

READING BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

23 JULY 2019

QUESTION NO. 1

Colin Lee to ask the Chairman of the Audit & Governance Committee:

Accounts 2016/17

When the Leader of the Council and indeed as I understand it you will be doing so, under delegated authority for the 2016/17 accounts, that is sign off the Borough Council's statutory financial statements (Accounts), what is the significance and purpose of that declaration and in terms of responsibilities, what legal obligations are you under to ensure approval by the full Council and the accuracy of those accounts?

REPLY by Councillor Stevens (Chair of the Audit & Governance Committee):

Full Council have effectively delegated the approval of the accounts to this Committee. The Council's Constitution assigns responsibility to the Audit & Governance Committee to:

- Approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts; and
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

This committee has received regular progress reports over the period during which the 2016/17 accounts have been in preparation and has challenged officers and external auditors to understand the fundamental issues that led to the delay in their publication.

In its scrutiny of the accounts process and sign off of the accounts the Committee and I place reliance on the Executive Director of Resources, who has a statutory and professional responsibility to ensure the accounts reflect a true and fair view. In addition, the committee places reliance on the work undertaken and certification of our external auditors, EY, who also have responsibilities to verify the accuracy of the accounting statements.

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QUESTION NO. 2

Colin Lee to ask the Chairman of the Audit & Governance Committee:

Accuracy of Statutory Accounts

With whom does the accuracy of the statutory accounts rest within Reading Borough Council and to what extent does this committee have a duty and indeed obligation to ensure accuracy of those financial statements and the Council's books before they are sent for audit and how do you fulfil this obligation?

REPLY by Councillor Stevens (Chairman of the Audit & Governance Committee):

The responsibility for the accuracy of the Council's accounts, and underlying systems of financial control, rests with the Council's Executive Director of Resources under s151 of the Local Government Act 1972

Under the Accounts and Audit Regulations 2015 it is the responsibility of the Council's S151 officer to sign that the accounts represent a true and fair view of the financial position for the year end to which they relate and the income and expenditure for the year and submit them for audit purposes.

The role of the Committee is to keep under review the Council's internal control environment its underpinning systems and procedures and ensure that the financial and operational management of the Council is effective and facilitates the delivery of its functions.

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QUESTION NO. 3

Colin Lee to ask the Chairman of the Audit & Governance Committee:

Revisions to 2016/17 Accounts

As I understand it a great many revisions have been made to the 2016/17 accounts yet the Council has only published version 2 on their website. Why has the Council not kept the public informed about the changes made to the 2016/17 accounts, and

- a) Have each of these many modified versions of the accounts been submitted to all Councillors for their consideration and if not why not?
- b) Can all versions be placed in the public domain for inspection?

REPLY by Councillor Stevens (Chairman of the Audit & Governance Committee):

This Committee has received regular reports both from Officers and the Council's external auditors on the progress with completing the 2016/17 audit and issues therein, those reports are in the public domain and available on the Council's website.

It is the Finance team's role under the direction of the Council's S151 Officer to prepare the accounts and manage the audit process.

The originally submitted accounts remained on the Council's internet pages until last week when the final audited version replaced them. This is usual practice across authorities.

Making more than one version of the accounts available would not aid the understanding of readers and it is not the Council's intention to make previous versions available.

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QUESTION NO. 4

Peter Burt to ask the Chairman of the Audit & Governance Committee:

Public Access to Information

At the Audit and Governance Committee meeting dated 1 August 2018 I asked the chair of the committee to take action to ensure that all contracts and invitations to tender issued by Reading Borough Council warn potential contractors and purchasers that information provided by the Council may be placed in the public domain, and ensure that the Council complies with the Information Commissioner's guidance on this point.

In response I was advised that invitations to tender issued by Reading Borough Council contain provisions and clauses informing potential contractors that information provided by the Council is subject to the Freedom of Information Act 2000, and that the Council applies use of the Freedom of Information Act exemption relating to commercial confidentiality correctly.

In the light of the Information Commissioner's decision to order the Council to release in full details of the sale of Arthur Hill Pool, which the Council had claimed was covered by commercial confidentiality, it appears that the answer I was given last August was complacent and inaccurate.

Please can you tell me whether you agree with me that allowing public access to Council information is an important part of the scrutiny and governance process, and what steps the Audit and Governance Committee will take to ensure that in future Council officers comply with the law over their responsibilities to disclose information to members of the public?

REPLY by Councillor Stevens (Chairman of the Audit & Governance Committee):

I thank Mr Burt for his question.

The answer given to your question put to the Audit and Governance meeting of 1st August 2018 was neither complacent nor inaccurate.

You will recall that the final paragraph of that response stated the following:

"Section 43 of the Freedom of Information Act 2000 provides for the application of an exemption in respect of commercially sensitive information. I can assure Mr Burt that the S43 exemption, if relevant, is applied correctly and in accordance with the above Act." I stand by that statement.

Mr Burt continues to misrepresent the ICO decision note. The ICO accepted that the Council had grounds for applying Section 43, as the information sought by you

included information relating to the commercial interests of the bidders, and a causal relationship existed between the potential disclosure of this information and the prejudice that the exemption is designed to protect against. What the ICO said the Council did not do was to show how the disclosure would prejudice the commercial interests of the bidders. For the avoidance of doubt ICO said that the Council had not demonstrated compliance with Section 43 of the Freedom of Information Act on one point.

Officers of the Council have acknowledged this failure and as you know a review of how FOI requests are dealt with is being carried out by the Chief Auditor. This review will in due course be brought to the Audit and Governance Committee.

I agree that allowing public access (whether permitted by the Freedom of Information Act or otherwise) to Council Information is an important part of the scrutiny and governance process; albeit it must be accepted that each Freedom of Information Act request is treated on its own merits as each contract and invitation to tender are different and may or may not be commercially sensitive in their own way and therefore, it is not possible apply a blanket exemption.

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QUESTION NO. 5

Peter Burt to ask the Chairman of the Audit & Governance Committee:

Chief Auditor's Review of FOI Procedures

The Leader of the Council has announced that the Council's Chief Auditor has been asked to undertake a review of the Council's Freedom of Information procedures. Please can you advise me what the terms of reference for this review will be? Please can you also advise me whether the Chief Auditor will be taking evidence from members of the public about how the Council could improve its performance in this area?

REPLY by Councillor Stevens (Chairman of the Audit & Governance Committee):

The terms of reference for the review are to evaluate the Council's processes for capturing, processing and responding to Freedom for Information requests. The focus of the review is to verify that the Council's procedures are fit for purpose, comply with statutory timeframes and the basic principles of the Freedom of Information Act.

The Chief Auditor will not be taking evidence from members of the public.

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QUESTION NO. 1

Councillor J Williams to ask the Chairman of the Audit & Governance Committee:

Previous Auditors, KPMG

In February, the ex-Leader of the Council blamed the previous auditors, KPMG, for the Council's failure to file its accounts, saying, "the entire committee feel strongly that the historic issues the current auditors EY have required the Council to deal with should have been identified by the previous auditors, KPMG." On the 25th June, the new Leader of the Council confirmed that he shared those concerns.

Can the Chair of Audit and Governance please tell us what communication has taken place between RBC and KPMG since handover to the current auditors? Can the Chair please summarise KPMG's response to these accusations?

REPLY by Councillor Stevens (Chairman of the Audit & Governance Committee):

The responsibility for preparing the Council's accounts rests solely with the Council. Whilst external auditors are under a duty to apply due diligence in forming an opinion as to the accuracy of those accounts, they cannot be held accountable for any mis-statements that subsequently occur so long as they have planned their work and undertaken such testing as required in accordance with auditing standards. Validation of the accounts was subject to assurances and explanations provided by officers as part of that process.

Both the Council's previous and current auditors have identified historic weaknesses in the Council's general financial framework and closure of accounts processes which they brought to the Council's attention in their Audit Results reports. The reports provided a warning that a risk existed that reported balances had the potential to be misstated. Our current auditors in signing off the 2015/16 account also issued a S24 Report which highlighting control weaknesses.

I am pleased to note the progress made by the Council in improving its systems of internal control and accounts closure process whilst addressing the areas of historic weakness set out in EY's Audit Results report.

Rather than focussing on any challenge to previous auditors our focus is rightly on continuing to develop capacity and capability within the organisation, bringing the 2017/18 and 2018/19 accounts to closure and looking to how the Council responds to the future financial challenges to deliver the best services for its residents rather than looking to the past. Consequently the Council has had no communication with KPMG since the handover to the current auditors.