

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 12 APRIL 2022

**Present:** Councillor Gittings (in the Chair), Edwards, Emberson, McElroy (via Microsoft Teams), McEwan and Robinson;

**In attendance** Councillor McElroy was unable to attend in person, so attended and contributed remotely via Microsoft Teams, but did not vote on any of the items;

**Apologies:** Councillors Davies and Stevens.

### 32. APPOINTMENT OF CHAIR

In the absence of the Chair and Vice Chair, Councillor Gittings was appointed as Chair for the meeting.

### 33. MINUTES

The Minutes of the meeting of 25 January 2022 were confirmed as a correct record and signed by the Chair.

### 34. INTERNAL AUDIT QUARTERLY UPDATE REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued for the period 1 January to 31 March 2022.

The report set out a summary of the audit reports in respect of: Parks and Grounds Maintenance; Climate Change Strategy; Main Bank and Feeder Reconciliations; Intercompany Accounting; and Transition from Children to Adults. As the Chief Auditor had given 'limited assurance' to Intercompany Accounting, the full internal audit report for this audit was appended to the report.

In relation to Intercompany Accounting, the audit review had found that intercompany transfer payments for the contract, service level agreement payments and delegated schools grant funding were being paid and received monthly; however, BFfC had not regularly requested that the Council transfer over any of the grant funding that had been received in the Council's accounts. Likewise, quarterly recharges to BFfC for statutory posts had not been transferred. The transfer payments that had happened had been well supported but, whilst the Accounts Payable Team performed manual checks, there would continue to be a risk of duplicate payments being made as the financial system did not have the functionality to identify a duplicate intercompany transaction. This finding validated the need for quality authorisation and prompt payment processes to be in place.

The report also listed the audits that were currently in progress and gave a summary of investigations work between April 2021 and March 2022.

**Resolved:** That the audit findings in relation to Intercompany Accounting be noted, and the recommendations and management action underway, as set out in the full audit report, be endorsed.

### 35. STRATEGIC RISK REGISTER Q4

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Paul Harrington, Chief Auditor, submitted a schedule updating the Committee on the Q4 status of the Council's 2021/22 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.

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 ten risks, two of which 'Failure to adapt to the impacts of climate change and deliver zero carbon commitments with negative impacts for residents and businesses, and for Council services, infrastructure and reputation' and 'Cyber - risk of loss from cyber attack' were currently rated as 'red'.

**Resolved:** That the Council's Strategic Risk Register, as at 31 March 2022, be noted.

### **36. INTERNAL AUDIT PLAN AND AUDIT CHARTER 2022/23**

Paul Harrington, Chief Auditor, submitted a report setting out the work Internal Audit was planning to undertake during the financial year 2022/2023. 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. 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 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 2022 to March 2023, be approved, as attached to the report at Appendices 1 and 2 respectively.

### **37. 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

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Phase I delivery and developing the financial management culture and governance framework across the Council.

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 Plan. There were now nine (previously ten) recommendations within the tracker covered by the Finance Improvement Programme. These were rated as: Red 2; Amber 3; and Green 4.

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.

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

### **38. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER**

Jackie Yates, Deputy 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 101 high and medium risk recommendations from Internal Audit, of which 42 (41.6%) were currently green, 44 (43.6%) were amber and 15 (14.9%) were red. Twenty-two recommendations had now been completed and would be removed from the next report.

Whilst there had been some positive movement since the last meeting, more needed to be done to improve implementation times. The report stated that of the 28 recommendations which were more than 12 months old, eight were now complete and would be removed from the next report. The relevant officers were present at the Committee to explain what they were doing to implement these recommendations and when they would be implemented.

**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.

### 39. CIPFA FINANCIAL MANAGEMENT CODE

Stuart Donnelly, Financial Planning & Strategy Manager, submitted a report on the The Financial Management Code 2019 (FM Code), 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. An initial self-assessment of the Council's standing against each of the Financial Management Standards had been carried out in March 2020 by the Financial Planning & Strategy Manager in conjunction with the Council's Section 151 Officer using a RAG Rating approach. The outcome of the initial review had been 'amber' with eight Green ratings, nine Amber ratings and no Red ratings. Similarly, the initial findings of the 2021/22 self-assessment had also been 'amber' with the results set out in the report and compared with the assessment carried out in July 2020. The movements in RAG Rating were due to clarifications and/or better understanding of the requirements of the Code following publication of the guidance and did not necessarily represent an improvement or deterioration in the actual position.

**Resolved:** That the findings of the 2021/22 Financial Management Code Self-Assessment be noted.

### 40. 2021/22 QUARTER 3 PERFORMANCE AND MONITORING REPORT

Stuart Donnelly, Financial Planning & Strategy Manager, submitted a report, which had been considered by Policy Committee on 7 March 2022 (Minute 84 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 December 2021 (Quarter 3). The forecasts included best estimates of the additional pressures arising due to Covid-19. 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 - Financial Monitoring for Quarter 3
- Appendix 2 - Corporate Plan Measures for Quarter 3
- Appendix 3 - Corporate Plan Measures for Quarter 3 (Charts)
- Appendix 4 - Corporate Plan Projects for Quarter 3

The report explained that the forecast General Fund revenue outturn position as at the end of Quarter 3 was an overspend on service expenditure of £7.996m. This included net overspends of £3.148m within the Directorate of Adult Care and Health Services and £4.478m within the Directorate of Economic Growth and Neighbourhood Services, which included £4.223m of costs that were attributable to Covid-19. It had previously been agreed that the overspend on services would be funded through a combination of Covid-19 support grant that was available for 2021/22 and £3.844m of corporate contingencies. The use of this combination of contingencies and one-off resources meant that an underspend of £0.274m was now projected for 2021/22 but such an approach was not sustainable in the medium to longer term and had been addressed as part of 2022/23 budget setting.

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The report also stated that the Housing Revenue Account (HRA) was projecting an underspend of £2.310m as at the end of Quarter 3, the General Fund Capital Programme was forecast to underspend by £45.457m in 2021/22 and the HRA Capital Programme was forecast to underspend by £16.203m in 2021/22. £6.096m (30%) of savings had been delivered to date in the financial year, with a further £4.952m (25%) of savings on track to be delivered by March 2022. £5.638m (28%) of savings were currently categorised as non-deliverable with a further £3.522m (17%) categorised as at risk of delivery.

**Resolved:** That the 2021/22 Quarter 3 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 7 March 2022 be noted.

### 41. INFORMATION GOVERNANCE QUARTERLY UPDATE

Nayana George, Customer Relations & Information Governance Manager, 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; 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, a key action would be to identify Data Stewards within team/service areas to work with the Information Governance Team and deliver the Action Plan. 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 January 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.

### 42. CLOSING FINANCIAL ACCOUNTS UPDATE

Mark Sanders, Chief Accountant, submitted a report on progress towards the completion of the audit of the Council's Final Accounts for 2019/20. The report detailed the audit work that had been undertaken, including income & expenditure sampling; walk through tests; adjusting items; technical assessments of asset valuations, PFI contracts and pension liabilities. A draft Statement of Accounts for 2020/21 was in the final stages of being prepared. Any adjustments and improvements in reporting identified during the audit of the 2019/20 accounts would need to be included in the 2020/21 accounts. It was intended that the draft 2020/21 accounts

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would be published shortly, with the External Audit team returning late Summer/Autumn to begin their fieldwork. The Council would focus on controls and working paper improvements with a clear aim to reduce the time taken to conclude audit processes, including taking account of emerging national accounting/auditing issues as they arose.

**Resolved:** That the progress made on the audit of the 2019/20 accounts be noted.

### **43. EXTERNAL AUDIT DRAFT AUDIT RESULTS REPORT 2019/20 AND ANNUAL AUDIT LETTER 2018/19**

Larisa Midoni, EY, presented the latest External Audit Draft Audit Results Report for 2019/20 and the Annual Audit Letter for 2018/19. The Audit Letter was required following completion of EY's audit procedures for the year ended 31 March 2019 and was for noting. The Committee's attention was drawn to the comments about the 'Value for Money' assessment in the draft Audit Results Report, which advised that, despite progress being made, some issues highlighted in previous reports had still persisted during the 2019/20 financial year.

The report explained that, taking the Ofsted Inspection Reports in July 2019 and October 2019 as being representative of the position in Children's services in 2019/20, there was evidence of improvement on the inspections taking place. At this time, OfSTED had updated its conclusion in respect of Children's Services from 'Inadequate' to 'Requires Improvement'. During 2019/20, however, there had still been a lack of consistency across Children's services with a number of concerns raised by the regulator at regular intervals in that period. The Children's Company 'Brighter Futures for Reading' had been incorporated in December 2018 and this had been a key focus of EY's work on value for money during the 2019/20 audit. Taken together, this had provided evidence of weakness in arrangements during 2019/20 and had resulted in a qualification on Working with Partners and Third Parties. Therefore, it was likely that the value for money conclusion for this year would remain qualified.

**Resolved:** That the External Audit Draft Audit Results Report 2019/20 and Annual Audit Letter 2018/19 be noted and further reports be presented to the Committee as necessary.

(The meeting commenced at 6.30pm and closed at 7.55pm).