

AUDIT AND GOVERNANCE COMMITTEE

Tuesday 30 May 2023

Present: Councillors Julian Tisi (Chair), Mark Wilson (Vice-Chair), Simon Bond, Suzanne Cross and Julian Sharpe

Also in attendance: Councillors Adam Bermange, Mark Howard, Lynne Jones, Sian Martin, Helen Price and Kashmir Singh

Lisa Fryer (SWAP)

Officers: Andrew Vallance and Kevin McDaniel

Also in attendance virtually: Benjamin Sheriff (Deloitte), Chris Joyce, Martin Stevens and Jas Satinder (Deloitte)

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 of the meeting held on 16 February 2023 were approved as a true and accurate record.

Post Audit Statement of Accounts 2019/20

The Committee considered the report setting out RBWM's Audited Statement of Accounts for 2019/20, the External Auditors' report on their audit, the ISA260, the management responses to the matters raised in the External Auditors' report and the Letter of Representation signed by the Borough.

Andrew Vallance, Head of Finance advised the Committee that the accounts had been signed off in Adele Taylor's final week at the Council noting that they had been previously delayed due to series of objections. He reassured the Committee that it was not uncommon for local authorities to have their accounts signed off a year or two after the year concluded with nationally over 1000 sets of accounts that are late. He was pleased to report that none of the objections were found to have any major substance to them, but it took a long time to be concluded. Benjamin Sheriff from Deloitte was in attendance to answer questions on the objections or the process and Martin Stevens, RBWM's Technical Accountant was also present.

Councillor Bond enquired on the status of the subsequent three years' worth of accounts that were backed up behind this set and the timescale for their conclusion. He noted that Deloitte were planning to leave the local authority audit market and wondered if this would impact on their progress. He highlighted a reference at paragraph 4.5 of the report which referred to an unreconciled amount of £1million, an indication that this was not material and sought clarification on what that related to.

Andrew Vallance advised that a set of accounts for the recently concluded financial year of 2022/23 would be available within the next few weeks. He noted that due to limited resources it had not been possible to meet the 31st May deadline but an unaudited set of accounts would be available to be reviewed shortly.

In relation to 2020/21 and 2021/22 accounts, Benjamin Sheriff of Deloitte advised the meeting that a significant amount of work had already been completed but there were a number of queries that were still being worked through with RBWM's management team. The target to have those accounts signed off was September 2023 before moving on to considering 2022/23. He confirmed that Deloitte were contracted to conclude the audit of the 2022/23 accounts and they remained committed to delivering that.

Martin Stevens, Technical Accountant, explained that with reference to paragraph 4.5 of the report the Committee should consider the volume of transactions every year and explained that not all of them would be clear. He advised that previously the team could not identify where the income related to, but this had been resolved in the 2020/21 accounts whilst remaining unreconciled in the accounts within the report.

Councillor Wilson sought clarification on whether the amount related to a large number of small transactions or one large value transaction. Information would be circulated to the Committee after the meeting to clarify this point.

Andrew Vallance added that RBWM do have new auditors, Grant Thornton, appointed for the financial year 2023-24 onwards. He would meet with them every quarter and they would begin attending the Committee in a year's time once Deloitte had made progress with the accounts. He confirmed he would keep them updated throughout the year.

The Chair asked about the movement in the valuation of fixed assets and assets under construction and what they were. Martin Stevens confirmed that he would provide the information to the Committee on the detail of the question. He advised that the Council had an annual capital programme and when assets were not completed then they stay as assets in construction before transferring across but he could provide a listing as at March 2020. Andrew Vallance advised that due to this timing it was highly likely to relate to Braywick Leisure Centre.

The Chair confirmed with the committee that there were no questions relating to the management responses as set out in the report.

RESOLVED UNANIMOUSLY that

- i) the report be noted;**
- ii) the audited signed accounts for the financial year 2019/20 be noted;**
- iii) the audited Statement of Accounts be approved; and**
- iv) the management responses to the matters raised in the External Auditors' report be approved.**

Internal Audit Progress Report Q4 2022/23

The Committee considered the progress report on the internal audit plan relating to the final quarter of 2022/23 presented by Lisa Fryer of the Council's internal auditors, South West Audit Partnership (SWAP).

Lisa Fryer explained that this was a regular progress report to provide assurance that good progress was being made on the agreed audit plan and to draw the Audit and Governance Committee's attention to identified areas of weakness requiring improvement. Seven reviews

had been completed over this period and opinions were delivered across all of the reviews. She was pleased to report that the Audit Plan was substantially complete with only two audits remaining in progress. There were two high corporate risks reported during the period in business continuity and Section 106 agreements. She explained that where there is a high corporate risk identified this is reported to both senior management and the Audit and Governance Committee.

Lisa Fryer highlighted that the audit plan was risk based and demonstrated that their audit work could be mapped against the strategic risk register. This would demonstrate there had been good coverage against the strategic risk register, noting it would be unlikely to cover all of the strategic risks within one audit year but they have looked at the majority.

Lisa Fryer advised that the Strategic Risk Register had recently undergone a revamp. The report showed the Register as it was in 2022/23 and SWAP had mapped the new audit plan to the new Strategic Risk Register.

The Committee considered Appendix B of the report where SWAP provided summary information of all the audits that had been carried out in the period. During this period there were five summaries with all the key findings for the Committee to consider. Members of the Audit and Governance Committee would be given access to the full reports, management responses and detailed action plans with timeframes to address areas of weakness.

On page 284 the Committee were referred to the audit relating to Business Continuity Management with 13 findings in total and four of which were of the highest priority rating and therefore categorised as having a high corporate risk. The Council has had business continuity in its strategic risk register and work to update this since 2020. At the time of the audit it was found that there was no fully complete and approved business continuity plan, some services had not completed their responses or plan for their service and no training had been undertaken. The findings had been readily accepted by management, an action plan agreed with actions due to be implemented by the end of the calendar year. Lisa Fryer advised that SWAP would undertake a follow up review to evidence this had been completed in 2023/24.

On page 286 the Committee were referred to the audit relating to Section 106 agreements in which SWAP were unable to give any assurance of an adequate control framework being in place and therefore concluded that this was a high corporate risk given the Council's financial position and priority for maximising income. Lisa Fryer summarised that there was no formally agreed policy or process to ensure that Section 106 payments were recorded or collected in line with the agreements in place. There was also no process to identify when Section 106 milestones had been reached and therefore at the time of the Audit invoices were raised once a developer contacted RBWM to request one. All of the findings had been readily accepted by management and an action plan had been put in place. SWAP would schedule a follow up audit in this financial year to be able to report back to a future meeting of the Committee.

The Committee considered the follow up audit work undertaken, as set out at page 287 of the report, in relation to cash and bank reconciliation. The original audit had been done by previous auditors at Wokingham Borough Council and progress had been made in relation to all of the actions and those remaining in progress would be monitored through the issue tracking process.

The full list of audits that had been completed were listed in Appendix D on page p.288 of the report and the audits completed since the last internal audit update report could be found from page 289 onwards.

The two audits still to be completed were listed on page 290 and these would be included in the next update report to be considered by the Committee in July.

Lisa Fryer explained that the audits that had been deferred due to timing issues because it was not appropriate to carry out audits at that time had been rescheduled for the coming year. She explained that the time released had been used to undertake grant reviews.

In response to a query about accessibility of the reports referred to it was confirmed that Members of the Audit and Governance Committee would be given access to the full reports, management responses and detailed action plans with timeframes to address areas of weakness via Microsoft Teams.

Councillor Bond reflected that of the areas identified to have a high corporate risk he considered the Section 106 finding to be of more concern because he had observed the Council's response to the pandemic lock down as a practical test. He queried whether the reference to a process not being followed due to lack of resources was a regular response or common issue from services. He would be interested to review the full report, once it was available, relating to debtors as the number of debts 0020 and the sort of debt being referred to. In relation to the Homelessness Strategy, it mentioned that something had not been reported fully to the appropriate Committee and he was keen for this to be in the public domain where possible. He proposed this report could be included in an upcoming agenda for the Health and Wellbeing Board.

Lisa Fryer agreed that resources had been quoted as a limiting factor on several occasions but the focus was about making the best use of resources available.

Kevin McDaniel, Executive Director of Adult Social Care and Health confirmed that a verbal update on homelessness had previously been provided at every meeting but confirmed he would refer the Homelessness Strategy audit to the Health and Wellbeing Board for consideration at a future meeting.

Councillor Bermange, Cabinet member for Planning, Legal and Asset Management understood that assurance had been provided for Community Infrastructure Levy process but not that relating to Section 106 contributions. He was unclear on why there was a disparity in the systems given they appeared to be similar processes.

Chris Joyce, Head of Infrastructure Sustainability and Economic Growth explained that Community Infrastructure Levy (CIL) processes were managed through a case management system called Exicon since their introduction. It had always been the intention for Section 106 agreements to be transferred over to be managed by that system. The process had begun but there was a big backlog to move historic agreements onto the system. All new agreements were being entered onto the system. He explained that the difference between CIL and Section 106 agreements was that CIL agreements were managed within a single team whereas Section 106 agreements crossed a number of teams. A new process was being designed to make clear the roles and responsibilities between the teams to effectively cover some of the actions within the audit report.

Councillor Sharpe commented that the report was interesting and useful. He reflected that all the reports had highlighted improvements and enhancements to the way the Council works.

The Chair queried the ratings within each item and whether there was a broad formula to determine the outcome of an audit. Lisa Fryer explained that assurance ratings were generated using judgement dependant on the priorities, the number of priorities set against the risk under review in the context of how fundamental those priorities were for the service under review. She clarified that the volume of areas being rated could combine to cause concerns and the auditors work with the management team to ensure that the understanding of the situation was correct, and the judgements being reached were fair.

The Chair queried how the council compared with other local authorities, was aware that some of the determinations appeared shocking for a new member of the Committee and wondered whether the audit plan was looking at the right things.

Lisa Fryer advised that the audit plan was a risk-based plan focused on areas where management and councillors had concerns therefore it was not unexpected to give limited assurances. She advised that this was below average compared with other partners however this was important to set in context. She concluded that RBWM was a council that wanted to improve, recognised there were areas requiring improvement and no meetings with management from the relevant services resulted in disagreement with the findings. SWAP would start to follow up the findings and investigate if agreed actions had been implemented.

Kevin McDaniel confirmed that as a management team they had identified the areas for audit to focus on, made sure action plans were delivered and the Committee should see this as proof that the Council was determined to improve.

Andrew Vallance advised the meeting that SWAP's audit plan for 2023/24 was considered at the previous meeting of the Committee.

RESOLVED UNANIMOUSLY that the report be noted.

Internal Audit Annual Opinion 2022/23

The Committee considered the first annual report from South West Audit Partnership (SWAP), attached as Appendix 1 of the agenda report. SWAP had issued a limited assurance opinion.

Lisa Fryer presented the report explaining that the opinion was to be expected in the context of the Council's improvement journey since 2019 and the replacement of the internal auditors as part of the action plan in response to the CIPFA Governance report adopted in the summer of 2020. Audits had been deliberately focussed on areas of concern that officers felt needed improvement. As explained in the previous item three service areas had been categorised as having a high corporate risk during the year including Contract management. This had been identified by the Audit and Governance Committee and senior management as an area of concern. The service was currently working on a contract management framework to be put in place to manage the improvements required and a follow up audit would take place in quarter four. The previous internal audit plan had been substantially delivered. From the three follow up activities undertaken it was shown that overall actions had been taken to mitigate the risks identified.

Lisa Fryer explained that the annual opinion was set out on page 258 of the agenda report and in SWAP's summary on balance based on their audit work they had given a limited assurance opinion. They had based this on the internal audit assurance work carried out through the year, the grant certification work, the follow up activity and advisory work. The audit work had represented good coverage in terms of strategic risks and corporate priorities as well as covering core areas of finance and governance. SWAP had also undertaken work in service areas of Adults, Children and Place.

Lisa Fryer put the opinion in the context that since being appointed the Council's management team had been open with audit, had accepted recommendations for improvements and readily agreed proposed action plans. This had led to 70% of reports being in the lower end of the assurance levels. She noted that although she would expect to see limited assurances the percentage was quite high and with three identified corporate risk areas during the year. She reflected that the Council was self-aware and that follow up work carried out did demonstrate that work to mitigate exposure to risk had taken place.

She concluded that based on the evidence gathered through the year the opinion offered was limited but there was good reason to show that there was a desire for improvement at the Council and that progress will continue.

Councillor Wilson asked a representative from the management team to provide perspective on high corporate risk identified for contract management.

In response Kevin McDaniel advised the meeting that the Council had contracts of various sizes across directorates and different approaches had been taken to the procurement, contract management and the process to renew contracts. The ambition of the small procurement team was to share best practice across the Council. The framework was therefore looking to do three things: ensure that all significant contracts are on a contracts register available to be scrutinised by everyone so that officers are aware of what is due and workload could be planned; that when the council engages in contracts there are the appropriate approaches to contract management tied to key performance indicators and making sure that contracts feed into the strategic risk register so that the appropriate scrutiny takes place on performance where appropriate above the contract management. The procurement team are leading on this work to set up a framework to be applied by officers within services.

The Chair confirmed there were no further questions and concluded the discussion by thanking Lisa Fryer for the thorough work that had been undertaken, the training that was delivered to Councillors earlier in the evening and the responses to questions. He reflected that it was good to hear that the Council's officers were open and responsive to the work of audit as this was very positive.

RESOLVED UNANIMOUSLY that the report be noted.

Work Programme

The Committee considered its work programme and Andrew Vallance advised that there would be a progress report from SWAP at most meetings. The next meeting would consider the draft accounts for 2022/23 and September's meeting would have the auditor's accounts for 2020/21 based on the earlier discussion. A risk management paper would be brought to the Committee every six months. Members of the Committee were welcome to propose topics to be considered by the Committee Chair.

In response to Councillor Wilson's query, it was confirmed that future internal audit progress reports would include both the recent audit work undertaken as well as any follow up activities concluded.

An updated programme would be circulated to the Committee.

The meeting, which began at 7.00 pm, finished at 7.53 pm

Chair.....

Date.....