

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 23 JANUARY 2024

Present: Councillor Williams (Chair); G Dennis, Emberson, Gittings, McGoldrick, Thompson and Yeo;

Apologies: Councillor Mitchell;

In attendance Councillors Robinson and Terry.

25. MINUTES OF THE PREVIOUS MEETING HELD ON 27 SEPTEMBER 2023

The Minutes of the meeting held on 27 September 2023 were confirmed as a correct record and signed by the Chair.

Minute 17(3)(a) – The Chair referred to the Committee operating under new terms of reference that had been agreed by Council on 17 October 2023, which included a responsibility: ‘To review the governance and assurance arrangements for significant partnerships or collaborations.’ The Committee agreed that the first report to be received on governance and assurance arrangements of partners should be on Brighter Futures for Children. The Committee noted the Strategic Risk Register included companies the Council either owned or had a significant interest in. These companies’ governance arrangements included being managed within a comprehensive framework to ensure there was effective oversight by the Council to enable it to properly discharge its duties as shareholder or member.

Minute 17(3)(b) – The Chair informed the Committee that the Chief Auditor would be circulating a short questionnaire to members to assist the production of the Annual Report on how the Committee had complied with the CIPFA position statement and discharged its responsibilities, including an assessment of its performance, as required by its the new terms of reference.

Noted:

- (1) **That the first report on governance and assurance arrangements of significant partnerships or collaborations be submitted on Brighter Futures for Children at a future meeting of the Committee with similar reports on other partners to follow in due course;**
- (2) **That members of the Audit & Governance Committee be asked to respond to the short questionnaire to be circulated in the week beginning 29 January 2024 from the Chief Auditor promptly to enable the Committee’s Annual Report to be prepared.**

26. CLOSING FINANCIAL ACCOUNTS UPDATE

The Committee received a report on the progress of the audit of the Council’s Final Accounts for 2020/21, as it neared completion. 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 report stated that there had been no further amendments or material changes to the Council’s Final Accounts for 2020/21 since the last update. Therefore, it was anticipated that the External Auditors would conclude the audit imminently. The draft 2021/22 accounts had been published towards the end of November 2023 and the public inspection period had commenced on 22 November 2023 and concluded on 10 January 2024. The accounts and the reconciled Financial System Report had been provided to the auditors at the beginning of 2024 and officers were awaiting their intended audit approach and any dates for the 2021/22 audit. The draft 2022/23 accounts were on track to be produced and published by the end of January/beginning of February.

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This draft would incorporate any last changes from the 2020/21 audit, should there be any further findings. This would provide a good platform to continue the closedown processes for 2023/24 with the objective of returning to a timely position on the preparation of accounts within statutory deadlines.

The Statement of Accounts 2022/23 would be the last year that the external auditors would be EY. It was prudent practice for the external auditors to change on a scheduled basis to avoid any bias and to ensure impartiality and an objective approach. KPMG would be the Council's new auditors from 2023/24 who would build upon the assurances they received from EY and commence their audits with their own approach.

Darren Carter, Director of Finance, reported that he had received a letter from the Minister for Local Government on 9 January 2024, which stated the intention to set a backstop date of 30 September 2024 for the conclusion of audits up to 2022/23. He interpreted this as meaning that any audits, prior to 2023/24, which had not been completed by the end of September would be effectively concluded and the external auditors would be required to issue disclaimer opinions, in recognition that it had not been possible to complete the audit by the deadline. This did not mean work towards the completion of the 2021/22 and 2022/23 audits would cease, as it was in all parties' interests to have as complete a set of accounts as possible to provide reassurance on the robustness of the Council's financial position and to assist the accuracy of future audits.

Resolved: That the accounts progress and findings to date be noted.

27. 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 progress made with the following years' statements and Value for Money assessments. Maria Grindley and Adrian Balmer, EY, were present and addressed the Committee on the progress 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 September 2024 deadline.

Resolved:

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

28. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

The Committee considered a report providing an update on the key findings emanating from the Internal Audit reports issued for the period 1 October to 31 December 2023 (Quarter 3).

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 six audit reviews had been finalised in the period, as follows:

- Commercial Investments (Oracle Agreement) (Reasonable Assurance opinion given);
- iTrent (Payroll) Expenses (Reasonable Assurance opinion given);
- Reading Foundation for Art (Limited Assurance opinion given);
- Employee Gifts, Hospitality & Declaration of Interests (No Assurance opinion given);
- Continuous Healthcare (Limited Assurance opinion given); and;

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- Iken Billing Process.

The audit of the Employee Gifts, Hospitality & Declaration of Interests had found that although the Council had documented its expectations of staff including roles and responsibilities within these areas, there was a failure to ensure that staff were aware of these expectations, to provide a robust process which staff were proactively encouraged to use, and to manage, monitor and report declarations.

In relation to the Reading Foundation for Art (RFFA), there was a lack of clarity and documenting of roles and responsibilities carried out by RBC on behalf of the RFFA, with tacit knowledge of these held by a few individuals. There was a risk of tasks being overlooked, over-reliance on the Museum Curator, and loss of knowledge with the departure of key individuals. The lack of clearly understood and documented policies and procedures had led to issues with various finance processes.

Although the Council was proactively redeveloping its procedures and processes in relation to Continuous Healthcare (CHC) to ensure people were appropriately assessed before a claim was submitted to the NHS, the audit found there was a risk that social workers could bypass the Council's internal peer-review process of the application. Furthermore, there were no controls in place for analysing the Multi-Discipline Team's reasons for refusing a claim for CHC funding, advocated by the Council despite having a copy of the decision letter on file.

The report also detailed the audits that were currently in progress and gave a summary of investigations work that had taken place between 1 October and 31 December 2023.

Resolved: That the audit findings be noted, and the recommendations and management action underway, as set out in the Internal Audit & Investigations Quarter 3 Update Report, be endorsed.

29. 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 than 50% complete but had exceeded their agreed completion date had also been marked red. There were 60 recommendations currently on the tracker, of which 38 were reported as being complete. Eighteen recommendations had been added to the tracker and nine completed recommendations had been removed since April 2023.

Zelda Wolfle, Assistant Director of Housing & Communities, was present at the meeting and provided reassurance to the Committee about the ongoing management action being taken to address the limited assurance opinion given by Internal Audit and their subsequent recommendations in relation to Housing Repairs. The recommendations were listed in the Audit Tracker, along with the management response detailing the action being taken.

Resolved:

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- (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;
- (3) That **Zelda Wolfle, Assistant Director of Housing & Communities** be thanked for her comprehensive update on the progress being made by the Housing Repairs Service to address the Internal Audit recommendations set out in the Audit Tracker, which was appended to the report at Appendix 1.

30. STRATEGIC RISK REGISTER 2023/24

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 September to December 2023 and the risk ratings for January to March 2024. The SRR had been reviewed by CMT on 19 December 2023 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, there were five red risk cards, with no change from the previous quarter:

Cyber - Risk of loss from cyber attack
BFfC - 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.

An area of ongoing concern, which was covered by the Strategic Risk within the Council's ability to set a balanced budget was the impact of the cost-of-living crisis affecting Homelessness budgets. Private sector evictions had been steadily rising following on from the relaxation of Covid restrictions, with additional cost of living pressures placed on the sector, including escalating cost of Emergency Accommodation. The Committee considered whether the pressure on Homelessness Services should be given greater prominence on the SRR due to its impact on other public services as well as managing the budget sustainably.

Resolved:

- (1) That the Council's Strategic Risk Register, as of January 2024, as set out in Appendix 1, be noted;
- (2) That the assessment of the risk rating to the local authority of homelessness set out in the Economic Growth & Neighbourhood Services Directorate's Risk Register be circulated to members of the Committee for their information and to consider whether it required more explicit mention in the Strategic Risk Register.

31. TREASURY MANAGEMENT REVIEW QUARTER 2 2023/24

The Committee considered a report on the activity of the Treasury Management function during the second quarter of the year for the period 1st July 2023 to 30th September 2023. The report stated

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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 2 report for 2023/24 be noted.

32. IMPLEMENTATION OF THE NEW FINANCE SYSTEM – PROGRESS UPDATE

The Committee considered a report on the implementation of the new finance system, e5, which went live at the start of December 2023. The project was now in a hyper care period through to February 2024 during which the Council's finance team was being supported by specialist resources to help resolve support requests, deliver refresher training to end users, and to complete system management knowledge transfer. The project Steering Group was meeting on a weekly basis to assess early post go live progress and advise on actions with representation from across the Council. The report summarised the key activities to be completed in the next period to support users and deliver further improvements to the e5 solution.

Resolved:

- (1) That the successful implementation of the e5 system at the start of December 2023 and the arrangements in place for end user support, training and ongoing solution improvement be noted;**
- (2) That the immense amount of work undertaken by the Finance Service to deliver this major transformational project be recognised and all those involved in its successful implementation be thanked for their contributions.**

33. 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.

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 to 75.6% in Quarter 2 and the ongoing work 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; 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 BFfC and DCASC Data Stewards and starting work with the Data Stewards from DoR and DEGNS. The action plan work continued from the Breach Management process review, implementation of the redaction software, testing of the governance forms on the new CRM system and design, testing and roll out the new suite of both Cyber and IG training.

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

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34. EXCLUSION OF PRESS AND 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 item 35 below as it was likely that there would be a disclosure of exempt information as defined in Paragraph 7 specified in Part 1 of Schedule 12A to that Act.

35. CYBER SECURITY

The Committee received a report on Cyber Security, which had been requested at the meeting held on 20 July 2023 (Minute 4 refers), due to a limited assurance opinion by Internal Audit because of weaknesses in the internal configuration of the ICT estate. Martin Chalmers, Chief Digital and Information Officer, was present at the meeting and provided reassurance to the Committee about the ongoing management action being taken to address the limited assurance opinion and the subsequent recommendations in relation to Cyber Security. The recommendations were listed in the Audit Tracker (see also Minute 29 above), along with the management response detailing the action being taken.

Resolved:

- (1) **That the progress made on, the future plans for, implementing the recommendations of the Internal Audit Report on Cyber Security be noted;**
- (2) **That the Chief Digital & Information Officer be thanked for attending the Committee and providing a detailed explanation of the action being taken to address the Internal Audit recommendations, which were set out in the Audit Tracker referred to Minute 29 above.**

(Exempt information as defined in Paragraph 7)

(The meeting commenced at 6.30 pm and closed at 8.39 pm)