

## AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 20 APRIL 2021

**Present:** Councillor Stevens (Chairman);  
Councillors Davies (Vice-Chair), Edwards, Emberson, Robinson,  
McKenna and J Williams

**Apologies:** Councillor Gittings

### 1. MINUTES OF THE PREVIOUS MEETING HELD ON 28 JANUARY 2021

The Minutes of the meeting of 28 January 2021 were confirmed as a correct record and would be signed by the Chairman.

### 2. QUESTIONS

A question on the following matter was submitted, in accordance with Standing Order 36(2):

	Questioner	Subject	Answer
1.	Mr Wellum	Accounts	Cllr Stevens

(The full text of the question and reply was made available on the Reading Borough Council website).

### 3. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January 2021.

The report set out a summary of the audit reports in respect of: Payroll; Penalty Charge Notices; Additional Payments; Housing Revenue Account (HRA) - Governance; Accounts Receivable; and Accounts Payable. As the Chief Auditor had given 'limited assurance' to the way the Council dealt with 'HRA - Governance; and Accounts Receivable', the full internal audit reports for those audits were appended to the report. The Chief Auditor also could only give limited assurance in relation to Penalty Charge Notices and the report contained a short summary statement and referred the Committee to the full report, which would be considered in Part 2 of the meeting (see also Minute 41 below).

In relation to HRA - Governance, the report stated that there was a lack of permanent HRA expertise to ensure that service teams were fully supported in their roles in relation to the HRA. The Chief Auditor accepted that recruitment to this area had been difficult, and the Finance Service had committed to developing inhouse expertise in this area. The audit also identified that it was vital that there was a common understanding of policies, procedures and processes for the HRA 30-year model to support budget setting and

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monitoring within finance and service teams so that there was consistency both in-year and from year to year.

In relation to Accounts Receivable, the audit recognised there had been some progress in implementing audit recommendations, but much of the work was still in progress at the time of the audit. As a result, process weaknesses remained, such as incomplete information being supplied to the Accounts Receivable Team from services to inform the debt recovery process and large quantities of invoices were still being raised for small values. The level of detail on invoices was sometimes inadequate, which in turn generated queries by the debtor, which then resulted in the Accounts Receivable staff having to act as intermediaries. These were important issues that if addressed, could improve collection performance.

The report also listed the audits that were currently in progress and gave a summary of investigations work between April 2020 and March 2021.

**Resolved:** That the audit findings in relation to the Housing Revenue Account - Governance; and Accounts Receivable be noted, and the recommendations set out in the full audit reports be endorsed.

### 4. ANNUAL AUDIT PLAN & INTERNAL AUDIT CHARTER 2021/2022

Paul Harrington, Chief Auditor, submitted a report setting out the work Internal Audit was planning to undertake during the financial year 2021/2022. The report explained that internal audit was responsible for providing an annual formal opinion on the Council's control environment. The Audit Plan, which was attached at Appendix 1 to the report, would allow for the effective discharge of this responsibility. In accordance with the Accounts and Audit regulations and the Public Sector Internal Audit Standards (PSIAS), this Committee was asked to approve and monitor progress against the internal Audit Plan. The report also had attached at Appendix 2 the internal Audit Charter which set out the purpose, authority, responsibility and scope of internal audit. The Public Sector Internal Audit Standards (PSIAS) intended to ensure sound corporate governance and set out roles and responsibilities for internal audit services. The PSIAS required an Internal Audit Charter to be in place, which must be reviewed periodically and presented to this Committee for approval.

**Resolved:** That the Audit Plan and Internal Audit Charter for the period April 2021 to March 2022, be approved, as attached to the report at Appendices 1 and 2 respectively.

### 5. STRATEGIC RISK REGISTER QUARTER 4 2020/2021

Paul Harrington, Chief Auditor, submitted a schedule updating the Committee on the Q4 status of the Council's 2020/21 Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. The SRR was attached to the report at Appendix 1.

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The report explained that the SRR had been developed to provide a focused and high level overview of strategic risks for staff, councillors and other stakeholders, and was supplemented by more detailed directorate, service and project risk registers. The primary aim of the SRR was to identify those key vulnerabilities that needed to be closely monitored. In many cases this would be because the risk was relatively new and, whilst being effectively managed, the associated control framework was yet to be fully defined and embedded.

The SRR highlighted fourteen risks, only one of which 'Cyber-attack resulting in service disruption, data loss or damage, financial loss and/or reputational damage' was currently rated as 'red'.

**Resolved:** That the Council's Strategic Risk Register, as at March 2021, be noted.

### **6. IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE**

Chris Tidswell, CIPFA, presented a report providing an update on progress of the Finance Improvement Programme (FIP) against the plan for each workstream and their deliverables. The report explained that the FIP had two key phases: Phase I was responding to the historic and current issues identified to ensure a sound foundation and 'getting the basics' right. The second phase would concentrate on embedding Phase I delivery and developing the financial management culture and governance framework across the Council. The report stated that progress against the Phase I plan since the last Committee had been good with a number of deliverables being achieved and the following Phase 1 workstreams reaching their final stages: Accounts Payable, Accounts Receivable and Chart of Accounts. Residual implementation activity for these workstreams was expected to be completed by the beginning of May 2021.

Once the Phase I workstreams had been completed, Phase II of the transformation programme would commence and would be aligned to the implementation of the new finance system. The audit tracker recommendations (see Minute 38 below) continued to be included within individual workstream deliverables where appropriate and were managed as part of the overall Plan. There were now a total of 43 (previously 60) recommendations within the tracker covered by the Finance Improvement Programme. The Finance Transformation Board continued to oversee the Programme and monitor and challenge delivery timelines where appropriate.

**Resolved:** That the progress being made to implement the Finance Improvement Programme be noted.

### **7. INFORMATION GOVERNANCE QUARTERLY UPDATE**

Mike Graham, Assistant Director of Legal & Democratic Services, submitted a report outlining the actions in progress to improve the Council's policies, systems and processes for improving Information Governance. The report referred to the Committee receiving

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several limited assurance reports in this area and identified that work was needed to address the underlying issues with: Freedom of Information; Data Transparency; and Records Management. The report detailed the work of the Information Governance Board, which was responsible for implementing and overseeing an Information Management Strategy. The Board had reviewed the Council's approach to information management in the context of business continuity seeking to draw lessons learned from the pandemic and had overseen a planned phishing exercise to test the ability of staff and councillors to spot possible cyber-attacks.

The Committee noted that take-up of the Cyber Security training, which was currently available for all staff and councillors through a Learning Pool e-learning package, had improved since the last meeting, especially among Councillors. The Committee endorsed the further work planned to increase the number of councillors and staff completing the training.

**Resolved:** That the progress being made to improve the Council's Information Governance be endorsed and that the completion of the Cyber Security training be made a mandatory requirement for staff and councillors.

### 8. CLOSING FINANCIAL ACCOUNTS UPDATE

Darren Carter, Director of Finance, submitted a report providing an update on the completion of the Council's Final Accounts for 2018/19 and 2019/20. The report stated that the draft 2018/19 Accounts had been handed over to EY in February 2020. These had been updated in November 2020 for the revised brought forward 2017/18 balances, although the Audit of these Accounts had commenced in September 2020. Officers had almost completed the 2019/20 accounts but had agreed with EY to focus on prioritising and resolving the 2018/19 outstanding queries and getting these signed off before passing them to EY. This would mean that any changes as a result of the 2018/19 audit could be updated and included in the brought forward balances from 2018/19 to save more audit time. It was anticipated that the Audit work on the 2018/19 Accounts would be completed by the end of April 2021. Additionally, EY had advised that the audit for the 2019/20 Statement of Accounts would not begin until August 2021, at the earliest. EY had also advised that they would look to cover aspects of the 2020/21 accounts alongside the audit of the 2019/20 accounts which would result in greater efficiency. The aim would be to have both 2019/20 and 2020/21 Statement of Accounts signed off by 31 December 2021.

**Resolved:**

- (1) That the progress made in relation to the Audit of the 2018/19 Accounts be noted;
- (2) That the progress being made in closing the 2019/20 Accounts be noted.

### 9. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

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Jackie Yates, Deputy Chief Executive, presented a report setting out, at Appendix 1, the Implementation of Audit Recommendations tracker report.

The report explained that each recommendation was marked with a percentage complete which correlated to a red/amber/green rating (up to 25% complete: red, between 26% and 75%: amber, over 75% complete: green). Any recommendations that were less than 50% complete but had exceeded their agreed completion date were also marked red.

In the tracker report at Appendix 1 there were 122 high and medium risk recommendations from Internal Audit, of which 33 (27%) were currently green, 60 (49%) were amber and 9 (7%) were red. Twenty recommendations had now been completed and would be removed from the next report.

**Resolved:** That the high and medium risk Internal Audit recommendations and the responses to those risks be noted as set out in Appendix 1 to the report.

### 10. EXTERNAL AUDITOR UPDATE

Adrian Balmer, EY, commented briefly on the ongoing Audit of the 2018/19 Accounts and the progress being made to close the 2019/20 Accounts.

**Resolved:** That the position be noted.

### 11. EXCLUSION OF PRESS & PUBLIC

**Resolved:**

That pursuant to Section 100A of the Local Government Act 1972 (as amended), members of the press and public be excluded during consideration of the Items below as it was likely that there would be a disclosure of exempt information as defined in the relevant paragraph(s) specified in Part 1 of Schedule 12A to that Act.

### 12. PENALTY CHARGE NOTICES AUDIT REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from an Internal Audit report on Penalty Charge Notices (PCNs). The audit had found that the Council had upgraded its PCN Notice processing system in 2018. The new system had the potential to improve the recording and monitoring of the statutory process for the issuing and recovery of PCNs, but at the time of the audit had yet to be fully utilised. However, once implemented the new functionality would assist the reduction of debt and the potential write off bad debt. The use of system exception reports would provide assurance on the integrity of those PCNs which had either been cancelled or written off as part of the statutory process. The audit had identified that reconciliation procedures needed to be established to ensure the traffic management system and Oracle Fusion were balanced to provide accurate budget reporting. Oracle

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Fusion only recorded PCN receipts and it was important to confirm the accounting and reporting requirements for debt and those balances to be written off.

**Resolved:** That the audit findings in relation to Penalty Charge Notices be noted, and the recommendations set out in the full audit report be endorsed.

(Exempt information as defined in Paragraph 3)

(The meeting closed at Time Not Specified)