

# Notice of Meeting

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## Governance and Ethics Committee

**Monday 28 November 2016 at 5.00pm**  
in Council Chamber Council Offices  
Market Street Newbury

Date of despatch of Agenda: Thursday, 17 November 2016

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Andy Day/Moira Fraser/Stephen Chard on (01635) 519459/519045/519462

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**Agenda - Governance and Ethics Committee to be held on Monday, 28 November 2016**  
(continued)

**To:** Councillors Steve Ardagh-Walter, Jeff Beck (Vice-Chairman), Chris Bridges, Graham Bridgman, Keith Chopping, James Cole, Barry Dickens, Lee Dillon, Anthony Pick and Quentin Webb

**Substitutes:** Councillors Billy Drummond, Sheila Ellison and Tim Metcalfe

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## Agenda

### Part I

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| 1 | <b>Apologies</b><br>To receive apologies for inability to attend the meeting (if any).  | 1 - 6 |
| 2 | <b>Election of the Chairman</b><br>To appoint a Chairman of this Committee for the remainder of the 2016/17 Municipal Year.   |       |
| 3 | <b>Minutes</b><br>To approve as a correct record the Minutes of the meeting of this Committee held on 05 September 2016.  | 1 - 6 |
| 4 | <b>Declarations of Interest</b><br>To remind Members of the need to record the existence and nature of any personal, disclosable pecuniary or other registrable interests in items on the agenda, in accordance with the Members' <a href="#">Code of Conduct</a> . |       |
| 5 | <b>Forward Plan</b><br><i>Purpose: To consider the Forward Plan for the next 12 months.</i>   | 7 - 8 |

### Standards Matters

- |   |  |        |
|---|--|--------|
| 6 | <b>Update on Ethical Matters - Quarter 2 of 2016/17 (GE3090)</b><br><i>Purpose: To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.</i> | 9 - 16 |
|---|--|--------|

### Governance Matters

- |   |  |         |
|---|--|---------|
| 7 | <b>Public Sector Audit Appointments (GE3211)</b><br><i>Purpose: The purpose of this report is to provide Members with the opportunity to discuss the merits of West Berkshire Council opting into the national scheme for auditor appointments for the financial year 2018/19 onwards.</i> | 17 - 30 |
|---|--|---------|



**Agenda - Governance and Ethics Committee to be held on Monday, 28 November 2016**  
(continued)

- 8      **Financial Statements 2015/16 - Annual Audit Letter (GE3210)**      31 - 46

*Purpose: To provide Members with the Final Annual Audit Letter 2015/16 from KPMG, this audit letter summarises the outcome from their audit work at West Berkshire Council in relation to the 2015/16 audit year.*

Andy Day  
Head of Strategic Support

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Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

## **GOVERNANCE AND ETHICS COMMITTEE**

### **MINUTES OF THE MEETING HELD ON MONDAY, 5 SEPTEMBER 2016**

**Councillors Present:** Jeff Beck (Vice-Chair, in the Chair), Graham Bridgman, James Cole, Barry Dickens, Lee Dillon, Anthony Pick and Quentin Webb

**Also Present:** Sarah Clarke (Legal Services Manager), Lesley Flannigan (Finance Manager: Financial Reporting), Julie Gillhespey (Audit Manager), Ian Priestley (Chief Internal Auditor) and Andy Walker (Head of Finance), Jo Reeves (Policy Officer)

**Councillor Absent:** Councillor Steve Ardagh-Walter and Chris Bridges

#### **PART I**

#### **4 Election of Chairman**

*Councillor Jeff Beck in the Chair.*

Councillor Jeff Beck opened the meeting and announced that Councillor Rick Jones had been appointed to the Executive by the Leader of the Council and he had therefore resigned from the Governance and Ethics Committee.

Councillor Graham Bridgman advised that according to the Council's Constitution, the Committee did not have the power to appoint a new member to replace Councillor Jones. Sarah Clarke confirmed that this was correct. Councillor Bridgman proposed that the election of the Chairman be deferred until the next meeting, pending the announcement. This was seconded by Councillor Anthony Pick.

**RESOLVED that** Councillor Jeff Beck be elected the Chairman of the Governance and Ethics Committee for the meeting and Councillor Graham Bridgman be appointed Vice-Chair for the meeting.

#### **5 Minutes**

The Minutes of the meetings held on 25 April 2016 and on 19 May 2016 were approved as a true and correct record and signed by the Vice-Chairman.

#### **6 Declarations of Interest**

There were no declarations of interest received.

#### **7 Forward Plan**

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4).

Councillor Lee Dillon noted that several items were under David Holling's name who would be leaving the Council at the end of October. He asked who those reports would be attributed to subsequently. Sarah Clarke explained that it would be whoever was appointed as the Monitoring Officer.

**RESOLVED that** the Governance and Ethics Committee Forward Plan be noted.

#### **8 Update on Ethical Matters - Quarter 1 of 2016/17 (GE3089)**

## **GOVERNANCE AND ETHICS COMMITTEE - 5 SEPTEMBER 2016 - MINUTES**

The Governance and Ethics Committee considered a report (Agenda Item 6) which provided an update on ethical matters.

During Quarter 1 of 2016/17 no formal complaints were received by the Monitoring Officer. No dispensations were granted and a small number of gifts and hospitality were declared by District Councillors during Quarter 1 of 2016/17.

A small Task Group of Members had been set up to review West Berkshire Council's Code of Conduct. The revised documentation would be considered as a separate item at this meeting.

Parish and Town Council's had submitted a number of Register of Interest Forms where they have elected a new Chairman or Vice-Chairman or co-opted new Parish Councillors.

**RESOLVED** that the report be noted.

### **9 A new Councillors Code of Conduct (C3066)**

The Governance and Ethics Committee considered a report (Agenda Item 7) regarding a new Councillors Code of Conduct (the Code). A Task Group had been established to review the Code and found there had been no legislative changes which meant that the Code's content needed to be changed.

Their focus was to amend the presentation of the Code so it was clear in its definitions and guidance. They also were mindful that the Code would be read on electronic devices and suggested that this be borne in mind when reformatting it. The Code now consisted of a short summary document, with the detail in its appendices.

Councillor Graham Bridgman asked that thanks to Jo Reeves be recorded in the minutes, as she had put in a lot of work to reformatting the Code of Conduct and they had worked through it together. He identified some changes which would improve consistency, for example ensuring that references to gifts or hospitality 'received' be expanded to include gifts or hospitality 'offered'. The term 'Other Registrable Interests' had replaced 'Other Interests' for clarity and would need to appear consistently throughout the document. He also identified that paragraphs 1.2 and 1.3 of the Dispensations guidance would benefit from grammatical changes. In conclusion he hoped that the Committee did recommend the new Code's approval to the Council because it was easier to read and now very clear.

Councillor Beck endorsed thanks to Jo Reeves and also requested that thanks to Councillor Bridgman be recorded as he too had spent a lot of time in preparing the new Code.

Councillor Lee Dillon concurred with thanking Jo Reeves and Councillor Bridgman and noted that he had seen evidence of the detailed work that had gone into preparing the new version. He requested that acronyms in Appendix 5 be expanded for clarity of understanding.

**RESOLVED** that the Governance Ethics Committee recommend that the Council approve the new Councillor's Code of Conduct at its meeting on 15 September 2016.

*(Barry Dickens left the meeting at 18.19)*

### **10 Internal Audit Annual Report 2015/16 (GE3085)**

The Governance and Ethics Committee considered a report (Agenda Item 8) which summarised the results of the audit work undertaken in 2015/16. There was one weak audit for Contract Lettings – Legal Services. Although large contracts were well managed, the audit had found that procedures for smaller contracts were less robust. Ian

## GOVERNANCE AND ETHICS COMMITTEE - 5 SEPTEMBER 2016 - MINUTES

Priestley noted that the 'Contracts Team' now consisted of one person, whereas there were previously five people in the team.

Councillor Lee Dillon asked whether it was standard procedure for requisitioners using Agresso to attach quotes. Julie Gillhespey advised that quotes were retained in the service area. Councillor Dillon suggested that it might be a useful control mechanism. Ian Priestley advised that budget managers were expected to look at quotes before approving a purchase order.

Councillor Jeff Beck asked whether the reduction in staff in the Legal Services Team might have an impact on the ability to monitor the Changes to the Contract Rules of Procedure to be discussed later on the agenda. Ian Priestley advised that although central monitoring had been reduced, Heads of Service and managers would be expected to monitor their contracts.

Sarah Clarke noted that the processes around large contracts were robust and it was the management of smaller contracts which carried more risk. Julie Gillhespey stated that the key issue was to identify the value of a contract in the first instance.

Councillor James Cole asked whether that section of the Council was understaffed. Ian Priestley advised that he would want more contract monitoring; moving control to service areas was a risk. Julie Gillhespey offered reassurance that Procurement Group reviewed contracts and offered the governance framework.

**RESOLVED** that the report be noted.

### 11 **Annual Governance Statement - Statement in Support by the Section 151 Officer (GE3086)**

The Governance and Ethics Committee considered a report (Agenda Item 10) which provided the supporting statement by the Section 151 Officer to the Annual Governance Statement for 2015/16. Overall it was the s151 Officer's assessment that all parts of the Council acted in accordance with the budgetary and policy requirements in connection with the setting of the budget and met financial administration standards as set out in legislation. There had been no formal reports required by the s151 Officer to Council under the relevant legislation. Andy Walker particularly drew the Committee's attention to paragraph 2.8 in the Supporting Information which explained that the Council would be facing a number of significant financial pressures in the coming years and would need to rely heavily on these frameworks in place to deliver a balanced budget for 2017/18.

**RESOLVED** that the report be noted.

### 12 **Annual Governance Statement - Statement in Support by the Monitoring Officer (GE3087)**

The Governance and Ethics Committee considered a report (Agenda Item 11) which provided the supporting statement by the Monitoring Officer to the Annual Governance Statement for 2015/16. Overall, the Monitoring Officer's view of the Council's governance arrangements was that they were robust and effective. The governance of the Council through the systematic review of the Constitution and the relatively low level of complaints indicates that there was little that needed attention if the current arrangements were followed. There had been no necessity to report formally to Council under Section 5 of the 1989 Act. Ethical matters were managed by the Governance and Ethics Committee.

Councillor Anthony Pick raised the issue that some Town and Parish Councils were unaware that they should seek advice from the Monitoring Officer before attempting to

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handle complaints internally. Sarah Clarke advised that the Council offered training to Town and Parish Councils and most clerks did contact the Monitoring Officer for advice.

Councillor Lee Dillon made reference to the requests for dispensations from Councillors which were reviewed by the Committee in 2015/16, particularly for the budget meetings, and noted that decisions had been made in different formats. For example some late requests had been considered via virtual meetings and the nature of the dispensations awarded was not consistent. Councillor Bridgman noted that the minutes of the meeting held on 25 April 2016 would make reference to this point and paragraph 4.3 of the Annual Governance Statement encompassed that issue.

**RESOLVED** that the report be noted.

### **13 Annual Governance Statement 2015-16 (GE3084)**

The Governance and Ethics Committee considered a report (Agenda Item 10) which presented the Annual Governance Statement 2015/16 and concluded that the Council had robust governance arrangements in place and continued to be able to deal effectively with issues identified in the annual review of these arrangements.

Councillor Pick, referring to the fourth bullet point under paragraph 3.1 of the statement, described the statement regarding engaging with stake holders as ambitious and questioned how this applied in relation with planning policy. Sarah Clarke advised that the consultations around planning policy were regulated by statute. The council's planning policy consultations had been robust and met the Council's legal obligations and own policy for consultations. Councillor Pick expressed the view that the Council was not always effective in its response to Town Councils.

Councillor Quentin Webb commented that the Annual Governance Statement included the full risk return, which had not been available the previous year, and noted that he was pleased to see its inclusion. Ian Priestley advised that Councillor James Fredrickson had been very helpful in ensuring they were returned.

Councillor Lee Dillon stated that he did not agree with the statement at paragraph 5.9 (2) of the summary report that "The Council's financial position remains challenging and further service reductions will be required over coming years in order to deliver a balanced budget." He expressed the view that this statement set out a strategy for the Council, was pre-deterministic and didn't anticipate any increased income. Councillor James Cole proposed that the word "will" be replaced with the word "may".

**RESOLVED** that the Annual Governance Statement be approved by the Committee.

### **14 West Berkshire Council Financial Statements 2015/16 including KPMG Opinion (GE3088)**

The Governance and Ethics Committee considered a report (Agenda Item 12) which presented the Financial Statements for 2015/16 and the KPMG External Audit Report 2015/16.

Ian Pennington introduced the report which identified that the financial statements were good quality and there were no issues. He corrected a point under the 'Judgements' section and noted that Reserves were rated at '4' last year and were now rated '5' so it was becoming more optimistic.

Councillor Quentin Webb noted that the report reviewed how effective the Council was at working with partners and enquired whether this included working with other Councils to provide shared services. Ian Pennington explained that it didn't, but did include working with various public and private sector organisations.



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Councillor Anthony Pick invited a perspective on the Council's reserves. Ian Pennington responded that reduced reserves was a symptom of financial pressures and provided a smaller buffer against risks. Councillor Pick asked if the council should seek to increase its reserves; Ian Pennington advised that it would be hard in tough times to increase reserves.

Councillor Graham Bridgman raised the point of Titles of Assets and asked whether the Council knew what assets were held by the other Berkshire local authorities. Andy Walker explained that when Berkshire County Council was dissolved in 1998 into six unitary authorities, land assets were categorised and if sold within 40 years, there was an agreement that proceeds would be shared with the other authorities. If any local authority attempted to sell one of these assets, the land charges search would reveal there was a restriction. A piece of work led by John Ashworth, Corporate Director for Environment, was being undertaken to audit these assets.

Councillor Beck thanked officers and KPMG for giving the Council a 'clean bill of health'.

**RESOLVED** that the Financial Statements 2015/16 be approved.

### 15 **Changes to the Constitution - Part 11 (Contract Rules of Procedure) (C3134)**

The Governance and Ethics Committee considered a report (Agenda Item 13) which set out revised thresholds for the process of awarding contracts.

The recommendation at 2.2 of the summary report would be corrected to read 'to agree that any changes will come into effect on the *16th September 2016*.'

Councillor Anthony Pick asked whether the changes would prevent an officer or Portfolio Holder splitting one large contract into smaller contracts in order to avoid a higher threshold. Andy Walker advised that contract values were defined under Part 11.7 of the Contract Rules of Procedure and sought to prevent this occurring.

Councillor Graham Bridgman asked that the Total Contract Values defined in the first column of the table at paragraph 5.4 of the summary report (and in the main document at 11.4.4) the numbers flowed to the penny in order to avoid misinterpretation. He also suggested that as the column was titled 'Total Contract Values', this phrase did not need to be repeated down the table. He offered some proposed amendments to errors in syntax and noted that the change history needed to be updated.

Councillor Lee Dillon, referring to Part 11.7 of the Contract Rules of Procedure, asked whether a contract with an original value of £480k which then had a 'bolt-on' costing £25k added would be subject to the process for contracts at the higher threshold. Councillor James Cole invited KPMG's view on the matter. Ian Pennington offered the view that if there was a small variation to a contract which amounted to an increase in cost of only 2 or 3% of the total value, he would not be inclined to go through the whole process again as this could be managed through the service budget but a 10% increase should receive more formal approval. Sarah Clarke advised that a table at Part 11.11 described the exceptions to the procurement process and under Councillor Dillon's example, Procurement Board's permission would need to be sought. Councillor Dillon further asked whether this would make the contract award subject to call-in as it would then be a key-decision.

Councillor Bridgman proposed amendments to the document. Firstly, he proposed that the third column of the table at 11.5.2 be deleted as it described the same thing for each row and was not required. Secondly, he asked why 11.6 needed to make explicit that contracts for works, supplies and service should be tendered when those were the only types of contracts that the Council would be entering into. Ian Pennington explained that

**GOVERNANCE AND ETHICS COMMITTEE - 5 SEPTEMBER 2016 - MINUTES**

EU thresholds were different for works and services and they had been brought together in the new processes.

**RESOLVED that** the Governance Ethics Committee recommend that the Council approve the Changes to the Constitution – Part 11 at its meeting on 15 September 2016.

**16 Response to the Motion that the Council Investigates Webcasting (C3065)**

The Governance and Ethics Committee considered a report (Agenda Item 14) which outlined the response of the Webcasting Task and Finish Group to the Motion that ‘the Council investigated the cost and practicality of webcasting all Council, Executive and Committee meetings’.

The Task Group recommended that the Council should webcast meetings of particular public interest; that a Project Board should be formed to make arrangements to complete the repairs and acquire the equipment needed to webcast meetings in the Council Chamber and other locations; and that the Governance and Ethics Committee should develop a Webcasting Policy which would include a procedure for identifying meetings to be webcast as well as guidance for Members.

Councillor Quentin Webb confirmed that the task at hand had been completed.

Councillor Graham Bridgman advised that the total capital expenditure figure under ‘financial implications’ needed to be corrected to read ‘£80k’.

Councillor Lee Dillon recalled that at one of the task group meetings, the popularity of different committees had been discussed. He made the point that by webcasting meetings, more public interest might be generated. Jo Reeves suggested that in a few years time a review could be undertaken to establish whether webcasting had generated any further interest and whether the council’s approach would still be fit for purpose.

Councillor Dillon said that he would like a mechanism for members of the public to be able to request that a meeting was webcasted.

**RESOLVED that** the Governance and Ethic Committee note the report and recommend that the Council consider the report at its meeting on 15<sup>th</sup> September 2016.

*(The meeting commenced at 5.00 pm and closed at 6.48 pm)*

**CHAIRMAN** .....

**Date of Signature** .....

## Governance and Audit Committee Forward Plan November 2016 - November 2017

| No.                     | Ref No | Item   | Purpose  | Lead Officer     | Lead Member  | Governance/Audit/Ethics |
|-------------------------|--------|--|--|------------------|--|-------------------------|
| <b>06 February 2017</b> |        |  |  |                  |  |                         |
| 1.                      | GE3091 | Internal Audit - Interim Report 2016-167   | To update the Committee on the outcome of internal audit work.   | Ian Priestley    | Corporate Services and External Affairs (Cllr James Fredrickson) | Audit                   |
| 2.                      | GE3092 | Monitoring Officer's Quarterly Update Report to the Governance and Ethics Committee – Quarter 3 of 2016/17 | To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire. | Sarah Clarke     | Chairman of Governance and Ethics Committee (TBC)                | Ethics                  |
| 3.                      | C3093  | Amendments to the Constitution - Scheme of Delegation  | To review and amend sections of the Scheme of Delegation in light of legislative changes and current practice.   | Sarah Clarke     | Corporate Services and External Affairs (Cllr James Fredrickson) | Governance              |
| 4.                      | GE3189 | Webcasting Policy  | To outline the procedure for identifying meetings to be webcast and provide guidance to Councillors.   | Jo Reeves        | Corporate Services and External Affairs (Cllr James Fredrickson) | Governance              |
| 5.                      | GE3209 | Accounting Policies  | The purpose of the report is to approve the Accounting Policies that will be used to produce the Annual Accounts for the year ended 31 March 2017.                                     | Lesley Flannigan | Corporate Services and External Affairs (Cllr James Fredrickson) | Audit                   |
| <b>24 April 2017</b>    |        |  |  |                  |  |                         |
| 6.                      | GE3081 | Internal Audit Plan 2017/18  | To outline the proposed internal audit work programme for the next   | Ian Priestley    | Corporate Services and   | Audit                   |

| No.                  | Ref No | Item  | Purpose  | Lead Officer  | Lead Member  | Governance/Audit/Ethics |
|----------------------|--------|---|--|---------------|--|-------------------------|
|                      |        |   | three years  |               | External Affairs (Cllr James Fredrickson)                        |                         |
| 7.                   | GE3082 | External Audit Plan 2017-18   | To provide Members with a copy of the External Audit Plan for 2017-186.  | Ian Priestley | Corporate Services and External Affairs (Cllr James Fredrickson) | Audit                   |
| 8.                   | C3083  | Monitoring Officer's Quarterly Update Report to the Governance and Ethics Committee –2016/17 Year End | To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire. | Sarah Clarke  | Chairman of Governance and Ethics (TBC)                          | Ethics                  |
| <b>June 2017</b>     |        |   |  |               |  |                         |
| 9.                   |        | No items to date  |  |               |  |                         |
| <b>August 2017</b>   |        |   |  |               |  |                         |
| 10.                  |        | No items to date  |  |               |  |                         |
| <b>November 2017</b> |        |   |  |               |  |                         |
| 11.                  |        | No items to date  |  |               |  |                         |

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## Update on Ethical Matters – Quarter 2 of 2016/17 - Summary Report

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|                                      |   |
|--------------------------------------|---|
| <b>Committee considering report:</b> | Governance and Ethics Committee on 28 November 2016 |
| <b>Lead Member:</b>                  | Chairman of the Governance and Ethics Committee     |
| <b>Date Member agreed report:</b>    | 15 November 2016                                    |
| <b>Report Author:</b>                | Sarah Clarke  |
| <b>Forward Plan Ref:</b>             | GE3090  |

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### 1. Purpose of the Report

- 1.1 To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.

### 2. Recommendation

- 2.1 Members of the Governance and Ethics Committee are asked to note the report.

### 3. Implications

- 3.1 **Financial:** There are no financial issues arising from this report. All costs associated with the investigation of complaints are met from within existing budgets.
- 3.2 **Policy:** Revised policy and changes to processes adopted at Council in September 2016
- 3.3 **Personnel:** There are no personnel issues associated with this report
- 3.4 **Legal:** There are no legal issues arising from this report. The matters covered by this report are generally requirements of the Localism Act 2011 and regulations made under it.
- 3.5 **Risk Management:** The benefits of this process are the maintenance of the Council's credibility and good governance by a high standard of ethical behaviour. The threats are the loss of credibility of the Council if standards fall.
- 3.6 **Property:** None
- 3.7 **Other:** None

### 4. Other options considered

- 4.1 None

## 5. Executive Summary

## 6. Introduction

- 6.1 Following the introduction of the Localism Act 2011 it was agreed that quarterly reports would be provided to the Governance and Ethics Committee. This report sets out the number and nature of standards complaints received, progress made with complaints submitted and highlights any areas where training or other action might avoid further complaints in the future. It also sets out any progress made with changes to policies and procedures associated with the Code of Conduct.

## 7. Key Issues Identified in the report:

- 7.1 During Quarter 2 of 2016/17 one formal complaint was received by the Monitoring Officer. Following the Initial Assessment of this complaint it was agreed that no further action should be taken.
- 7.2 No dispensations were granted during Quarter 1 of 2016/17.
- 7.3 A small number of gifts and hospitality have been declared by District Councillors during Quarter 2 of 2016/17.
- 7.4 The revised Councillors Code of Conduct was adopted at the September 2016 Council meeting.

## 8. Conclusion

- 8.1 The number of complaints at this stage remains low. Any issues identified will be included in the training being arranged for Town and Parish Councillors in March 2017.

## 9. Appendices

- 9.1 Appendix A - Supporting Information
- 9.2 Appendix B – Equalities Impact Assessment – **Not Required**
- 9.3 Appendix C – Gifts and Hospitality Register

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# Update on Ethical matters – Quarter 1 of 2016/17– Supporting Information

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## 1. Introduction

- 1.1 The Localism Act 2011 was enacted on 15th November 2011 and it made fundamental changes to the system of regulation of the standards of conduct for elected and co-opted members of Councils and Parish/Town Councils.
- 1.2 As part of the legislative framework the Council is required to set up a committee and underpinning processes to ensure that high standards of conduct are promoted. In July 2015 this responsibility was transferred to the Governance and Ethics Committee from the Standards Committee.
- 1.3 It was agreed that the Monitoring Officer would continue to take quarterly reports to the Governance and Ethics Committee to ensure ongoing monitoring of ethical standards in the district. This report sets out the membership, number and nature of complaints received, highlights gifts and hospitality received by District Councillors, and highlights areas where training or other action might avoid further complaints in the future. It also provides a means of updating the Committee on the progress of ongoing investigations and changes to policies and procedures.

## 2. Standards Regime

- 2.1 The Council has adopted a regime to meet the requirements of the Localism Act 2011 and the Regulations made under that Act including:
  - Terms of Reference for the Governance and Ethics Committee and Advisory Panel;
  - Code of Conduct for West Berkshire District Councillors;
  - Gifts and Hospitality Code;
  - complaints procedures for breaches of that code;
  - dispensations procedure.
- 2.2 A small member Task Group was set up to review the Code of Conduct for West Berkshire Councillors as well as the Gifts and Hospitality Protocol. A revised Code and Protocol were adopted at the September 2016 Council meeting.

## Membership

### *Independent Persons*

- 2.3 Under Section 28 of the Localism Act 2011 the Council has to ensure it has appointed at least one Independent Person who is consulted before any decision is made to investigate an allegation against any Member of the Council or any Parish/Town Councillor. It was agreed at the Full Council meeting on the 27 September 2012 that the Independent Person may be consulted directly either by the person who has made the complaint or the person the complaint has been made about. Following the 02 July 2015 meeting three Independent Persons have been

appointed and they will be used on a rotational basis to assess complaints and support the Advisory Panel.

2.4 The Independent Persons for 2016/17 are:

- Lindsey Appleton
- James Rees
- Mike Wall

### ***Governance and Ethics Committee***

2.5 The Governance and Ethics Committee consists of ten members, eight District Councillors, reflecting the political balance of the Council and two co-opted non voting Parish/Town Councillors. The membership for 2016/17 is as follows:

- Steve Ardagh-Walter,
- Jeff Beck,
- Graham Bridgman,
- Keith Chopping,
- James Cole,
- Lee Dillon,
- Anthony Pick,
- Quentin Webb,
- Chris Bridges, (Non-voting Parish Council representative)
- Barrie Dickens (Non-voting Parish Council representative)
  
- Billy Drummond (substitute)
- Sheila Ellison (substitute)
- Tim Metcalfe (substitute)

### ***Advisory Panel***

2.6 The Advisory Panel consists of eight Members, two from each of the political parties, two parish councillors and two of the Independent Persons will also be included on each Advisory Panel and they will be used on a rotational basis. The Independent Person consulted as part of the Initial Assessment should not sit on the associated Advisory Panel if one is required. The Advisory Panel meetings will be chaired by an Independent Person.

2.7 The Membership for 2016/17 is as follows:

- Adrian Edwards (Conservative)
- Marigold Jacques (Conservative)
- Mollie Lock, (Liberal Democrat)
- Alan Macro, (Liberal Democrat)
- Tony Renouf, (Parish Councillor)
- Darren Peace (Parish Councillor)

## **3. Parish/ Town Councils**

3.1 Parishes and Town Councils have been asked to provide the Monitoring Officer with their Parish Councillor's Registers of Interest forms where changes have been



made to the Chairmanship or Membership of the Council. This information will be posted on the relevant websites or where the Parish Council does not have a website it will be published on West Berkshire Council’s website. Work on collecting this information is ongoing. Parishes are continually updating changes to Chairmen and Vice-Chairmen details and these changes are reflected on the website once the Council is notified.

#### 4. Council’s Constitution

- 4.1 Since July 2016 a small number of changes have been made to the Constitution: The Monitoring Officer under his delegated authority has authorised the following changes:
- Part 2 (Articles of the Constitution) in August 2016 paragraph 2.6.5 to reflect the new Portfolios
  - Part 3 (Scheme of Delegation) in July 2016 paragraph 13.6 to reflect the transfer of Asset Management from Finance to Property Service
- 4.2 In addition Part 11 (Contract Rules of Procedure) was substantially amended at the September 2016 Council meeting.
- 4.3 The Councillors Code of Conduct and the Gifts and Hospitality protocol (Appendices To Part 13 of the Constitution) were also amended at the September 2016 Council meeting.

#### 5. Complaints Against Councillors

- 5.1 During Quarter 2 of 2016/17 (July – September 2016) one formal complaint was received by the Monitoring Officer. This complaint related to a Parish Councillor (NPC8/16). Following the initial assessment of this complaint it was determined by the Monitoring Officer in consultation with the Independent Person that no breach had been identified and that no further action needed to be taken.

#### 6. Dispensations

- 6.1 No dispensations to West Berkshire Councillors were granted during Quarter 2 of 2016/17.

#### 7. Gifts and Hospitality

- 7.1 The following offers of gifts and hospitality were reported in Quarter 1 of 2016/17:

| Member            | Event   | Offer   | Accepted |
|-------------------|---|---|----------|
| Jeanette Clifford | GWR - launch of Electrostar trains from Paddington  | Coffee/canapés/first class return ticket from Newbury to Paddington (travelled standard class apart from outward Reading to Paddington) | Yes      |
| Hilary Cole       | Newbury and District Agricultural Society building opening and drinks reception - morning | Drinks  | Yes      |
| Hilary Cole       | Newbury and District Agricultural Society afternoon                                       | Tea and cakes - self (not taken)  | Yes      |

|             |  |                        |     |
|-------------|--|------------------------|-----|
|             | tea  |                        |     |
| Hilary Cole | Newbury and District Agricultural Society Saturday lunch | Three courses and wine | Yes |

7.2 In addition all hospitality received by the Chairman whilst undertaking his civic duties is documented and reported to the Monitoring Officer.

## 8. Training or Other Action Identified to avoid Further Complaints

8.1 A training session for town and parish councillors will take place on 16 March 2017.

## 9. National Agenda

9.1 The Committee on Standards in Public Life published its annual report for 2015-16 on 4 August 2016 together with a forward plan for 2016-17.

9.2 The Committee, in response to its commitment to maintain a watching brief on the need for a mandatory code of conduct, strong local leadership, effective independent persons and concern at the lack of sanctions under the Localism Act 2011, reported that there was evidence to suggest that the role of the Independent Person was generally well received and that, nationally, vexatious complaints were falling.

9.3 However the effectiveness of the sanctions regime was still a concern. The Committee said that it continued to invite Councils to consider whether their own local standards regimes were sufficient to address standards breaches and build public trust.

9.4 Looking forward, the Committee on Standards in Public Life had stated that it would:

- Undertake a review to clarify topics of substantial concern, research the underlying causes and identify best practice in well governed authorities in light of correspondence it had received on the issue of ethical standards in local government at both officer and member level. This work would straddle the committee's work programme for 2016-17 and 2017-18.
- Review whether awareness of the need for ethical standards in the delivery of public services had changed since the publication of its report on Ethical Standards for Providers of Public Services which considered what standards of ethical conduct should be expected from those third party organisations providing public services. The Committee will discuss this with government departments to review the position and intends to report on this by Spring 2017.

## 10. Conclusion

10.1 The number of complaints remains relatively low. There has been a marked reduction in the number of complaints when compared to the same six month period (April to September) during the previous Municipal Year. During 2015/16 sixteen complaints had been received whereas in 2016/17 the Monitoring Officer had received only one formal complaint. It should however be noted that 15 of the 16 complaints received in 2015/16 pertained to one planning committee meeting and was an unusual occurrence.

10.2 It is difficult to determine whether the reduction in the number of complaints is due to adherence to the various Codes of Conduct by Councillors or if the effectiveness of the sanctions available has deterred complainants.

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**Background Papers:**

- Localism Act 2011
- Reports to Council 10 May 2012 and Special Council on the 16 July 2012 and 15 September 2016
- Terms of Reference for the Governance and Ethics Committee and Advisory Panel;
- The revised Code of Conduct for West Berkshire District Councillors
- Committee on Standards in Public Life Annual Report 2015-16 (4 August 2016).

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**Subject to Call-In:**

Yes:  No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council's position

Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months

Item is Urgent Key Decision

Report is to note only

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**Wards affected:** All Wards

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**Strategic Aims and Priorities Supported:**

The proposals will help achieve the following Council Strategy aim:

**MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priority:

**MEC1 – Become an even more effective Council**

The proposals contained in this report will help to achieve the above Council Strategy aims and priorities by ensuring that high ethical standards are maintained by District, Town and Parish Councillors

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**Officer details:**

Name: Sarah Clarke  
Job Title: Interim Head of Legal Services  
Tel No: 01635 519596  
E-mail Address: sclarke@westberks.gov.uk

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## Public Sector Audit Appointments – Summary Report

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|   |   |
|---|---|
| <b>Committee considering report:</b>        | Governance and Ethics Committee on 28 November 2016 |
| <b>Portfolio Member:</b>                    | Councillor Anthony Chadley                          |
| <b>Date Portfolio Member agreed report:</b> | 10 November 2016                                    |
| <b>Report Author:</b>                       | Lesley Flannigan                                    |
| <b>Forward Plan Ref:</b>                    | GE3209  |

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### 1. Purpose of the Report

- 1.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and the established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18 and this will be undertaken by our current external auditors KPMG LLP until then.
- 1.2 The purpose of this report is to provide Members with the opportunity to discuss the merits of West Berkshire Council opting into the national scheme for auditor appointments for the financial year 2018/19 onwards.

### 2. Recommendation

- 2.1 Members are requested to approve the decision to accept the invitation and to opt in to the national scheme for auditor appointments. Opting in to a national scheme provides maximum opportunity to limit the extent of any increases in cost by entering in to a large scale collective procurement arrangement.

### 3. Implications

- 3.1 **Financial:** The scheme is said to be run in a way that will save time and resources for Local Government bodies. They are proposing that a collective procurement on behalf of all opted-in authorities will enable them to secure the best prices, keeping the cost of audit as low as possible, without compromising on audit quality.
- 3.2 **Policy:** N/A
- 3.3 **Personnel:** N/A
- 3.4 **Legal:** N/A
- 3.5 **Risk Management:** N/A

3.6 **Property:** N/A

3.7 **Other:** N/A

#### 4. Other options considered

4.1 Using this scheme will avoid the Council having to:

- establish an audit panel with independent members;
- manage our own auditor procurement and cover its costs;
- monitor the independence of our appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with our auditor.

#### 5. Executive Summary

5.1 Following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits, the Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

5.2 Members are requested to consider their preferred approach of the options set out below:

- a) Support the national scheme for auditor appointments, by indicating intention to opt-in. The National scheme would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.
- b) Establish a stand-alone Auditor Panel to make the appointment on behalf of the Council. The members of the panel must be wholly or a majority independent members as defined by the act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract to for the Council's external audit.
- c) Commence work on exploring the establishment of local joint procurement arrangements with neighbouring authorities. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act. The Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
- d) The Council can use an existing independent panel of the authority (this will only be applicable where a suitably constituted panel already exists).

5.3 The cost of establishing a local or joint Auditor panel outlined in options b) and c) will need to be estimated and included in the Council's budget for 2017/18 and there maybe some costs in the current year. This will include the cost of recruiting independent appointees (members), servicing the panel, running a bidding and

tender evaluation process, letting a contract and paying members fees and allowances.

- 5.4 Opting in to a national scheme provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. There will not be a fee to join the national scheme, the audit fees that opted in bodies will be charged by the sector led body will cover the costs of appointing auditors. The Local Government Association believes that audit fees achieved through block contracts will be lower than the costs that individual authorities will be able to negotiate. In addition by using this national scheme the Council will avoid having to do their own procurement and the legal requirement to set up a panel of independent members.

## 6. Conclusion

- 6.1 The Council have until December 2017 to make an appointment of external auditors and the Committee are being requested to give early consideration to their preferred approach. The officer recommendation would be to approve the opting in of the National Scheme.
- 6.2 The member recommendation will need to go to full Council, members are requested to ask full Council to consider and endorse the Government and Ethics committee's decision.

## 7. Appendices

- 7.1 Appendix A – Supporting Information
- 7.2 Appendix B – Equalities Impact Assessment
- 7.3 Appendix C - Invitation to opt into the national scheme for auditor appointments.

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# Public Sector Audit Appointments – Supporting Information

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### 1. Introduction/Background

- 1.1 To provide Members with the invitation to opt-in to the National Scheme.

### 2. Supporting Information

- 2.1 Attached is a copy of the invitation letter from the Public Sector Audit Appointments.

### 3. Options for Consideration

- 3.1 Support the national scheme for auditor appointments;
- 3.2 Establish a stand-alone audit panel with independent members;
- 3.3 Commence work on exploring the establishment of local joint procurement arrangements with neighbouring authorities.

### 4. Proposals

- 4.1 Members are requested to approve the decision to accept the invitation and to opt-in to the national scheme for auditor appointments.

### 5. Conclusion

- 5.1 The officer recommendation would be to approve the opting in of the national scheme and for members to ask full Council to consider and endorse the Government and Ethics committee's decision.

### 6. Consultation and Engagement

- 6.1 None

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**Background Papers:** None

**Subject to Call-In:**

Yes:  No:

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**Wards affected:** Not Applicable

**Strategic Aims and Priorities Supported:**

The proposals will help achieve the following Council Strategy aim:

**MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priority:

**MEC1 – Become an even more effective Council**

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**Officer details:**

Name: Lesley Flannigan  
Job Title: Finance Manager Financial Reporting  
Tel No: 01635 519339  
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## Appendix B

### Equality Impact Assessment – Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage 2, Equality Impact Assessment is required.

|  |                |
|--|----------------|
| <b>Name of policy, strategy or function:</b>             | Not Applicable |
| <b>Version and release date of item (if applicable):</b> |                |
| <b>Owner of item being assessed:</b>                     |                |
| <b>Name of assessor:</b>                                 |                |
| <b>Date of assessment:</b>                               |                |

| <b>Is this a:</b> |           | <b>Is this:</b>                             |           |
|-------------------|-----------|---|-----------|
| <b>Policy</b>     | <b>No</b> | <b>New or proposed</b>                      | <b>No</b> |
| <b>Strategy</b>   | <b>No</b> | <b>Already exists and is being reviewed</b> | <b>No</b> |
| <b>Function</b>   | <b>No</b> | <b>Is changing</b>                          | <b>No</b> |
| <b>Service</b>    | <b>No</b> |   |           |

|  |  |
|--|--|
| <b>1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it?</b> |  |
| <b>Aims:</b>   |  |
| <b>Objectives:</b>   |  |
| <b>Outcomes:</b>   |  |
| <b>Benefits:</b>   |  |

|   |                                  |                                    |
|---|----------------------------------|------------------------------------|
| <b>2. Note which groups may be affected by the policy, strategy, function or service. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.</b> |                                  |                                    |
| (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)                              |                                  |                                    |
| <b>Group Affected</b>   | <b>What might be the effect?</b> | <b>Information to support this</b> |

|   |  |  |
|---|--|--|
|   |  |  |
| <b>Further Comments relating to the item:</b> |  |  |
|   |  |  |

|  |           |
|--|-----------|
| <b>3. Result</b>   |           |
| <b>Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?</b> | <b>No</b> |
| Please provide an explanation for your answer: Not a policy just setting out KPMG's audit plan.  |           |
| <b>Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?</b>              | <b>No</b> |
| Please provide an explanation for your answer: Not a policy just setting out KPMG's audit plan.  |           |

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage 2 Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

|   |                |
|---|----------------|
| <b>4. Identify next steps as appropriate:</b> |                |
| <b>Stage Two required</b>                     | Not Applicable |
| <b>Owner of Stage Two assessment:</b>         |                |
| <b>Timescale for Stage Two assessment:</b>    |                |
| <b>Stage Two not required:</b>                |                |

**Name:**

**Date:**

Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website.

27 October 2016

**Email:** [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk)

Nick Carter  
West Berkshire Council  
Council Offices  
Market Street  
Newbury Berkshire RG14 5LD

Copied to: Andy Walker, Head of Finance, West Berkshire Council  
David Holling, Head of Legal Services, West Berkshire Council

Dear Mr Carter

### **Invitation to opt into the national scheme for auditor appointments**

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk).

Yours sincerely



Jon Hayes, Chief Officer

## Appointing an external auditor

### Information on the national scheme

#### Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

#### The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

#### What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

### **High quality audits**

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

### **Procurement strategy**

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

## **Auditor appointments and independence**

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

## **Fee scales**

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.



## Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

## Timetable

In summary, we expect the timetable for the new arrangements to be:

- Invitation to opt in issued 27 October 2016
- Closing date for receipt of notices to opt in 9 March 2017
- Contract notice published 20 February 2017
- Award audit contracts By end of June 2017
- Consult on and make auditor appointments By end of December 2017
- Consult on and publish scale fees By end of March 2018

## Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk).

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

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## Financial Statements 2015/16 - Annual Audit Letter – Summary Report

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|   |   |
|---|---|
| <b>Committee considering report:</b>        | Governance and Ethics Committee on 28 November 2016 |
| <b>Portfolio Member:</b>                    | Councillor Anthony Chadley                          |
| <b>Date Portfolio Member agreed report:</b> | 10 November 2016                                    |
| <b>Report Author:</b>                       | Lesley Flannigan                                    |
| <b>Forward Plan Ref:</b>                    | GE3210  |

---

### 1. Purpose of the Report

To provide Members with the Final Annual Audit Letter 2015/16 from KPMG, this audit letter summarises the outcome from their audit work at West Berkshire Council in relation to the 2015/16 audit year.

### 2. Recommendation

2.1 Members are requested to note the Annual Audit Letter.

### 3. Implications

|     |                         |     |
|-----|-------------------------|-----|
| 3.1 | <b>Financial:</b>       | N/A |
| 3.2 | <b>Policy:</b>          | N/A |
| 3.3 | <b>Personnel:</b>       | N/A |
| 3.4 | <b>Legal:</b>           | N/A |
| 3.5 | <b>Risk Management:</b> | N/A |
| 3.6 | <b>Property:</b>        | N/A |
| 3.7 | <b>Other:</b>           | N/A |

### 4. Other options considered

4.1 None

## 5. Executive Summary

- 5.1 The Annual Audit letter summarises the results of the audit of this Council in 2015/16.
- 5.2 Value for Money was given an unqualified conclusion, KPMG were satisfied the Council had appropriate arrangements in place for securing economy, efficiency and effectiveness in the use of its resources.
- 5.3 The main areas identified in the risk assessments were; Financial Resilience in the face of pressures on its income, increased demand for its services, and a low General Fund reserves balance and particular pressure from Care Act Eligibility lack of funding from Government.
- 5.4 KPMG issued an unqualified opinion on the Council's financial statements on 28<sup>th</sup> September 2016.
- 5.5 KPMG agreed the Whole of Government Accounts return for central government was consistent with the audited Financial Statements.

## 6. Conclusion

- 6.1 KPMG have raised no high priority recommendations, which is a very satisfactory outcome.
- 6.2 Members are requested to note the Final Audit letter from KPMG for 2015/16.

## 7. Appendices

- 7.1 Appendix A – Supporting Information
- 7.2 Appendix B – Equalities Impact Assessment
- 7.3 Appendix C - KPMG Final Audit Letter

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# Final Audit Letter 2015-16 – Supporting Information

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### 1. Introduction/Background

1.1 To provide Members with a copy of the Final Audit Letter from KPMG for 2015-16.

### 2. Supporting Information

2.1 The appendix attached gives the details of the Letter.

### 3. Options for Consideration

3.1 None

### 4. Proposals

4.1 To note the attached Final Audit Letter.

### 5. Conclusion

5.1 Please note the attached Final Audit Letter.

### 6. Consultation and Engagement

6.1 None

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**Background Papers:** None

**Subject to Call-In:**

Yes:  No:

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**Wards affected:** Not Applicable

**Strategic Aims and Priorities Supported:**

The proposals will help achieve the following Council Strategy aim:

**MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priority:

**MEC1 – Become an even more effective Council**

**Officer details:**

Name: Lesley Flannigan  
Job Title: Finance Manager Financial Reporting  
Tel No: 01635 519339  
E-mail Address: Lesley.Flannigan@westberks.gov.uk

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## Appendix B

### Equality Impact Assessment – Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage 2, Equality Impact Assessment is required.

|  |                |
|--|----------------|
| <b>Name of policy, strategy or function:</b>             | Not Applicable |
| <b>Version and release date of item (if applicable):</b> |                |
| <b>Owner of item being assessed:</b>                     |                |
| <b>Name of assessor:</b>                                 |                |
| <b>Date of assessment:</b>                               |                |

| Is this a: |    | Is this:                             |    |
|------------|----|--------------------------------------|----|
| Policy     | No | New or proposed                      | No |
| Strategy   | No | Already exists and is being reviewed | No |
| Function   | No | Is changing                          | No |
| Service    | No |                                      |    |

| 1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it? |  |
|---|--|
| <b>Aims:</b>  |  |
| <b>Objectives:</b>  |  |
| <b>Outcomes:</b>  |  |
| <b>Benefits:</b>  |  |

| 2. Note which groups may be affected by the policy, strategy, function or service. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this. |                           |                             |
|--|---------------------------|-----------------------------|
| (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)                       |                           |                             |
| Group  | What might be the effect? | Information to support this |

|   |  |  |
|---|--|--|
| <b>Affected</b>                               |  |  |
|   |  |  |
|   |  |  |
|   |  |  |
|   |  |  |
| <b>Further Comments relating to the item:</b> |  |  |
|   |  |  |

|  |           |
|--|-----------|
| <b>3. Result</b>   |           |
| <b>Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?</b> | <b>No</b> |
| <b>Please provide an explanation for your answer: Not a policy just setting out KPMG's audit plan.</b>   |           |
| <b>Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?</b>              | <b>No</b> |
| <b>Please provide an explanation for your answer: Not a policy just setting out KPMG's audit plan.</b>   |           |

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage 2 Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

|   |                |
|---|----------------|
| <b>4. Identify next steps as appropriate:</b> |                |
| <b>Stage Two required</b>                     | Not Applicable |
| <b>Owner of Stage Two assessment:</b>         |                |
| <b>Timescale for Stage Two assessment:</b>    |                |
| <b>Stage Two not required:</b>                |                |



**Name:**

**Date:**

---

**Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website.**

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# Annual Audit Letter 2015/16

**West Berkshire Council**

—

October 2016



# Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at West Berkshire Council in relation to the 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

|                                   |   |
|-----------------------------------|---|
| <b>VFM conclusion</b>             | <p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 28 September 2016. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>   |
| <b>VFM risk areas</b>             | <p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>We identified the following VFM risks in our External audit plan 2015/16:</p> <ul style="list-style-type: none"> <li>— Financial Resilience; and</li> <li>— Better Care Fund/Care Act Eligibility.</li> </ul> <p>We also included your progress towards implementing the Ofsted action plan as an area of audit focus.</p> <p>We worked with officers throughout the year to discuss these VFM risks. The main issues facing the Authority are to identify sufficient savings and efficiencies (£22 million as reported in the Medium Term Financial Strategy) and to set and deliver a balanced budget for 2017/18 in the face of pressures on its income, increased demand for its services and a relatively low general fund balance. There were no other matters of any significance arising as result of our audit work in these VFM risk areas.</p> |
| <b>Audit opinion</b>              | <p>We issued an unqualified opinion on the Authority's financial statements on 28 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>  |
| <b>Financial statements audit</b> | <p>We review risks to the financial statements on an ongoing basis. We identified no significant financial statement risks specific to the Authority during 2015/16. We did identify two areas of audit focus:</p> <ul style="list-style-type: none"> <li>— Valuation of Property Plant and Equipment (PPE); and</li> <li>— Pension Costs and Liabilities.</li> </ul> <p>We worked with officers throughout the year to discuss these areas of audit focus. There were no matters of any significance arising as a result of our audit work in these key risk areas.</p> <p>Our audit did not identify any audit adjustments. A number of minor amendments focused on presentational improvements were made to the draft financial statements, and the Authority included additional commentary in the Narrative Statement.</p>   |

# Headlines (cont)

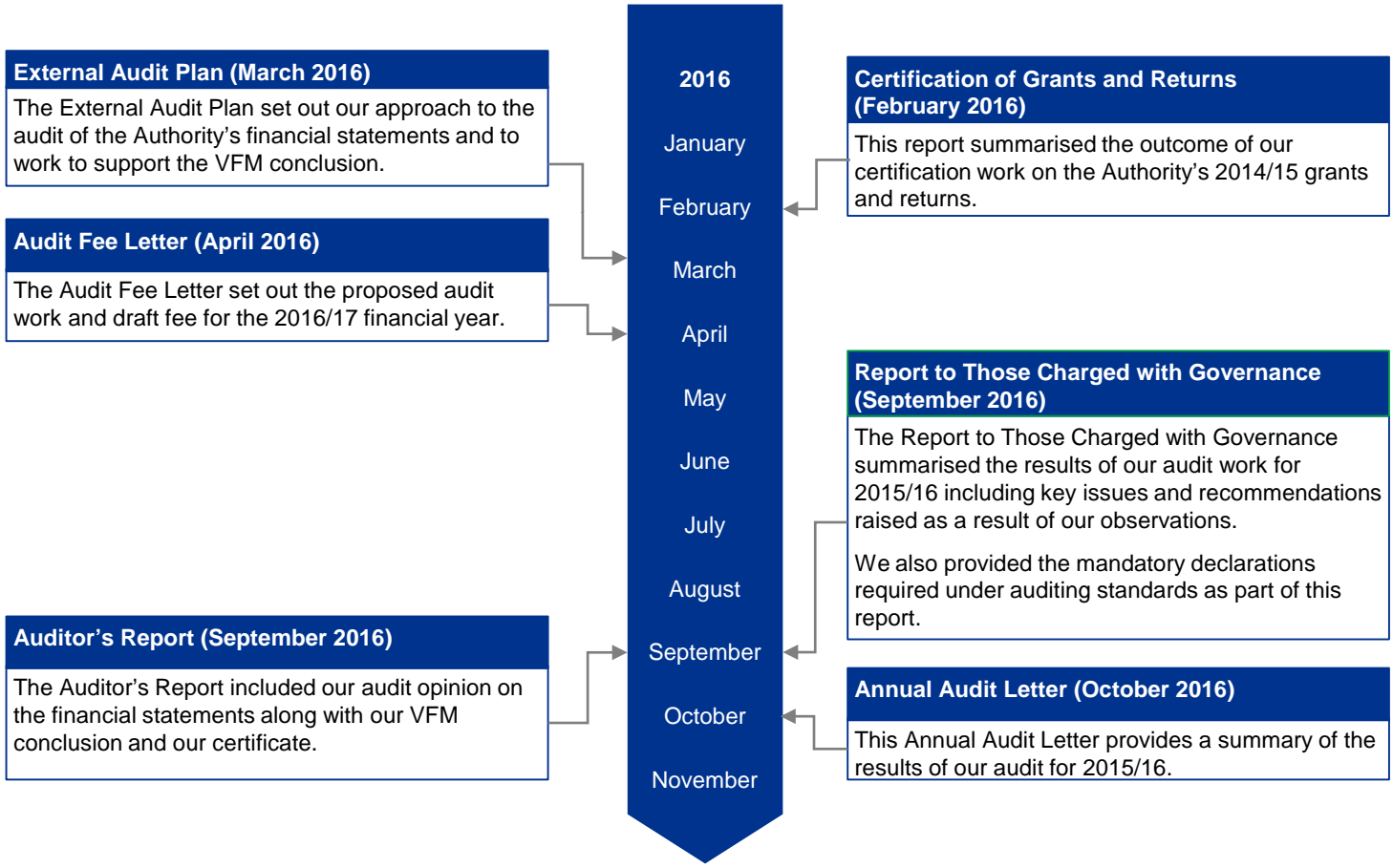
**We have issued our certificate to confirm the completion of our audit responsibilities for the 2015/16 audit year.**

|  |  |
|--|--|
| <b>Other information accompanying the financial statements</b> | Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues, although additional commentary was added to the Narrative Statement by the Authority. |
| <b>Whole of Government Accounts</b>                            | We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.  |
| <b>High priority recommendations</b>                           | We raised no high priority recommendations as a result of our 2015/16 audit work.  |
| <b>Certificate</b>   | We issued our certificate on 28 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.   |
| <b>Audit fee</b>   | Our fee for 2015/16 was £96,653, excluding VAT. This is in line with the planned fee and reflects a 25% reduction compared with the 2014/15 audit fee of £128,870 (excluding VAT). Further detail is contained in Appendix 2.  |

# Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Governance and Ethics Committee pages on the Authority's website at [www.westberks.gov.uk](http://www.westberks.gov.uk).



# Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

### External audit

Our final fee for the 2015/16 audit of the Authority was £96,653, which is in line with the planned fee.

### Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in February 2017.

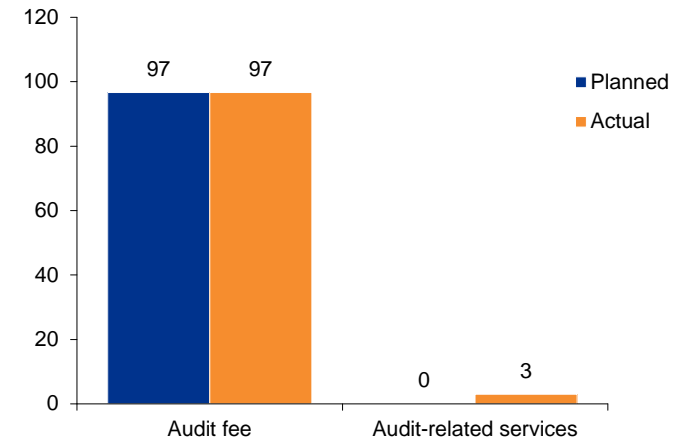
### Audit Related Fees

Where we do work on grants and claims that used to be part of the PSAA/Audit Commission regime, these are required to be considered as audit related fees. The level of these fees are subject to similar restrictions (in terms of value) as non-audit services from PSAA's monitoring arrangements. The fees charged in 2015/16 were £3,000 plus VAT for the 2014/15 Teachers' Pensions Return.

### Non-audit services

We have not undertaken any non-audit services for the Authority in 2015/16.

External audit fees 2015/16 (£'000)







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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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