

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 19 JULY 2022

Present: Councillor J Williams (Chair);
Councillors Dennis (Vice-Chair), Edwards, Emberson, Gittings, Mitchell, Terry and Thompson

Apologies: Councillors

1. CHAIR'S ANNOUNCEMENTS

The Chair proposed a vote of thanks to David Stevens, who had previously chaired the Audit & Governance Committees since its establishment in May 2011. Councillor Dennis and Councillor Mitchell added their appreciation of David's service to the Audit & Governance Committee and the Council generally, which he had been a member of for 18 years until May 2022.

Resolved: That the Committee record its thanks to David Stevens for his dedicated service as chair of the Audit & Governance Committee between May 2011 and May 2022.

2. MINUTES

The Minutes of the meeting of 12 April 2022 were confirmed as a correct record and signed by the Chair.

3. QUESTIONS

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

	Questioner	Subject	Answer
1.	Mr J Wellum	Openness and Transparency with Council Data	Cllr Terry

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

4. INTERNAL AUDIT ANNUAL ASSURANCE REPORT

Paul Harrington, Chief Auditor, submitted a report setting out at Appendix 1 the Internal Audit Annual Assurance Report of the Chief Auditor, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards. The report gave the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement. It also set out key themes arising from the work of the Audit Team during the 2021/2022 financial year, and compared the audit work undertaken with that planned,

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 19 JULY 2022

summarising the performance of the Internal Audit function against its performance measures and targets.

The report explained that, on the basis of work completed during the course of the year, the Chief Auditor had concluded, that whilst no assurance could ever be absolute, he could give 'Reasonable Assurance' that arrangements to secure governance, risk management and internal control were in place in 2021/22. The basis for the assurance opinion was set out in section 2 of the report and the key areas for improvement identified during the audit work were set out in section 4. Whilst this demonstrated progress on the previous two financial years and the direction of travel was one of improvement, there was still more work to be done. The opinion did not imply that Internal Audit had reviewed all risks relating to the organisation and assurances should be taken from other sources, such as recommendations following the LGA Corporate Peer review.

Resolved: That the assurance opinion given by the Chief Auditor and the issues raised in the annual report be noted.

5. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued for the period 1 April to 30 June 2022. The report set out a summary of the audit reports in respect of: Treasury Management; Accounts Receivable; and Client Contributions. The report also listed the audits that were currently in progress and gave a summary of investigations work between 1 April to 30 June 2022.

Resolved: That the audit findings be noted, and the recommendations and management action underway, as set out in the Internal Audit & Investigations Quarter 1 Update Report, be endorsed.

6. RISK MANAGEMENT POLICY AND PROCEDURE

Paul Harrington, Chief Auditor, briefed the meeting on a report on the updated Risk Management Policy and Procedure document for consideration before onward submission to Policy Committee on 21 September 2022. The document had been updated to reflect best practice and to incorporate a formal Risk Management Procedure including clear instructions on how to utilise the SharePoint site to record and update risks. The aim of the Policy would be to identify, analyse and appropriately manage potential threats and opportunities posed by risk. The updated Risk Management Policy and Procedure was appended to the report for comment.

Resolved: That the Council's Risk Management Policy and Procedure, as attached to the report at Appendix 1, be recommended for adoption by Policy Committee at its meeting on 21 September 2022.

7. 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 audit tracker recommendations (see Minute 9 below) continued to be included within individual workstream deliverables where appropriate and were managed as part of the Plan. There were now 17 (previously 9) recommendations within the tracker covered by the Finance Improvement Programme. These were rated as; Red 8 (2), Amber 4 (3), and Green 5 (4). The increase in recommendations and the number of those 'red' rated related to recent audits on Reconciliations and Accounts Receivable which had been completed since the last Committee.

The report highlighted each workstream's terms of reference and progress against the Plan. The report set out each workstream's RAG rating for its deliverables and Audit Tracker recommendations with the previously reported numbers shown in brackets for reference.

The report also set out the progress made to re-procure the finance system, which was being carried out by the Finance System Board, comprising stakeholders from each Directorate and BFfC. System testing by the project team would be carried out in August and September 2022 and would be followed by system testing by users across all Directorates and BFfC. The timing of training for all service users and final preparations for go-live would be confirmed in July 2022

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

8. INFORMATION GOVERNANCE QUARTERLY UPDATE

Michael Graham, Assistant Director of Legal & Democratic Services, presented a report outlining the action underway to improve the Council's policies, systems and processes for Information Governance following several limited assurance reports in this area.

The report provided an update on: recruitment to key posts in the Information Governance Team and the interim arrangements in place to cover the backlog of Subject Access Requests; the Central Management of FOI requests through the Customer Relations Team, which was aiming to increase responses within the required timescale to 90%, as expected by the Information Commissioner's Office; data transparency had been improved with the relevant information and sources of data now being identified and a Transparency Code page added to the Council's website; the work of the Information Governance (IG) Board; and the adoption of the Information Management Strategy by Policy Committee on 7 March 2022 (Minute 83 refers). In relation to the Strategy, the next step would be to train the Information Asset Owners (IAO), identified as the

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 19 JULY 2022

Assistant Directors and then to recruit an Information Champion (IC) from each service area to work with the Information Governance Team to roll out the further actions identified. The Committee would receive quarterly progress reports on implementation of the Action Plan, which would be overseen by the IG Board.

The report also outlined the progress made on training being undertaken on Cyber Security and Information Governance, which had continued to improve since the last meeting in April 2022.

Resolved: That the progress being made to improve the Council's Information Governance be noted and the future action outlined in the report be endorsed.

9. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Jackie Yates, Acting Chief Executive, presented a report setting out progress with the Implementation of Audit Recommendations.

The report explained that each recommendation set out in Appendix 1 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.

The tracker report now had 96 high and medium risk recommendations from Internal Audit, of which 21 (21.9%) were currently green but not complete, 41 (42.7%) were amber and 16 (16.7%) were red. Eighteen recommendations had now been completed and would be removed from the next report and seventeen recommendations had been added to the tracker since the last report.

The Committee noted that the responses to the risks set out in the Appendix to the report included the Audit completion date, but not the date by which the recommendations should be implemented. The Committee requested that officers should look at how this information could be included in future reports, whilst ensuring that the content of the recommendation tracker remained manageable.

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. ANNUAL TREASURY MANAGEMENT REVIEW 2021/22

Darren Carter, Director of Finance, submitted a report on the Council's Treasury Management Strategy and Annual Investment Strategy for 2021/22. The Treasury Management Strategy required an Annual Outturn Report reviewing the Treasury Management activity which had taken place during the year.

The report stated that the Council had continued to finance capital expenditure through maximising the use of capital receipts, capital grants and internal borrowing. During

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 19 JULY 2022

2021/22 the Council had not taken out any long or short-term loans. The Council had not experienced any significant cashflow difficulties during the year due to the Covid-19 pandemic as although cash inflows had been reduced due to income losses, particularly from chargeable services such as car parking and leisure, they were offset by the receipt of additional one-off grant funding from Central Government and slippage in the Capital Programme.

Overall, the Council had under borrowed by £206.614 million as at 31 March 2022. As a consequence, the Council had effectively avoided incurring external interest costs in the order of £7m during 2021/22, based on the average rate for the existing debt portfolio of 3.39%. Against the 2021/22 General Fund budget the Capital Financing budget came in online as reported in the 2021/22 Quarter 4 Performance report to Policy Committee on 11 July 2022. This budget included interest payable, interest receivable and Minimum Revenue Provision (MRP) and the setting aside of revenue funds for the future repayment of outstanding borrowing.

The report confirmed that the Council had not breached any of its treasury management performance indicators during 2021/2022. The Borrowing and Investment portfolios were appended to the report for further information.

Resolved: That the Treasury Management Outturn Report for 2021/22 be noted.

11. QUARTER 4 PERFORMANCE REPORT (2021/22)

Darren Carter, Director of Finance, submitted a report, which had been considered by Policy Committee on 11 July 2022 (Minute 18 refers) setting out the projected revenue and capital outturn positions for 2021/22 for the General Fund and the Housing Revenue Accounts as at the end of March 2022 (Quarter 4). The report also summarised performance against the measures of success published in the Council's Corporate Plan. The following documents were attached to the report:

- Appendix 1 - General Fund Outturn;
- Appendix 2 - Housing Revenue Account (HRA) Outturn;
- Appendix 3 - Capital Programme Outturn;
- Appendix 4 - Savings;
- Appendix 5 - Delivery Fund;
- Appendix 6 - Reserves Position as at 31st March 2022;
- Appendix 7 - Corporate Plan Measures for Quarter 4;
- Appendix 8 - Corporate Plan Measures for Quarter 4 (Charts);
- Appendix 9 - Corporate Plan Projects for Quarter 4;
- Appendix 10 - Debt Write-Offs (not for publication).

Resolved: That the 2021/22 Quarter 4 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 11 July 2022 be noted.

12. CLOSING FINANCIAL ACCOUNTS UPDATE

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 19 JULY 2022

Mark Sanders, Chief Accountant, submitted a report on progress towards the completion of the audit of the Council's Final Accounts for 2019/20 and the preparation for the 2020/21 and 2021/22 accounts.

In relation to the 2019/20 accounts, there were two areas of work in progress which had now been completed, as follows: Cash Income Suspense - verifying that income collected should be set against debtors; and Inter Company Accounts - Verifying offsetting Debtor / Creditor Balances between Reading Borough Council and its wholly owned subsidiary Brighter Futures for Children, which would enable the external auditors, EY, to consider their view on the accounts. The final sign off would need to take account of the outcome of a technical CIPFA consultation on temporary changes to accounting for Infrastructure Assets. This consultation was affecting nearly all local authorities which may delay the receipt of formal audit opinions whilst the matters were being considered at a national level. Although it was not clear when the relevant Accounting Codes of Practice would be updated following the results of the consultation, it was anticipated that further information would be available in August 2022.

The report also highlighted the latest national data on the completion of audit opinions, which demonstrated that the sector was facing significant challenges in completing external audits. Up until 31 May 2022, a total of 51 local authorities had not had Audit Opinions issued for 2019/20, with a further 19 opinions delayed from earlier years. There were clearly several issues still being addressed at other authorities, and these issues presented a significant challenge for the sector to overcome and impact on external audit resource planning.

The Council's External Auditors, EY, had confirmed they would allocate their resources to begin the 2020/21 audit process at the beginning of August 2022 with the aim these accounts would be signed off by December 2022. This should, subject to any remaining audit matters arising, enable the draft 2020/21 accounts to be published for public inspection during August 2022. In relation to the 2021/22 accounts, the first stage in the production had been completed. Although focus would shortly turn to the 2020/21 process, many of the working papers for both years could be prepared and reviewed concurrently. The intention would be for the 2021/22 Statement of Accounts to be made available for public inspection in January 2023 to coincide with the external audit work commencing, subject to agreement with EY.

Resolved:

- (1) That progress made on the audit of the accounts for 2019/20, and the preparation for following years' 2020/21 and 2021/22 accounts, be noted;
- (2) That the Director of Finance, in consultation with the Chair of Audit & Governance Committee, be authorised to sign off the Statement of Accounts for 2019/20 on behalf of the Council.

13. EXTERNAL AUDITOR UPDATE

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 19 JULY 2022

Adrian Balmer, Ernst & Young (EY), gave a brief verbal update from the external auditors' perspective on the position in relation to the audit of the accounts for 2019/20 and 2020/21.

Resolved: That the progress update by EY be noted.

(The meeting closed at 8.15 pm)