

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 10 APRIL 2024

Present: Councillor Dennis (in the Chair);
Councillors Emberson, Gittings, Thompson, Yeo and McGoldrick

Apologies: Councillors Williams and Mitchell

In attendance: Councillors Robinson and Terry

36. MINUTES OF THE PREVIOUS MEETING HELD ON 23 JANUARY 2024

The Minutes of the meeting held on 23 January 2024 were confirmed as a correct record and signed by the Chair.

37. CLOSING FINANCIAL ACCOUNTS UPDATE

The Committee received a report on the progress of the audit of the Council's Final Accounts for 2020/21. The report also gave a progress update on the 2021/22 and 2022/23 accounts. In future, the accounts would be signed off by Council, with the Audit and Governance Committee playing a pivotal role in their scrutiny.

The Committee was advised that the external auditors had submitted the final management letter of representation and Audit Results Report (ARR). The Council had received an unqualified audit opinion for 2020/21 and the Statement of Accounts had been formally signed off, following the conclusion of the audit process on 8 April 2024. The accounts were unqualified for the second year in a row, which marked a significant improvement in the operation and quality of the Council's processes and accounts.

The Council had published the draft 2021/22 accounts in November 2023 and the public inspection period had concluded on 10 January 2024. The accounts and the reconciled Financial System Report had been submitted to the auditors. The draft 2022/23 accounts had been published on 28 February 2024 and the public inspection period commenced on 29 February 2024 and would conclude on 12 April 2024. The Statement of Accounts 2022/23 was the last year that EY would be the Council's external auditors. The new auditors from 2023/24 would be KPMG.

The Committee was updated on the national picture, which highlighted severe challenges in resourcing and performing outstanding audits. There were hundreds of accounts across the country that had been delayed for a number of different reasons, so the Government had been consulting on how to bring this position up to date by setting backstop dates for outstanding accounts to receive an audit opinion, even where the audit work was incomplete or there were outstanding issues to be resolved. The Council would continue to prepare its accounts as promptly and to the best quality possible, in accordance with the appropriate CIPFA guidance. Inevitably, it would require dealing with the 2021/22 and 2022/23 accounts audit process concurrently to bring them back up to speed, which would have an impact on the work of the new auditors, KPMG, when they carried forward work without fully complete audit information.

Resolved:

- (1) That the accounts progress and findings to date be noted;**
- (2) That Mark Sanders, Chief Accountant, and his Team be congratulated for the successful completion of the 2020/21 accounts and the unqualified opinion received from the Council's external auditors.**

38. EXTERNAL AUDITOR UPDATE

The Committee received a covering report on behalf of the Council's External Auditor, EY, providing an update on the audit of 2020/21 financial statements and the following year's statements and Value for Money assessments. Maria Grindley was present and addressed the Committee on the completion of the audit of the Council's Final Accounts for 2020/21 and the next steps to completing as much as possible of the 2021/22 and 2022/23 audit of accounts by the Government's backstop deadline, which could be as soon as September 2024.

The Committee was advised that the Council had not only dealt with the current issues raised through the audit process but had taken the opportunity to make sure sustainable improvements were made to record keeping. This should hold the Council's future audits in good stead as the purpose had not just been to fix the current position in the financial statements, but also to make sure that whatever the issue was that was causing that position was dealt with as well.

In relation to the value for money (VFM) commentary, the external auditor had identified two areas of weakness. Firstly, the control account and bank reconciliations and secondly, Children's Services. It was noted that the VFM findings were based on findings from the 2020/21 accounts and that significant improvements had been made in these areas since that date. Maria Grindley explained that the VFM work would be prioritised for the 2021/22 and 2022/23 accounts, in view of the Government's consultation on backstop dates for these accounts and the insufficient time to complete full audits. This was important as it would reflect the position as at March 2023 more accurately in relation to the two areas of weakness referred to above, which had been found in the 2020/21 accounts.

Resolved:

- (1) That EY's update for 2020/21 financial statements be noted;**
- (2) That EY's update for future audit work be noted.**

39. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

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The Committee considered a report providing an update on the key findings emanating from the Internal Audit reports issued for the period 1 January to 31 March 2024 (Quarter 4).

The report summarised the findings, recommendations and management actions that had been put forward for each audit review and stated the overall assurance opinion level given by the Internal Audit team. A total of four audit reviews and two advisory reports had been finalised in the period, as follows:

- Public Health Grant (Reasonable Assurance opinion given);
- Coroners (Limited Assurance opinion given);
- Bank and Cash Reconciliation (Reasonable Assurance opinion given);
- Community Infrastructure Levy (Limited Assurance opinion given);
- Section 117 of the Mental Health Act (Advisory Report); and
- Procurement (Advisory Report).

In relation to the Coroners, the audit identified weaknesses within the governance and decision-making processes. An historic Service Level Agreement between the six Berkshire authorities was in place but lacked clarity and equity. There were deficiencies in the associated documented policies and procedures, particularly around the apportionment of costs of the service between the authorities, which had resulted in a greater liability being allocated to RBC.

In relation to Community Infrastructure Levy (CIL), a limited assurance opinion was given on the basis that the CIL was administered without any documented procedures, with limited resilience and no appropriate segregation of duties to ensure the collection of CIL monies were effectively monitored.

The report also detailed the audits that were currently in progress and gave a summary of investigations work that had taken place in the 2023/24 financial year.

Resolved: That the audit findings be noted, and the recommendations and management action underway, as set out in the Internal Audit & Investigations Quarter 4 Update Report, be endorsed.

40. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

The Committee considered a report setting out a summary of Internal Audit recommendations and updated management responses, which focused on those recommendations where there had been either a 'limited' or 'no assurance' opinion. A summary of Internal Audit recommendations and updated management responses since the last Committee was attached to the report at Appendix 1.

Prior to reporting to Committee, officers responsible for implementing the specific recommendations had been asked to update the audit tracker. Each recommendation had been marked with a percentage complete, which correlated to a red (up to 25%), amber (26%-75%), or green (76%+) rating. However, any recommendations that were less

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than 50% complete but had exceeded their agreed completion date had also been marked red. There were 41 recommendations currently on the tracker, of which nine had been reported as complete since January 2024. Seventeen recommendations had been added to the tracker and thirty-eight completed recommendations removed following reporting in January 2024.

From April 2024 the format of the report had been updated to track progress in the implementation of the management responses to audit recommendations. This approach would be an improvement to enable better tracking of whether the audit recommendations were being properly addressed.

Resolved:

- (1) That progress against the audit recommendations for audits assigned a 'limited' or 'no assurance' opinion, as set out in the Appendix to the report, be noted;**
- (2) 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.**

41. INTERNAL AUDIT PLAN

The Committee considered a report setting out the work Internal Audit was planning to undertake during the financial year 2024/2025. 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), the Committee was asked to approve and monitor progress against the internal Audit Plan.

Resolved: That the Audit Plan for the period April 2024 to March 2025, be approved, as attached to the report at Appendix 1.

42. STRATEGIC RISK REGISTER - APRIL 2024

The Committee considered a report outlining the updates to the Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. A copy of the SRR was attached to the report at Appendix 1. The Risk Register covered the actions completed by the Council for January to March 2024 and the future risk ratings. The SRR had been reviewed by CMT on 19 March 2024 and no risks had been removed or de-escalated to the relevant Directorate Risk Register. There had also been no new risks added to the SRR. However, CMT had asked for consideration of developing a Health & Safety risk, which would be reported to the next meeting of the Committee, if deemed necessary. The Committee was also asked to note the five red risk cards, which had not changed from the previous quarter:

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- Cyber - Risk of loss from cyber attack
- BfC - Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand.
- Failure to safeguard vulnerable adults and children.
- Failure to deliver zero carbon commitments.
- Unable to deliver a balanced budget because of cost-of-living increases, demand pressures and achieving income targets.

The Committee was advised that quantitative data was now being recorded within the 'Background Context' box and would allow the Council and Risk Owners to understand the impact of the control measures implemented. Additionally, the risk information layout had been updated to clearly separate 'existing controls in place' and ongoing 'specific action'. Each action recorded the target date, status, where the action was being monitored and frequency it would be monitored.

For this latest report, all risk owners had identified the 'risk status' for each risk card. This required the risk owners to determine how they planned to continue to manage the risk using the following options:

- Treat the risk - Agree to continue to implement further controls to change the nature of the risk
- Tolerate the risk - Agree to accept the risk at its current risk level. This would mean that no further risk mitigations would be implemented but the risk would continue to be monitored
- Escalate the risk - Move the risk to the Strategic Risk Register/ Directorate Risk Register accordingly
- De-escalate the risk - Move the risk to the Directorate / Service Plan Register
- Transfer the risk - Agree to transfer the risk, for example to a contractor or by purchasing specialist insurance to cover the risk
- Terminate the risk - Deciding not to take any further action and stopping the activity.

This activity was part of the introduction of the concept of Risk Appetite, a concept that would be progressed during 2024 - 2025 across the Council.

Resolved: That the Council's Strategic Risk Register, as of April 2024, as set out in Appendix 1 to the report, be noted.

43. CIPFA FINANCIAL MANAGEMENT CODE

The Committee considered a report on the Financial Management Code 2019 (FM Code) (Appendix 1), which had been introduced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The Code set out the standards of financial management for local authorities. Local authorities had been expected to comply fully with the FM Code from 1 April 2021, with 2020/21 effectively being a shadow year. The Guidance to the Code (Appendix 2) expected Authorities to be able to provide evidence that they had reviewed

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their financial management arrangements against the standards and that they had taken such action as may be necessary to comply with them. Effectively, an annual self-assessment exercise had been required to assess compliance with the FM Code from 1 April 2021

The 2023/24 self-assessment had identified significant progress against four key areas:

- i) The external audit of the 2019/20 Statement of Accounts gave an unqualified opinion for the first time since 2015/16. The 2020/21 Statement of Accounts had also received an unqualified audit opinion;
- ii) The 2021/22 and 2022/23 Draft Statements of Accounts had now been published;
- iii) The Capital Strategy had been extended from 3 years to 5 years; and
- iv) A 75% increase in the number of responses to the Council's budget engagement had been received.

As a result of these improvements, this self-assessment had identified that four standards (standards A, D, L and P) had improved from a previous rating of 'Amber' to 'Green'. All other standards remained as per the 2022/23 assessment. A proposed action plan, setting out the required actions to improve those standards rated 'Amber' to 'Green' was set out in Appendix 3.

Resolved: That the findings of the 2023/24 Financial Management Code Self-Assessment be noted.

44. TREASURY MANAGEMENT REVIEW QUARTER 3 2023/24

The Committee considered a report on the activity of the Treasury Management function during the third quarter of the year for the period 1st October 2023 to 31st December 2023. The report stated that the CIPFA Code of Practice for Treasury Management 2021 recommended that the Committee should be updated on treasury management activities at least quarterly. The Committee was advised that there had been full compliance with the Treasury Management Strategy Statement (TMSS), as agreed by Council on 28 February 2023, during this period. The report had attached the Link Group Economics Update; Debt and Investment Portfolios; and the list of approved countries for investments.

Resolved: That the Treasury Management Review Quarter 3 report for 2023/24 be noted.

45. INFORMATION GOVERNANCE QUARTERLY UPDATE

The Committee considered 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.

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The report provided an update on: the action being taken to address the backlog of Subject Access Requests; the on-time responses to FOI requests, which stood at 72% in Quarter 3, slightly down on the 75.6% recorded in Quarter 2; the ongoing work to increase FOI responses within the required timescale to 90%, as expected by the Information Commissioner's Office; data transparency; the work of the Information Governance (IG) Board; the Information Management Strategy, which set out the Council's approach to information management and governance; and uptake of the compulsory Cyber Security training for all staff and Members, which would be followed-up to improve compliance.

The report stated that the current focus would be on: continuing the work with the Data Stewards; the action plan work from the Breach Management process review; implementation of the redaction software; testing of the governance forms on the new CRM system; and working with the Mandatory Training Task & Finish Group.

Resolved:

- (1) That the progress being made to improve the Council's Information Governance be noted and the future actions outlined in the report be endorsed;**
- (2) That the data on the uptake of the new Cyber Security and Information Governance training, which was now available to all staff via the Learning Pool, be reported to the Committee at its meeting on 17 July 2024, as part of this report.**

(The meeting closed at 7.37 pm)