' time. Emma Duncan concluded that the authority had seen significant steps forward in governance and compliance, there was an increased awareness of the governance framework and progress was being made.

Councillor Sharpe said it was pleasing to hear of the positive progress that had been made by the council in the AGS. He asked where the council went next with the AGS and which areas of improvement should be looked at.

Emma Duncan explained that the last twelve months had been primarily about getting the building blocks in place, now the focus was on compliance. For example, there was a set of compliance rules on procurement but not all of these were being followed. A tool kit had been created to ensure that compliance was more consistent in this area. Delegated decisions involved the publication of any decisions that officers had taken under delegated authority, the number of decisions published in 2022 was already more than was the case in 2021 and therefore showed that an improvement had been made to the reporting of these decisions. There were 79 Member complaints last year, work would be done to see if this number could be decreased as the majority were not compliant with the complaints procedure and criteria. The Member induction programme was also important, particularly with local elections taking place in May 2023.

Adele Taylor said that the AGS was an evolving document, it was important that there were actions that came out of the AGS for the council to work on.

Councillor Bhangra asked if Emma Duncan was satisfied with the work which had been carried out in the AGS and the improvements which had been implemented across the council.

Emma Duncan said the peer review was positive about the culture that had been created at RBWM, being open about areas that can be improved upon was a core area of good governance. A section five report had been produced over a procurement issue, the way that this had been received by officers, Members and Members of the Committee had been pleasing as there was a common aim to stop this happening again in the future. The way things were dealt with was important and that issues were accepted and discussed.

Councillor Bond commented on the work done around equalities and inclusivity. At a national level, the overview and scrutiny panels could be compared to Parliamentary Select Committees, he asked if they were an equivalent or if they had lessons to learn. Councillor Bond asked what 'PSN compliance' meant.

Emma Duncan said that PSN compliance was public service network compliance which consisted of compliance in IT services, accessibility and integration on the website. There were some similarities to the overview and scrutiny panels, however they were an important connection to the community and they could also drive policy engagements.

Adele Taylor added that equalities was embedded in a number of the actions that had been included. PSN compliance was vital as it allowed the council to access things like the Department for Work and Pensions data, which helped with revenues and benefits.

The Chairman felt that there had been an increase in transparency in this year's AGS. There had been an improvement in culture and governance, the council was also more aware of its role in decision making.

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

- i) Considered the draft 2021/22 AGS, identified any specific matters which should be brought to the attention of Council or Cabinet.**
- ii) Recommended the 2021/22 AGS to the Leader of the Council and Chief Executive for signature and publication with the Council's Statement of Accounts.**
- iii) Requested that update reports be provided to the Committee summarising progress on the AGS Action Plan.**

### INTERNAL AUDIT PROGRESS REPORT Q1

Lisa Fryer, South West Audit Partnership (SWAP), informed Members that the report outlined the progress on the internal audit in Q1. The progress reports were important in enabling Members to assess the progress against the plan that had been agreed. Good progress had been made on the delivery of the audit plan, a key focus had been on grant certifications. Progress was also positive on assurance work, with two reports at a draft stage. All audits scheduled for Q1 were all at least in progress and initial meetings were being scheduled for work to be carried out in Q2. Progress had been mapped against the council's strategic risks, with two audits in progress which related to strategic risk areas. Appendix A contained all of the definitions which had been covered at the audit training. Appendix B contained information on which audits had been completed, while Appendix C would contain information on any follow up audits. Appendix D was the detailed planned progress on the plan which had been agreed by the Committee. Four audits had been completed, with two of these being additions to the plan.

Councillor Story commented on the strategic risks which had been chosen, he asked why these had been selected.

Lisa Fryer said that when the internal audit plan was put together, all of the main risk factors were considered. The audits on these two risks were showing as this was work that SWAP had started. The plan covered the majority of the strategic risks to the council. Over the upcoming twelve months, the audit plan would be delivered and a number of those audits were related to the strategic risks.

Adele Taylor added that the strategic risk register was a dynamic document, so risks could change and be removed or added to the register. Audits depended on the resources of SWAP and also whether they were time dependent.

Councillor Sharpe felt that the Committee now had a clear idea of what direction internal audit were looking to take, this had been a change compared to previous internal auditors. It was good to see which areas were being addressed.

The Chairman agreed with these comments, she felt there was a greater understanding of what was happening.

Councillor Hilton, Cabinet Member for Asset Management, Commercialisation, Finance & Ascot, said that the council received a lot of grant money and had been criticised for not getting it out to the people that needed it quickly enough. The finance team had worked in collaboration with internal audit in this area and ensured that grants had been approved.

Adele Taylor said that government departments were expecting more personal sign offs by statutory officers. The way grants needed to be signed off took place in different formats, which was a frustration.

Councillor Sharpe commented on the Equalities Impact Assessment, he asked if this would be completed at a later date.

Andrew Vallance, Head of Finance, said that only Part I was required to be filled in; Part II was not completed as no equality impacts had been identified in Part I.

The Chairman suggested an addition to the internal audit plan, a report was coming to Full Council in September around an overage payment which had been made in 2016. This was on a piece of land that the council had bought through an auction, the report at the time did not disclose to Members the details or cost of this purchase. The council was in a different place now but it would be good to reassure Members with regard to processes on sales and purchase of land, to make sure that this did not happen again.

Councillor Hilton felt that the circumstances of the purchase from 2016 were extremely unlikely to happen in the current environment. It would be useful for the Committee to reassure themselves that safeguards were in place to ensure that this did not happen again.

Councillor Sharpe said it was good to reflect on the decision that had been made, it would be legitimate for the Committee to consider this.

Adele Taylor said that she would like to consider the resources of those officers who processed the transactions currently and then bring in internal audit afterwards. This could be scheduled into the audit plan at an appropriate time.

**ACTION – Adele Taylor to discuss with Lisa Fryer when this could be added to the internal audit plan.**

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

## TREASURY MANAGEMENT OUTTURN REPORT 2021/22

Andrew Vallance said that the main point to highlight from the report was that it complied with the CIPFA code limits and targets. The main treasury management activity both in the last financial year and the current financial year was to protect the council against the risk of increased short term interest rates. A long term loan of £15 million had been taken out last year, the council had traditionally used short term borrowing. The idea of this was to lock in lower interest rates as it was anticipated that interest rates would rise.

Councillor Bond mentioned the treasury management report from the last financial year and the changes that had been made, he asked if there was anything this year that the Committee should be aware of.

Andrew Vallance said that the main changes were around the Minimum Revenue Provision (MRP) and the tightening up of commercial investments.

Adele Taylor said that officers ensured that the council was compliant, strategies were kept up to date and the Committee was able to consider the capital strategy and the treasury management strategy. CIPFA had reviewed the council's MRP provision a few years ago, this was due to be looked at again in the current financial year to ensure that RBWM was still compliant.

Councillor Sharpe said that there was currently £206 million borrowing at the end of March 2022. He asked if this was expected to increase.

Andrew Vallance confirmed that it was likely to increase over the Medium Term Financial Plan before coming back down.

Adele Taylor added that there was often a perception that debt and borrowing were a bad thing, it meant that the council was doing something with the money. A lot of the grants received from the government during Covid had been paid up front which had helped with the cash flow. It was important that officers were managing the money that came in and the money that came out of the council over the course of the year. RBWM had inherited debt from the previous Berkshire authority which was the same for all current Berkshire local authorities. The council also used their financial advisors, Arlingclose, where appropriate, as they were able to help with estimating things like interest rates.

The Chairman said that the investments in properties had generated £3.1 million of investment income for the council, which represented a rate of return of 3.4%. She asked if this was a reasonable return.

Andrew Vallance responded that based on his experience elsewhere it was indeed a reasonable return.

Councillor Hilton said that the asset management side of the Property Company were doing work on the small retail units which would generate increased revenue. He thanked the Head of Finance for the report which was clear and easy to read.

The Chairman agreed with the comments made by Councillor Hilton on the report, it was concise and exactly what the Committee needed to see. She thanked the finance team for the work preparing the report.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted and approved the annual Treasury Outturn Report 2021/22.**

## AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

Andrew Vallance explained that the draft annual report was a factual document which contained information on what the Committee had looked at over the past year. The report would be considered by Full Council in September 2022, if Committee Members had any comments these could be added to the report.

Councillor Sharpe felt that the report outlined the work undertaken by the Committee well, he was happy to submit the report to Full Council.

Councillor Bhangra agreed with the comments made by Councillor Sharpe.

The Chairman said that the section five report on the waste contract, which had been considered by the Committee at the last meeting, was not included in the annual report.

**ACTION – Andrew Vallance to add reference to the section five waste contract report to the annual report for the Committee.**

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee agreed the content of its annual report to Full Council.**

### WORK PROGRAMME

Adele Taylor said that it was hoped that the 2019/20 accounts would be ready to be signed off by the Committee at the next meeting in September. The item on the Redmond Review would be an item on what was happening generally in audit.

Lisa Fryer said that the internal audit progress report was listed for both September and October, but it was only considered by the Committee every quarter. It was agreed that the progress report would be considered at the September meeting.

The meeting, which began at 7.25 pm, finished at 8.35 pm

CHAIRMAN.....

DATE.....