

Notice of Meeting

Governance and Ethics Committee

Monday 13 February 2017 at 5.00pm
in Committee Room 1 Council Offices
Market Street Newbury

Date of despatch of Agenda: Friday 3 February 2017

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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Further information and Minutes are also available on the Council's website at www.westberks.gov.uk



Agenda - Governance and Ethics Committee to be held on Monday, 13 February 2017
(continued)

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

Substitutes: Councillors Billy Drummond, Sheila Ellison and Tim Metcalfe

Agenda

Part I

Page No.

- 1 **Apologies**
To receive apologies for inability to attend the meeting (if any).
- 2 **Minutes** 1 - 6
To approve as a correct record the Minutes of the meeting of this Committee held on 28 November 2016.
- 3 **Declarations of Interest**
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' [Code of Conduct](#).
- 4 **Forward Plan** 7 - 10
Purpose: To consider the Forward Plan for the next 12 months.

Standards Matters

- 5 **Update on Ethical Matters – Quarter 3 of 2016/17 (GE3092)** 11 - 16
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.



Governance Matters

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| 6 | Webcasting Procedure (GE3189)
<i>Purpose: To seek approval for the Webcasting Procedure, which outlines the process for choosing which meetings are webcast and offers guidance to those involved.</i> | 17 - 28 |
| 7 | Public Sector Audit Appointments (C3211)
<i>Purpose: 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> | 29 - 80 |
| 8 | Accounting Policies (GE3209)
<i>Purpose: To approve the Accounting Policies that will be used to produce the Annual Accounts for the year ended 31 March 2017.</i> | 81 - 96 |
| 9 | Internal Audit Interim Report 16-17 (GE3091)
<i>Purpose: To update the Committee on the outcome of internal audit work carried out during the first half of 2016-17.</i> | 97 - 112 |

Andy Day
Head of Strategic Support

West Berkshire Council is committed to equality of opportunity. We will treat everyone with respect, regardless of race, disability, gender, age, religion or sexual orientation.

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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, 28 NOVEMBER 2016

Councillors Present: Steve Ardagh-Walter, Graham Bridgman, Keith Chopping (Chairman), James Cole, Lee Dillon, Sheila Ellison (Substitute) (In place of Jeff Beck), Anthony Pick and Quentin Webb

Also Present: Sarah Clarke (Acting Head of Legal Services), Andy Walker (Head of Finance) and Moira Fraser (Democratic and Electoral Services Manager)

Apologies for inability to attend the meeting: Councillor Jeff Beck, Chris Bridges and Barry Dickens

PART I

17 Election of the Chairman

RESOLVED that Councillor Keith Chopping be elected Chairman of the Governance and Ethics Committee for the remainder of the 2016/17 Municipal Year.

18 Minutes

The Minutes of the meeting held on 5 September 2016 were approved as a true and correct record and signed by the Chairman subject to the inclusion of the following amendments:

Page 2, Item 9 (A New Councillors Code of Conduct), Resolution - insert the word 'and' between the words Governance and Ethics.

Page 4, Item 12 (Annual Governance Statement – Statement in Support by the Monitoring Officer), final paragraph, last sentence – replace the words 'would make' with 'made'.

Page 4, Item 13 (Annual Governance Statement), Resolution – insert 'subject to the inclusion of the amendment suggested by Councillor Cole as set out above' after the word 'Committee'.

Page 5, Item 14 West Berkshire council Financial Statements 2015/16 including KPMG Opinion), final paragraph, last sentence – replace the word 'lead' with 'led'.

Page 5, Item (Changes to the Constitution – Part 11 (Contract Rules of Procedure)), fourth paragraph penultimate sentence – replace the word 'titles' with 'titled'.

Matters Arising

Members requested that John Ashworth circulate a written note to Members of the Committee updating them on the progress that had been made with auditing the assets that had been owned by Berkshire County Council at the time of the local government re-organisation in 1998.

Councillor Graham Bridgman noted that the revised Code of Conduct and Contract Rules of Procedure had been adopted by Full Council. Councillor Bridgman noted that at the time the Code of Conduct had been discussed it had been suggested that the revised Code should be adapted and then circulated to the town and parish councils. Moira Fraser confirmed that this had been done but that to date the Council had not been advised that any of them had decided to adopt the revised document.

GOVERNANCE AND ETHICS COMMITTEE - 28 NOVEMBER 2016 - MINUTES

Councillor Bridgman also reported that a Webcasting Procedure was being developed. The draft document would be circulated to Councillors Rick Jones and Alan Macro for comment and then it would be sent to the original Webcasting Task Group to consider prior to it being brought back to the Governance and Ethics Committee for discussion.

Councillor James Cole noted that he had been asked to update the Committee on the way Risk Management was dealt with by the Council. He had been involved in a project with Ian Priestley and confirmed that changes would be made and that he would report back to the Committee at the April 2017 meeting.

RESOLVED that: Changes to Risk Management be added to the agenda for the 24 April 2017 meeting.

19 Declarations of Interest

There were no declarations of interest received.

20 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 5).

It was noted that the following items needed to be added to the Governance and Ethics Forward Plan:

24 April 2017

- Changes to Risk Management

August 2017

- West Berkshire Council Financial Statements 2016/17 including external auditor's Opinion.
- Annual Governance Statement
- Annual Governance Statement - Statement in Support by the Monitoring Officer
- Annual Governance Statement - Statement in Support by the Section 151 Officer
- Internal Audit Annual Report 2016/17
- Update on Ethical Matters - Quarter 1 of 2017/18

November 2017

- Update on Ethical Matters - Quarter 2 of 2017/18
- Financial Statements 2016/17 - Annual Audit Letter

Councillor Lee Dillon noted that allegations had been made in respect of cash handling by Civil Enforcement Officers and he questioned whether or not this was something the Committee could look into. The Committee agreed that this could be considered as part of the Internal Audit – Interim Report 2016/17.

RESOLVED that:

1. the Governance and Ethics Committee Forward Plan be noted subject to the inclusion of the amendments set out above.
2. Cash handling by Council Officers would be looked into as part of the Internal Audit - Interim Report 2016/17.

21 Update on Ethical Matters - Quarter 2 of 2016/17 (GE3090)

The Committee considered the Update on Ethical Matters – Quarter 2 of 2016/17 (Agenda Item 6).

GOVERNANCE AND ETHICS COMMITTEE - 28 NOVEMBER 2016 - MINUTES

Sarah Clarke reported that during Quarter 2 of 2016/17 one formal complaint was received by the Monitoring Officer. This complaint pertained to a parish councillor. Following the Initial Assessment of this complaint it was agreed that no further action should be taken. There had been a significant decrease in the number of complaints when compared to the first half of the previous year. She noted however that fifteen of the sixteen complaints in 2015/16 pertained to one planning committee meeting.

No dispensations were granted during Quarter 2 of 2016/17.

A small number of gifts and hospitality had been declared by District Councillors during Quarter 2 of 2016/17.

The Monitoring Officer reported that, as had previously been mentioned by Councillor Bridgman, the revised Councillors Code of Conduct and Contract Rules of Procedure had been adopted at the September 2016 Council meeting. A small number of changes had also been made to Parts 2 and 3 of the Constitution by the Monitoring Officer under delegated authority.

Councillor Lee Dillon requested that Councillor Hilary Cole's second declaration of gifts and hospitality be clarified. *(Post meeting note: the typographical error on the database has been corrected.)*

RESOLVED that the report be noted.

22 Public Sector Audit Appointments (GE3211)

The Committee considered a report regarding Public Sector Audit Appointments (Agenda Item 7).

Andy Walker explained that following the closure of the Audit Commission and the end of the transitional arrangements, at the conclusion of the 2017/18 audits, the Council would need to consider the options available in terms of appointing an external auditor and putting in place new arrangements in time to make a first appointment by 31 December 2017.

Opting in to a national scheme would provide 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 would not be a fee to join the national scheme, the audit fees that opted in bodies would be charged by the sector led body and would cover the costs of appointing auditors. The Local Government Association believed that audit fees achieved through block contracts would be lower than the costs that individual authorities would be able to negotiate. In addition by using this national scheme the Council would avoid having to do its own procurement and the legal requirement to set up a panel of independent members. The S151 Officer explained that around 270 authorities, including all five other Berkshire Unitaries, had indicated that they would opt into the scheme. Mr Walker commented that the LGA would be sensitive to tight local government resources.

Councillor Steve Ardagh-Walter queried what benefits would be achieved other than the fact that this appeared to be a more convenient approach. Councillor Keith Chopping was concerned about possible cost implications associated with this proposal. The Committee were concerned that the Council had to respond by the 08 March 2017, but that the contracts would only be awarded in June 2017 and that the scale of fees would only be published in autumn 2017 and would come into effect in March 2018. Members queried whether they would be able to withdraw from the process if fees were higher than anticipated.

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The S151 Officer explained that the Council would be asked to sign up to a five year contract which might include a break clause if terms were not agreeable to the organisation but that this might have cost implications for the Council.

Councillor Quentin Webb stated that he was somewhat reassured by the fact that the scheme would be administered by the LGA as a not for profit company. Councillor Steve Ardagh-Walter commented that the scheme might only illicit tenders from the 'big six suppliers' and that more attractive terms might be able to be negotiated with a smaller firm. The S151 Officer noted this comment but explained that any auditors applying would have to be familiar with public sector practices. This would not necessarily discount smaller firms and the LGA had spoken about breaking down barriers to entry into this market. He hoped that this process might engage more auditing firms.

It was agreed that additional information was required by the Committee in order for them to make a recommendation to Full Council. Additional information required included indicative costings should the Council wish to appoint its own external auditors, getting a 'Plan B' auditor in place should the offer prove to be unattractive, information on 'get out clauses', any additional information on costs of the proposed scheme that became available in the interim period. The Committee therefore agreed to defer the decision until the 06 February 2017 to allow additional time to gather more information. They would then make a recommendation to the March 2017 Full Council meeting.

RESOLVED that:

1. A revised report would be brought to the 06 February 2017 Governance and Ethics Committee.
2. Following discussion at the 06 February 2017 meeting a recommendation would be made to the Full Council meeting on the 02 March 2017.
3. Call-In comments to be completed.

23 Financial Statements 2015/16 - Annual Audit Letter (GE3210)

The Committee considered a report (Agenda Item 9) concerning the Financial Statements 2015/16 Annual Audit Letter. This audit letter summarised the outcome from KPMG's audit work at West Berkshire Council in relation to the 2015/16 audit year.

Andy Walker reported that 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.

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 due to the lack of funding from Government.

KPMG issued an unqualified opinion on the Council's financial statements on 28th September 2016.

KPMG agreed the Whole of Government Accounts return for central Government was consistent with the audited Financial Statements.

Members noted that the external audit fees had decreased from £129k in 2014/15 to £96k in 2015/16. They congratulated Officers on the work they had put into preparing the financial documentation and asked Andy Walker to pass their thanks onto his team.

RESOLVED that the report be noted.

(The meeting commenced at 5.00 pm and closed at 5.50 pm)

GOVERNANCE AND ETHICS COMMITTEE - 28 NOVEMBER 2016 - MINUTES

CHAIRMAN

Date of Signature

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Governance and Ethics Committee Forward Plan April 2017 - February 2018

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
24 April 2017						
1.	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 (Cllr Keith Chopping))	Ethics
2.	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	Chairman of Governance and Ethics (Cllr Keith Chopping))	Governance
3.	GE3081	Internal Audit Plan 2017/18	To outline the proposed internal audit work programme for the next three years	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Audit
4.	GE3268	External Review of Internal Audit	To outline options to provide an external review of internal audit as required by the Public Sector Internal Audit Standards	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Audit
5.	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
6.	GE3250	Risk Management	To provide a verbal report on any proposed changes to the way risk management is conducted in the Council.	Ian Priestley	Cllr James Cole	Governance

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
19 June 2017						
7.		No items to date				
21 August 2017						
8.	GE3251	West Berkshire Council Financial Statements 2016/17 including external auditor's Opinion.	To provide Members with the final copy of the Council's Financial Statements	Andy Walker	Finance and Transformation (Cllr Anthony Chadley)	Audit
9.	GE3252	Annual Governance Statement - Statement in Support by the Monitoring Officer	To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.	Sarah Clarke	Corporate Services and External Affairs (Cllr James Fredrickson)	Governance
10.	GE3253	Annual Governance Statement - Statement in Support by the Section 151 Officer	To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Section 151 Officer.	Andy Walker	Corporate Services and External Affairs (Cllr James Fredrickson)	Governance
11.	GE3254	Internal Audit Annual Report 2016/17	To provide an opinion on the effectiveness of the Council's internal control framework	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Audit
12.	GE3269	Annual Governance Statement	To allow the committee to review the Annual Governance Statement before it is signed by the Leader and Chief Executive	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Governance

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
13.	GE3255	Update on Ethical Matters - Quarter 1 of 2017/18	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 (Cllr Keith Chopping))	Ethics
27 November 2017						
14.	GE3256	Update on Ethical Matters - Quarter 2 of 2017/18	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 (Cllr Keith Chopping))	Ethics
15.	GE3257	Financial Statements 2016/17 - Annual Audit Letter	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.	Lesley Flannigan	Finance and Transformation (Cllr Anthony Chadley)	Audit
16.	GE3270	Outcome of the External Review of Internal Audit	To provide members with the results of the external review of internal audit and seek comments on any proposed actions.	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Audit

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
05 February 2018						
17.	C3260	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
18.	GE3258	Internal Audit – Interim Report 2017-18	To update the Committee on the outcome of internal audit work.	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Audit
19.	GE3259	Update on Ethical Matters- Quarter 3 of 2017/18	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 (Cllr Keith Chopping))	Ethics

Update on Ethical Matters – Quarter 3 of 2016/17

Committee considering report: Governance and Ethics Committee on 13 February 2017

Lead Member: Chairman of the Governance and Ethics Committee

Report Author: Sarah Clarke

Forward Plan Ref: GE3092

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 3 of 2016/17 no formal complaints were received by the Monitoring Officer.
- 7.2 No dispensations were granted during Quarter 3 of 2016/17.
- 7.3 A small number of gifts and hospitality have been declared by District Councillors during Quarter 3 of 2016/17.
- 7.4 The revised Councillors Code of Conduct was circulated to all Parish Councils post the adoption at the September 2016 Council meeting.

8. Conclusion

- 8.1 The overall 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**

Update on Ethical Matters – Quarter 3 of 2016/17 – Supporting Information

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.

Membership

Independent Persons

- 2.2 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.

2.3 The Independent Persons for 2016/17 are:

- Lindsey Appleton
- James Rees
- Mike Wall

Governance and Ethics Committee

2.4 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

2.5 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.

2.6 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 October 2016 no changes have been made to the Constitution: Officers are in the process of amending the entire Constitution to reflect the changes arising from the Senior Management Review which was agreed at the December Executive meeting.

5. Complaints Against Councillors

- 5.1 No formal complaints have been submitted against District, Town or Parish Councillors during quarter 3 of 2016/17.

6. Dispensations

- 6.1 No dispensations to West Berkshire Councillors were granted during Quarter 3 of 2016/17.

7. Gifts and Hospitality

- 7.1 The following offers of gifts and hospitality were reported in Quarter 3 of 2016/17:

Member	Event	Offer	Accepted
Adrian Edwards	History and Times of the Boxford Basques in an exhibition at the West Berks Museum.	Food and drink to the approximate value of £25.	Yes
Hilary Cole	Corn Exchange - Pantomime	Ticket & refreshments	No
Roger Croft	Lunch & Prime Minister's Questions with Richard Benyon MP at House of Commons	Lunch for Cllr Croft and wife	Yes
Hilary Cole	Farewell dinner from Mary Hare School at the Donnington Valley Hotel	Dinner	Yes
Jeff Beck	Newbury Building Society Event at Vineyard.	Drinks reception and gift of ballpoint pen	Yes
Lynne Doherty	Kennet School Achievement Awards on Monday 12th December as guest of honour	Bottle of Champagne	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 21 March 2017.

9. Conclusion

- 9.1 The number of complaints remains low. There has been a marked reduction in the number of complaints when compared to the same nine month period (April to December) 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.
- 9.2 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.

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).

Subject to Call-In:

Yes: No:

Report is to note only



Wards affected: All Wards

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 aim and priority by ensuring that high ethical standards are maintained by District, Town and Parish Councillors

Officer details:

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

Webcasting Procedure

Committee considering report:	Governance and Ethics Committee on 13 February 2017
Portfolio Member:	Councillor James Fredrickson
Date Portfolio Member agreed report:	26 January 2017
Report Author:	Jo Reeves
Forward Plan Ref:	GE3189

1. Purpose of the Report

To seek approval for the Webcasting Procedure, which outlines the process for choosing which meetings are webcast and offers guidance to those involved.

2. Recommendation

To approve the procedure.

3. Implications

- | | | |
|-----|-------------------------|--|
| 3.1 | Financial: | None |
| 3.2 | Policy: | None |
| 3.3 | Personnel: | All staff and Members will be responsible for complying with this procedure. |
| 3.4 | Legal: | None |
| 3.5 | Risk Management: | None |
| 3.6 | Property: | None |
| 3.7 | Other: | None |

4. Other options considered

None – the Council agreed that the Governance and Ethics Committee should develop a procedure at its meeting on 15th September 2016.

5. Executive Summary

- 5.1 On 15th September 2016, the Council responded to the motion that the Council considers the cost and practicality of webcasting. It committed to invest up to £80k in upgrading the Council Chamber to support the equipment that would be required to facilitate webcasting on an 'as and when' basis.
- 5.2 The Council also agreed that a Webcasting Procedure should be written by the Governance and Ethics Committee to outline how a meeting can be requested to be webcast and to offer guidance to those involved.
- 5.3 Members and officers involved in the former Webcasting Task and Finish Group have been consulted in the preparation of this procedure.
- 5.4 The Procedure stipulates that a request to webcast a meeting must be made by email to the Head of Strategic Support by no later than 17:00 at least three clear working days before the meeting (i.e. excluding the date of the request and the date of the meeting). The person requesting the webcast must be able to demonstrate that there is sufficient public interest to justify webcasting the meeting.
- 5.5 The Head of Strategic Support will consult with the Leader of the Council, the Opposition Leader and the Chairman of the relevant committee in deciding whether the meeting should be webcast.
- 5.6 The Procedure also offers guidance for Chairmen and participants on behavioural matters.

6. Conclusion

The Governance and Ethics Committee are invited to approve the Procedure so that it is in place in readiness for the acquisition of the webcasting equipment.

7. Appendices

- 7.1 Appendix A - Supporting Information
- 7.2 Appendix B – Equalities Impact Assessment
- 7.3 Appendix C – Webcasting Procedure

Webcasting Procedure – Supporting Information

Background Papers:

Response to the Motion that the Council investigates Webcasting – Council – 15
September 2016

Wards affected: n/a

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 aim and priority by ensuring that the Council uses webcasting effectively.

Officer details:

Name: Jo Reeves
Job Title: Principal Policy Officer
Tel No: 01635 519486
E-mail Address: Joanna.Reeves@westberks.gov.uk

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 Two, Equality Impact Assessment is required.

Name of policy, strategy or function:	Webcasting Procedure
Version and release date of item (if applicable):	V1
Owner of item being assessed:	Andy Day
Name of assessor:	Jo Reeves
Date of assessment:	28 December 2016

Is this a:		Is this:	
Policy	No	New or proposed	Yes
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?	
Aims:	To explain the process for Members and officers to request that a public meeting is webcast and to give guidance to Chairmen and meeting participants.
Objectives:	To ensure there is a clear process to request meetings are webcast so Council resources are allocated efficiently.
Outcomes:	To ensure the efficient allocation of Council resources and to uphold the Council's reputation.
Benefits:	The procedure will ensure that there is a transparent mechanism to request that meetings are webcast and will ensure meeting participants conduct themselves in a way which upholds the Council's reputation.

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 Affected	What might be the effect?	Information to support this
None	None	This procedure relates to an internal process.
Further Comments relating to the item:		
Some meeting participants may not wish to be filmed but they can make their wishes known to the Chairman who can act appropriately, including terminating the webcast.		

3. Result	
Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer:	
Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?	Yes/No
Please provide an explanation for your answer:	

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.

4. Identify next steps as appropriate:	
Stage Two required	No
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	

Name: Jo Reeves

Date: 28 December 2016

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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Webcasting Procedure

Reference: Webcasting
Version No: 1.0
Issue Date: 13/02/17

Document Control

Document Ref:	Webcasting	Date Created:	13/02/17
Version:	1.0	Date Modified:	
Revision due	September 2019		
Author:	Jo Reeves	Sign & Date:	13/02/17
Head Service: of	Andy Day	Sign & Date:	13/02/17
Equality Impact Assessment: (EIA)	Date undertaken:	n/a	
	Issues (if any):	n/a	

Change History

Version	Date	Description	Change ID
0.1			

Related Documents

Referenc	Title	Tier



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1 Purpose

- 1.1 A webcast is a live or recorded transmission of a video on the internet. It is not edited prior to broadcast and can be viewed by anyone with access to the internet, both during the live broadcast and for as long as it is available.
- 1.2 Webcasting has been introduced by the Council to broadcast meetings of particular public interest. This is of significance to Councillors as there is a potential for the public to be more widely involved in the democratic process, and for the business of the Council to be made more transparent. It also means that the actions, opinions and positions taken by Councillors may be more closely scrutinised by the public.
- 1.3 The purpose of this procedure is to outline the process for choosing which meetings are webcast and to offer guidance to those involved.

2 Applicability

- 2.1 This procedure applies to requests from officers and Councillors to webcast any public meeting. It is anticipated that such requests will most usually be in respect of the following:
 - Council;
 - Executive;
 - Planning Committees;
 - Licensing Committee and Sub-Committees.
- 2.2 Resources must be allocated effectively and a request to webcast a meeting will only be agreed where the cost of doing so is considered to be justified by the likely public interest.
- 2.3 This procedure does not apply to requests to webcast private meetings or conferences. Anyone wishing to webcast a private meeting will need to make their own arrangements to do so.

3 Roles and responsibilities

- 3.1 References to specific officers or Councillors include deputies, staff acting on their behalf/instruction, etc, as the context requires.
- 3.2 The Head of Strategic Support has overall responsibility for ensuring that webcasting is managed appropriately in accordance with this procedure.
- 3.3 The Democratic and Electoral Services Manager is responsible for the day-to-day management of this procedure.
- 3.4 All officers and Councillors are responsible for familiarising themselves, and ensuring that they comply, with this procedure.

4 Room preparation

The Council's webcasts are managed in-house and officers will be responsible for installing and operating computer, camera and microphone equipment for the meeting. (This can only be where the location has suitable internet capability.)

5 Training

Appropriate training will be offered from time to time.

6 How to request that a meeting is webcast

6.1 A request to webcast a meeting must be made by email to the Head of Strategic Support by no later than 17:00 at least three clear working days before the meeting (ie excluding the date of the request and the date of the meeting).

6.2 The person requesting the webcast must be able to demonstrate that there is sufficient public interest to justify webcasting the meeting, for example because an item:

- has a significant level of objection and/or support;
- is subject to a petition;
- is subject to extensive media coverage (including social media).

6.3 The Head of Strategic Support will consult with the Leader of the Council, the Opposition Leader and the Chairman of the relevant committee in deciding whether the meeting should be webcast.

7 Notification, consent, minutes, etc

7.1 All meeting notices will contain a paragraph to the effect that the Council webcasts certain meetings and that the meeting in question might be webcast, in which event speakers will normally be videoed, but may ask not to be videoed (although their contribution will always be audio recorded).

7.2 The Head of Strategic Support will notify all known participants that the meeting in question is to be webcast, and publish an appropriate notification to the public, as soon as possible and in any event at least one working day before the meeting.

7.3 The Chairman of the committee will make an announcement at the commencement of the meeting that it is being webcast and will also be available for future viewings. Meeting participants will be able to request that they are not videoed (although all participants will be audio recorded), and will be deemed to have agreed to consent to be videoed and to the future use of the video if they are present and do not object.

7.4 Posters will be displayed in the meeting venue to inform attendees that the meeting is being webcast.

7.5 No exempt or confidential agenda items should be broadcast.

7.6 The agreed written minutes of a meeting remain its official record.

7.7 All other rules of procedure as outlined in the Council's Constitution apply.

8 Guidance for Chairmen

Chairmen should:

- remind everyone at the outset that the meeting is being broadcast and will be available subsequently on the internet;
- remind any participant (for example an interested party registered to address a planning committee) that they will be videoed, and give them the opportunity to request that they are not;
- make clear the different elements of the agenda, such as what is for information or a decision, or a vote;
- where the webcast will be suspended for exempt or confidential items, explain when and why this will happen;
- consider explaining some meeting procedures if these might not be obvious to viewers;
- consider introducing speakers more fully and formally than usual so that viewers know who they are and what role they play in the proceedings;
- if a participant says something inappropriate, offensive, defamatory, etc, immediately ask them to apologise.

9 Guidance for participants

9.1 Officers and Councillors are reminded that must comply with relevant Codes of Conduct.

9.2 Participants should be mindful of public perception of their demeanour:

- moving or fidgeting whilst speaking can reduce the picture quality and it may be hard for the camera to follow;
- bending over to speak into a microphone looks awkward on screen and is unnecessary, so sit or stand normally (as appropriate), speaking clearly such that the microphone can pick your voice up;
- make sure that you turn your microphone on before speaking and off when you have finished;
- don't watch the broadcast live on your own equipment as this may create sound interference;
- be aware that your own equipment may appear on camera, so be mindful of what you display on its screen;
- be aware of the range of the camera view – moving, talking with colleagues, etc, can be distracting (particularly if you are adjacent to or behind someone who is speaking) - it is safest to assume that you are in vision at all times;

- be direct, to the point and as brief as possible;
- you may have to be more clear about some of the information that you give so that it is clear to a lay person what you are doing and why you are doing it - avoid jargon and 'council speak';
- heckling doesn't work well on a webcast as it is usually only the Chairman and the Councillor who has the floor who can be seen and heard - other comments are often unintelligible as they are off microphone.

10 Terminating a webcast

The Chairman of the meeting has the discretion to terminate or suspend the webcast if, in his/her opinion, continuing to broadcast would prejudice the proceedings of the meeting. For example:

- if the meeting is suspended due to a public disturbance;
- at the point when it has been agreed that the public and press are to be excluded;
- when the Chairman and committee agree that further webcasting would prejudice the proceedings of the meeting.

11 Publication, storage and retention

11.1 The Council will use YouTube or similar channel to host its webcasts.

11.2 The Council will embed and provide a link to the video of all new webcasts via a custom webpage on its website. This webpage will be available for the webcast to be live streamed and will be available for three months, after which it will be removed.

11.3 The webcast will continue to be available on its YouTube or like channel at the discretion of the Communications Manager.

11.4 The Council will also provide a link to its webcasts in its archive of committee meetings indefinitely (as provided by mod.gov) at the discretion of the Communications Manager.

12 Copyright

The Council is the author of the webcast whether live or archived and owns the copyright. Any person, including a Councillor, who wishes to use it they must first obtain the permission of the Council – for assistance, it is unlikely that the Council would refuse permission if the broadcast is to be used for legitimate and positive purposes such as information or training. (Nb websites such as YouTube and Vimeo state in their terms and conditions that you must be the copyright owner and have the permission of all those involved in order to upload videos to their sites.)

Public Sector Audit Appointments

Committee considering report:	Governance and Ethics Committee on 13 February 2017
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	26 January 2017
Report Author:	Lesley Flannigan
Forward Plan Ref:	C3211

1. Purpose of the Report

- 1.1 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.
- 2.2 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

3. Implications

- 3.1 **Financial:**
The scheme 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:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** None
- 3.6 **Property:** None
- 3.7 **Other:** None

4. Other options considered

- 4.1 Establish a stand-alone Auditor Panel to make the appointment on behalf of the Council. The members of the panel must be made up of wholly or a majority of 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.
- 4.2 The recruitment and servicing of the Auditor Panel, running the bidding process and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and members allowances. The Council also will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

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:
- (1) 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.
 - (2) 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.
 - (3) 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).
- 5.3 The costs of establishing a local or joint Auditor panel have been estimated at £15k, added to this will be member's allowances and expenses for the independent members (this will be dependent upon the number appointed). This additional cost will need to be included in the Council's budget for 2017/18 and there maybe some costs in the current year. This budget will include the cost of recruiting independent appointees (members), servicing the panel, running a bidding and tender evaluation process, letting a contract and paying member's allowances and expenses.
- 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 the cost of 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. If the Council would like to accept the invitation of the PSAA they would need to opt in by the 9th March 2017. The officer recommendation would be to approve the opting into 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

Appendix A – Supporting information

Appendix B – Equalities Impact Assessment

Appendix C – Invitation to opt into the national scheme for auditor appointments.

Appendix D – List of opted in Authorities to PSAA

Appendix E – The prospectus of PSAA

Appendix F – Procurement Strategy

Appendix A

Public Sector Audit Appointments

1. Background

- 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.
- 1.2 Regulations made under the Act allow authorities to 'opt in' for their auditor to be appointed by an 'appointing person'. In July 2016 Public Sector Audit Appointments (PSAA) were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission under powers delegated by the Secretary of State.
- 1.3 An outline procurement strategy was published in November 2016 that sets out how PSAA intends to fulfil the LGA's objectives in practice. The prospectus and procurement strategy can be found on the PSAA website (www.psa.co.uk) and are attached as background information in Appendix E and F.
- 1.4 PSAA is an independent, not-for-profit company limited by guarantee and established by the Local Government Association (LGA). PSAA is inviting West Berkshire Council to opt in, along with all other authorities, so that PSAA can enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Authority's auditor. The principal benefits from such an approach are as follows:
- PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together;
 - PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements;
 - Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;
 - It is expected that the large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition;
 - The overall procurement costs would be lower than an individual smaller scale local procurement;
 - The overhead costs for managing the contracts will be minimised through a smaller number of large contracts across the sector;

- There will be no need for the Authority to establish alternative appointment processes locally, including the need to set up and manage an 'auditor panel';
 - The new regime provides both the perception and reality of independent auditor appointment through a collective approach; and
 - A sustainable market for audit provision in the sector will be easier to ensure for the future.
- 1.5 The Authority's current external auditor is KPMG LLP, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract was transferred to PSAA, and since this date PSAA has demonstrated its capability in terms of auditor appointment, contract management, and monitoring audit quality. Over recent years authorities have benefited from a reduction in fees. This has been the result of a combination of factors including new contracts negotiated nationally with the audit firms and savings from closure of the Audit Commission. The Authority's current external audit fees for 2016/2017 are expected to be £107,468 which includes certification of the Council's Housing Benefit claim.
- 1.6 The proposed fees for subsequent years cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Authority's audit must follow. Not all audit firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.
- 1.7 Currently, there are only nine providers that are eligible to audit local authorities and other relevant bodies; all of these being firms with a national presence. This means that a local procurement exercise, would seek tenders from these same firms, subject to the need to manage any local independence issues. Local firms could not be invited to bid.
- 1.8 It is understood that a large majority of Council's are opting for this route or have already opted in, see appendix D where there is a list of those Councils who have already opted into PSAA as at 4th January 2017.

2. Other options considered

- 2.1 Establish a stand-alone Auditor Panel to make the appointment on behalf of the Council. The members of the panel must be made up of wholly or a majority of 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.
- 2.2 The recruitment and servicing of the Auditor Panel, running the bidding process and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and members allowances. The Council also will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

- 2.3 CIPFA published in December 2015 a guide to Auditor Panels, which are required if authorities do not opt in to an “appointing person” arrangement. The minimum number of members for an Auditor Panel is 3, of which 2 must be considered independent from the authority. A panel member job description should be drawn up and agreed before commencing recruitment and the requirement or desire for relevant knowledge or expertise should be clearly determined. Vacancies must be publicly advertised, as is good practice for any public appointment, but particularly as a person may only be appointed as an independent member of an auditor panel if that vacancy has been advertised in accordance with the Auditor Panel Regulations.
- 2.4 CIPFA highlighted that appropriate skills and knowledge need to be sought when appointing members to an Auditor Panel. Some of these can be fairly generic, such as knowledge of the authority itself, values of good governance and ethics and public procurement rules. However, others are likely to be fairly specialist, including understanding of:
- a. local authority finance
 - b. accountancy (public sector or commercial)
 - c. audit processes and regulation (public or private sector, external/local audit or internal audit), including more specifically,
 - d. the role and responsibilities (statutory duties) of a local public auditor in local government.
- 2.5 The issue of what level of allowances and expenses to pay Panel members is at the discretion of individual organisations. CIPFA suggests that authorities may wish to mirror arrangements for other allowances within their governance arrangements. There would clearly be an expectation of some financial recompense to engage a suitably qualified, independent individual.
- 2.6 Turning to the actual auditor appointment, this will need to be taken in accordance with EU procurement rules which specify particular stages and timescales. There are five key stages of the process which are likely to be common across authorities:
- i) Decide on the appointment process (a decision for Council whether to use the sector led body or appoint independently)
 - ii) (If appointing independently) determine the important criteria to be considered when selecting the auditor and invite expressions of interest against these
 - iii) Evaluate expressions received
 - iv) Final evaluation of tenders
 - v) Recommendation to the authority.
- 2.7 While the Auditor panel would play a key role at each of these stages, in reality the detailed work to inform the Panel’s considerations would need to be undertaken by Council officers. While the skills exist to do so, the issue of capacity in the context of reducing resources is a key challenge across the local government sector. This is a key factor cited by other authorities who have decided to opt in to the PSAA arrangement.
- 2.8 Based on the following key issues, the Head of Finance does not recommend that West Berkshire Council independently seeks to appoint its local external auditor:

- As a small unitary authority, the Council is unlikely to attract competitive prices from suitably qualified organisations;
 - It is likely to prove difficult to attract sufficient independent members for an Auditor Panel that have an understanding of the authority and the broader skills required to play a key advisory role;
 - There is insufficient capacity internally to support the appointment process.
- 2.9 Another option available would be to 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 would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act.
- 2.10 Recent years have seen increased partnership working across the Berkshire Unitaries, to deliver a range of specific functions. This indicates that such an approach could potentially be applied to the appointment of a local external auditor. However, to date no proposal has been made or received by West Berkshire for joint working in this area. This should not be taken as an indication that there is no interest, but rather as a reflection of the scale of other challenges facing Local Authorities at this time.
- 2.11 A key issue for consideration is the timescale involved. Local Authorities must have appointed an auditor for their 2018/19 accounts by no later than 31 December 2017. An important and necessary first stage in this is to make a formal decision on their approach to appoint a local auditor and, if necessary, to establish an Auditor Panel by no later than 9 March. While this represents a timetable determined by the PSAA, it also reflects a realistic deadline to start a formal and complex procurement process to ensure a local auditor is in place.
- 2.12 Another factor is that the approach to local authority audit is tightly defined by the Local Audit and Accountability Act 2014 and the National Audit Office's (NAO) Code of Audit Practice, which came into force on 1 April 2015. There is no real scope for local variation of the approach required and the number of bodies qualified to audit local authority accounts is very small.
- 2.13 For these reasons, together with the likelihood of the PSAA being able to secure better value bids for work through a national collective process, very few authorities are expected to undertake their own procurement processes for a local auditor. The Head of Finance has also been unable to find any examples of unitary authorities working together outside of the PSAA arrangement, for the same reasons.
- 2.14 Therefore, while recognising the potential in future years to develop a local partnership that can learn from the experience of appointing a local auditor for the first time, the Head of Finance recommends that West Berkshire Council should join the overwhelming majority of local authorities in opting in to the collective arrangements of the PSAA.

3. Conclusion

- 3.1 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. If the Council would like to accept the invitation of the PSAA they would need to opt in by the 9th March 2017. The officer recommendation would be to approve the opting in of the National Scheme.

3.2 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.

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

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 aim and priority.

Officer details:

Name: Andy Walker
Job Title: Head of Finance
Tel No: 01635 519433
E-mail Address: andy.walker@westberks.gov.uk

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.

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

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?	
Aims:	
Objectives:	
Outcomes:	
Benefits:	

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 Affected	What might be the effect?	Information to support this

Further Comments relating to the item:

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

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.

4. Identify next steps as appropriate:	
Stage Two required	Not Applicable
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	

Name: Andy Walker

Date: 23rd January 2017

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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27 October 2016

Email: 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.

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.

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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Appendix D

Authorities opted in with PPSA as at 4th January 2017

County Councils

Buckinghamshire County Council

Cumbria County Council

Derbyshire County Council

Devon County Council

Essex County Council

Hampshire County Council

Lancashire County Council

Leicestershire County Council

Lincolnshire County Council

Norfolk County Council

Nottinghamshire County Council

Oxfordshire County Council

Suffolk County Council

Warwickshire County Council

West Sussex County Council

District Councils

Amber Valley Borough Council

Arun District Council

Ashfield District Council

Ashford Borough Council

Aylesbury Vale District Council
Babergh District Council
Basildon Borough Council
Basingstoke and Deane Borough Council
Bolsover District Council
Borough Council of King's Lynn and West Norfolk
Boston Borough Council
Braintree District Council
Breckland Council
Broadland District Council
Carlisle City Council
Castle Point Borough Council
Chelmsford City Council
Chesterfield Borough Council
Chichester District Council
Corby Borough Council
Cotswold District Council
Craven District Council
Crawley Borough Council
Dartford Borough Council
Derbyshire Dales District Council
Dover District Council
East Lindsey District Council
East Northamptonshire Council
East Staffordshire Borough Council
Eastbourne Borough Council
Eastleigh Borough Council
Eden District Council
Epping Forest District Council
Erewash Borough Council

Fenland District Council
Forest Heath District Council
Forest of Dean District Council
Gloucester City Council
Gravesham Borough Council
Great Yarmouth Borough Council
Guildford Borough Council
Harlow District Council
Harrogate Borough Council
Hertsmere Borough Council
Horsham District Council
Ipswich Borough Council
Lewes District Council
Lichfield District Council
Malvern Hills District Council
Melton Borough Council
Mid Suffolk District Council
Newark & Sherwood District Council
North East Derbyshire District Council
North Hertfordshire District Council
North Norfolk District Council
North Warwickshire Borough Council
Northampton Borough Council
Norwich City Council
Nuneaton And Bedworth Borough Council
Oxford City Council
Pendle Borough Council
Rother District Council
Runnymede Borough Council
Rushcliffe Borough Council

Sevenoaks District Council
South Holland District Council
South Kesteven District Council
South Lakeland District Council
South Norfolk District Council
St Edmundsbury Borough Council
Stroud District Council
Suffolk Coastal District Council
Surrey Heath Borough Council
Tamworth Borough Council
Taunton Deane Borough Council
Test Valley Borough Council
Tunbridge Wells Borough Council
Uttlesford District Council
Waveney District Council
Waverley Borough Council
Wealden District Council
West Somerset District Council
Woking Borough Council
Worcester City Council
Wychavon District Council
Wycombe District Council
Wyre Forest District Council

Unitary Councils

Luton Borough Council

Hartlepool Borough Council

Slough Borough Council

Central Bedfordshire Council

Medway Council

Darlington Borough Council

Leicester City Council

Bedford Borough Council

Borough of Telford and Wrekin

Bath and North East Somerset Council

Southampton City Council

Shropshire Council

Peterborough City Council

North East Lincolnshire Council

North Lincolnshire Council

Halton Borough Council

London Borough Councils

Bexley London Borough Council

Croydon London Borough Council

London Borough of Lambeth

London Borough of Richmond Upon Thames

London Borough of Waltham Forest

Royal Borough of Kensington and Chelsea

Royal Borough of Kingston Upon Thames

Southwark Council

Wandsworth Borough Council

Fire Authorities

Buckinghamshire and Milton Keynes Fire Authority

Cleveland Fire Authority

County Durham and Darlington Fire and Rescue Authority

Essex Fire Authority

Hampshire Fire and Rescue Authority

Hereford and Worcester Fire And Rescue Authority

Kent And Medway Fire And Rescue Authority

Leicester, Leicestershire and Rutland Combined Fire Authority

Nottinghamshire and City of Nottingham Fire and Rescue Authority

Stoke on Trent and Staffordshire Fire and Rescue Authority

Tyne and Wear Fire and Rescue Authority

Other Local Government Bodies

Broads Authority

Dartmoor National Park Authority

Exmoor National Park Authority

Merseyside Recycling and Waste Authority

Peak District National Park Authority

West London Waste Authority

Western Riverside Waste Authority

Yorkshire Dales National Park Authority

Metropolitan Councils

Liverpool City Council

Solihull Metropolitan Borough Council

St Helens Metropolitan Borough Council

Walsall Metropolitan Borough Council

Wolverhampton City Council

Police Authorities

Police and Crime Commissioner for Nottinghamshire

Chief Constable for Nottinghamshire Police

Police and Crime Commissioner for Thames Valley

Chief Constable for Thames Valley Police

Police and Crime Commissioner for Norfolk

Chief Constable for Norfolk Police

Police and Crime Commissioner for South Yorkshire

Chief Constable for South Yorkshire Police

Chief Constable for Northamptonshire Police

Chief Constable for Leicestershire Police

Police and Crime Commissioner for Humberside

Chief Constable for Humberside Police

Police and Crime Commissioner for Derbyshire

Chief Constable for Derbyshire Police

Police and Crime Commissioner for Staffordshire

Chief Constable for Staffordshire Police

Police and Crime Commissioner for Lancashire

Chief Constable for Lancashire Police

Police and Crime Commissioner for Avon and Somerset

Chief Constable for Avon and Somerset Police

Police and Crime Commissioner for Sussex

Chief Constable for Sussex Police

Police and Crime Commissioner for Kent

Chief Constable for Kent Police

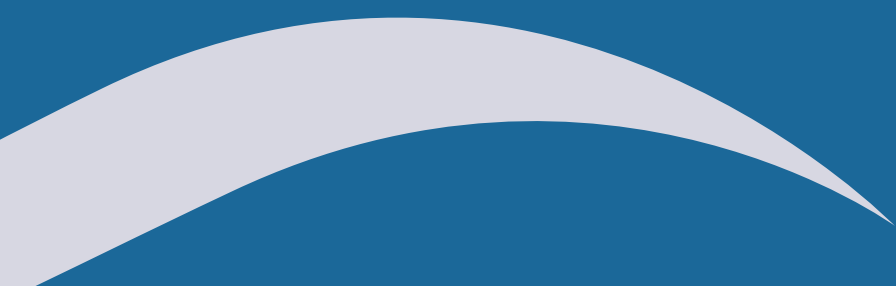
Police and Crime Commissioner for Cheshire

Chief Constable for Cheshire Police



Developing the option of a national scheme for local auditor appointments

www.psa.co.uk



“The LGA has worked hard to secure the option for local government to appoint auditors through a dedicated sector-led national procurement body. I am sure that this will deliver significant financial benefits to those who opt in.”

– Lord Porter CBE, Chairman,
Local Government Association

Over the next few months all principal authorities will need to decide how their auditors will be appointed in the future. They may make the appointment themselves, or in conjunction with other bodies. Or they can take advantage of a national collective scheme which is designed to offer them a further choice. Choosing the national scheme should pay dividends in quality, in cost, in responsiveness and in convenience.

Public Sector Audit Appointments Ltd (PSAA) is leading the development of this national option. PSAA is a not-for-profit company which already administers the current audit contracts. It has been designated by the Department for Communities & Local Government (DCLG) to operate a collective scheme for auditor appointments for principal authorities (other than NHS bodies) in England. It is currently designing the scheme to reflect the sector's needs and views.

The Local Government Association (LGA) is strongly supportive of this ambition, and 200+ authorities have already signalled their positive interest. This is an opportunity for local government, fire, police and other bodies to act in their own and their communities' best interests.

We hope you will be interested in the national scheme and its development. We would be happy to engage with you to hear your views – please contact us at [**generalenquiries@psaa.co.uk**](mailto:generalenquiries@psaa.co.uk)

You will also find some questions at the end of this booklet which cover areas in which we would particularly welcome your feedback.

Audit does matter

High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

Imminent changes to the arrangements for appointing the auditors of local public bodies are therefore very important. Following the abolition of the Audit Commission, local bodies will soon begin to make their own decisions about how and by whom their auditors are appointed. A list of the local government bodies affected can be found at the end of this booklet.

The Local Government Association (LGA) has played a leadership role in anticipating these changes and influencing the range of options available to local bodies. In particular, it has lobbied to ensure that, irrespective of size, scale, responsibilities or location, principal local government bodies can, if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.


The LGA supported PSAA's successful application to the Department for Communities & Local Government (DCLG) to be appointed to deliver and manage this scheme.

PSAA is well placed to award and manage audit contracts, and appoint local auditors under a national scheme

PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA. It already carries out a number of functions in relation to auditor appointments under powers delegated by the Secretary of State for Communities & Local Government. However, those powers are time-limited and will cease when current contracts with audit firms expire with the completion of the 2017/18 audits for local government bodies, and the completion of the 2016/17 audits for NHS bodies and smaller bodies.

The expiry of contracts will also mark the end of the current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.

PSAA has been selected to be the trusted operator of the national scheme, formally specified to undertake this important role by the Secretary of State. The company is staffed by a team with significant experience in appointing auditors, managing contracts with audit firms and setting and determining audit fees. We intend to put in place an advisory group, drawn from the sector, to give us ready access to your views on the design and operation of the scheme. We are confident that we can create a scheme which delivers quality-assured audit services to every participating local body at a price which represents outstanding value for money.



“Many district councils will be very aware of the resource implications of making their own appointment. Joining a well-designed national scheme has significant attractions.”

– Norma Atlay, President,
Society of District Council Treasurers

“Police bodies have expressed very strong interest in a national scheme led by PSAA. Appointing the same auditor to both the PCC and the Chief Constable in any area must be the best way to maximise efficiency.”

– Sean Nolan, President,
Police and Crime Commissioners
Treasurers’ Society (PACCTS)

The national scheme can work for you

We believe that the national scheme can be an excellent option for all local bodies. Early indications are that many bodies agree - in a recent LGA survey more than 200 have expressed an interest in joining the scheme.

We plan to run the scheme in a way that will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. The scheme will take away those headaches and, assuming a high level of participation, be able to attract the best audit suppliers and command highly competitive prices.

The scope of public audit is wider than for private sector organisations. For example, it involves forming a conclusion on the body's arrangements for securing value for money, dealing with electors' enquiries and objections, and in some circumstances issuing public interest reports. PSAA will ensure that the auditors which it appoints are the most competent to carry out these functions.

Auditors must be independent of the bodies they audit, to enable them to them to carry out their work with objectivity and credibility, and in a way that commands public confidence. PSAA plans to take great care to ensure that every auditor appointment passes this test. It will also monitor any significant proposals, above an agreed threshold, for auditors to carry out consultancy or other non-audit work to ensure that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or within combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money.

PSAA will ensure high quality audits

We will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.

PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the National Audit Office (NAO) to help ensure that guidance to auditors is updated when necessary.

We will include obligations in relation to maintaining and continuously improving quality in our contract terms and quality criteria in our tender evaluation method.

PSAA will secure highly competitive prices

A top priority must be to seek to obtain the best possible prices for local audit services. PSAA's objective will be to make independent auditor appointments at the most competitive aggregate rate achievable.

Our current thinking is that the best prices will be obtained by letting three year contracts, with an option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally. The value of each contract will depend on the prices bid, with the firms offering the best prices being awarded larger amounts of work. By having contracts with a number of firms we will be able to ensure independence and avoid dominance of the market by one or two firms.

Correspondingly, at this stage our thinking is to invite bodies to opt into the scheme for an initial term of three to five years.

The procurement strategy will need to prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used. This will require specific safeguards in the design of the procurement and appointment arrangements.

“Early audit planning is a vital element of a timely audit. We need the auditors to be available and ready to go right away at the critical points in the final accounts process.”

– Steven Mair, City Treasurer,
Westminster City Council

“In forming a view on VFM arrangements it is essential that auditors have an awareness of the significant challenges and changes which the service is grappling with.”

– Charles Kerr, Chair,
Fire Finance Network

PSAA will establish a fair scale of fees

Audit fees must ultimately be met by individual audited bodies. PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. The changes to our role and functions will enable us to run the new scheme with a smaller team of staff. PSAA is a not-for-profit company and any surplus funds will be returned to scheme members.

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. Pooling means that everyone within the scheme will benefit from the most competitive prices. Current scale fees are set on this basis. Responses from audited bodies to recent fee consultations have been positive.

PSAA will continue to consult bodies in connection with any proposals to establish or vary the scale of fees. However, we will not be able to consult on our proposed scale of fees until the initial major procurement has been completed and contracts with audit firms have been let. Fees will also reflect the number of scheme participants - the greater the level of participation, the better the value represented by our scale of fees. We will be looking for principal bodies to give firm commitments to join the scheme during Autumn 2016.

The scheme offers multiple benefits for participating bodies

We believe that PSAA can deliver a national scheme which offers multiple benefits to the bodies which take up the opportunity to collaborate across the sector by opting into scheme membership.

Benefits include:

- assured appointment of a qualified, registered, independent auditor
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives or combined authorities, if the parties believe that it will enhance efficiency and value for money
- on-going management of independence issues
- securing highly competitive prices from audit firms
- minimising scheme overhead costs
- savings from one major procurement as opposed to a multiplicity of small procurements
- distribution of surpluses to participating bodies
- a scale of fees which reflects size, complexity and audit risk
- a strong focus on audit quality to help develop and maintain the market for the sector
- avoiding the necessity for individual bodies to establish an auditor panel and to undertake an auditor procurement
- enabling time and resources to be deployed on other pressing priorities
- setting the benchmark standard for audit arrangements for the whole of the sector

We understand the balance required between ensuring independence and being responsive, and will continually engage with stakeholders to ensure we achieve it.

How can you help?

We are keen to receive feedback from local bodies concerning our plans for the future. Please let us have your views and let us know if a national scheme operated by PSAA would be right for your organisation.

In particular we would welcome your views on the following questions:

1. Is PSAA right to place emphasis on both quality and price as the essential pre-requisites for successful auditor appointments?
2. Is three to five years an appropriate term for initial contracts and for bodies to sign up to scheme membership?
3. Are PSAA's plans for a scale of fees which pools scheme costs and reflects size, complexity and audit risk appropriate? Are there any alternative approaches which would be likely to command the support of the sector?
4. Are the benefits of joining the national scheme, as outlined here, sufficiently attractive? Which specific benefits are most valuable to local bodies? Are there others you would like included?
5. What are the key issues which will influence your decisions about scheme membership?
6. What is the best way of us continuing our engagement with you on these issues?

Please reply to: generalenquiries@psaa.co.uk

The following bodies will be eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils in England
- district councils
- London borough councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area in England
- chief constables for an area in England
- national park authorities for a national park in England
- conservation boards
- fire and rescue authorities in England
- waste authorities
- the Greater London Authority and its functional bodies.

BOARD MEMBERS

Steve Freer (Chairman), former Chief Executive CIPFA

Caroline Gardner, Auditor General Scotland

Clive Grace, former Deputy Auditor General Wales

Stephen Sellers, Solicitor, Gowling WLG (UK) LLP

CHIEF OFFICER

Jon Hayes, former Audit Commission Associate Controller

“Maintaining audit quality is critically important. We need experienced audit teams who really understand our issues.”

– Andrew Burns, Director of
Finance and Resources,
Staffordshire County Council

PSAA Ltd
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Smith Square
London SW1P 3HZ

www.psaa.co.uk

Audit services procurement strategy

December 2016

High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

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Introduction

1. Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee and incorporated by the Local Government Association (LGA) in August 2014. It has a Board of non-executive directors supported by a Chief Officer and a team of staff who have significant experience and skills in managing contracts for public audit services. More information about the PSAA Board and Executive team can be found at <http://www.psaa.co.uk/about-us/who-we-are/>.
2. The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis under powers contained in the Local Audit and Accountability Act 2014. In accordance with these arrangements, PSAA is currently responsible for appointing auditors to local government, police, smaller authorities and local NHS bodies, and for setting audit fees.
3. From 2017/18, the transitional arrangements will end for local NHS bodies and smaller authorities, and PSAA will no longer be responsible for appointing their auditors. The transitional arrangements have been extended by one year for local government and police bodies, and PSAA will therefore continue to be responsible for appointing their auditors for the audit of the accounts for 2017/18.
4. In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This new role means that PSAA is able to make auditor appointments for audits of the accounts from 2018/19 of principal authorities in England (other than NHS bodies) that choose to opt into its arrangements. PSAA's specification as an appointing person fulfils the LGA's objective of establishing a national sector-led body which is able to deliver high quality, economic and efficient external audit arrangements for all authorities that choose to opt into its scheme.
5. Appointments for 2018/19 must be made by 31 December 2017. By early 2017, all principal authorities will need to decide how their auditors will be appointed in the future. They may make an appointment themselves, or in conjunction with other bodies. Or they can take advantage of the national collective scheme developed by PSAA which is designed to meet sector needs. We believe that, by opting into the PSAA appointing person scheme, audited bodies will secure real benefits in terms of quality, cost, responsiveness and convenience.

Purpose of the document

6. PSAA needs to enter into new contracts with audit firms in order to make auditor appointments to opted-in authorities by 31 December 2017. This procurement strategy sets out the basis on which the procurement of audit services will be carried out.

Objectives of this procurement

7. The primary driver for this procurement is securing high quality audit services at the most competitive prices.

8. To secure the right balance, quality will be assessed against a broad range of relevant criteria through a combination of the regulatory regime (which tests quality and competence as part of registration and monitoring processes), the pre-qualification process and the invitation to tender responses.
9. The objectives of the procurement are to maximise value for local public bodies by:
 - securing the provision of high quality, independent audit services
 - incentivising audit suppliers to submit highly competitive prices;
 - awarding contracts to a sufficient number of firms to enable the appointment of an appropriately qualified auditor to every participating body; and
 - supporting a long term competitive, sustainable market for local public audit services which has value for all relevant authorities.
10. It is necessary to enter into contracts with a number of audit suppliers to enable PSAA to manage auditor independence, and meet the needs of the increasing numbers of bodies participating in joint or shared working arrangements.

Scope of this procurement

11. The procurement will cover the audits of the accounts of all principal local government bodies that opt in to the appointing person scheme. Eligible entities include local authorities, combined authorities, police and crime commissioners, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.
12. There are currently 493 eligible principal local government bodies that have been invited to opt in to the appointing person arrangements. Invitations were issued on 27 October 2016. The closing date for acceptance of the opt-in invitation is 9 March 2017. We expect to receive acceptances throughout the opt-in period and will maintain an up to date record of bodies joining the scheme on the PSAA website. (www.psaa.co.uk).
13. PSAA has allowed a considerably longer period during which an authority can opt in compared to the statutory minimum period of eight weeks. It is hoped this will enable authorities to meet the requirement under the regulations to make the decision to opt in at a full council meeting. (As corporations sole, the full council requirement does not apply to police and crime commissioners.)
14. In order to maximise the potential economies of scale from entering into large contracts with firms, and to manage any auditor independence issues, PSAA will seek to provide as much clarity and certainty as possible concerning the volume and location of work it is able to offer to firms.

Evolution of the strategy

15. This strategy has been developed in the light of the practical knowledge and experience of previous procurements for audit and related services. It has been particularly informed

by lessons learned from the procurements carried out by the Audit Commission that resulted in the current audit contracts.

16. This procurement strategy was agreed by the PSAA Board on 15 December 2016. It supersedes the outline strategy agreed by the Board on 9 November.

The procurement strategy

The procurement route

17. The Public Contract Regulations 2015 (the Contract Regulations) will apply to the procurement and it will be carried out in accordance with those Regulations.

Choice of procurement procedure

18. PSAA is keen to enter into contracts with a number of firms registered as local public auditors. This will give PSAA the ability to manage auditor independence issues, for example, where an audit supplier has a pre-existing relationship with an audited body which prevents it from accepting an audit appointment. It will also provide the flexibility to enable PSAA to respond to the increasing popularity of joint or shared working arrangements as a result of which partner audited bodies often express a preference for the appointment of a common audit supplier. By entering into contracts with multiple suppliers PSAA will also help to support a long term competitive, sustainable market for local public audit services.
19. Because the nature of the services being procured is highly specialised, PSAA will follow the restricted procedure (rather than the open procedure) in accordance with the Contract Regulations. This will enable PSAA to identify a short-list of suppliers with the necessary financial standing, technical capacity, skills and experience to provide services and then invite all those shortlisted to tender.
20. Suppliers invited to tender will be asked to quote prices for a contract length of five years, which matches the opt-in period for principal bodies. The contracts will include the option for PSAA to extend the contract by a further two years, should it choose to do so.
21. Bids will not be accepted unless they are submitted by suppliers which are registered as local public auditors with a supervisory body approved by the Financial Reporting Council. Consortium bids are permitted where all member organisations within the consortium are individually registered with such a body (currently ICAEW and ICAS). Variant bids will not be permitted.

Contract lots

22. PSAA will structure its procurement and invite bids as set out in the paragraphs below, subject to confirmation once the number of principal authorities opting in to the appointing person scheme is known.

23. There will be a single contract area, with six contract lots.
24. The size of the lots one to five will be graduated to reward the better tenders with larger volumes of work. For each individual lot, PSAA will give an indication of the minimum level of work which the lot will contain. The smallest lots are likely to have a value of approximately £2.5m per audit year. Each lot, in its final form, will reflect a sensible balance of geography and a blend of the different authority types.
25. The sixth lot will be used by PSAA to appoint a provider to undertake audits at any authorities where all of the other successful suppliers awarded contract lots one to five are conflicted. This situation may or may not arise. There is therefore no guaranteed minimum volume of work associated with the sixth contract lot.
26. PSAA has structured its procurement in this way to enable the greatest degree of flexibility for the appointment of auditors to eligible bodies, which will follow once the procurement has been completed, and to avoid undue dominance by one or two suppliers across the opted in authorities as a whole.
27. The indicative value of each lot will be clearly set out in the invitation to tender. Authorities will not be allocated to a lot until the procurement is complete and the subsequent consultation processes with authorities and audit firms have taken place.
28. Bidders will not be required to bid for all lots, although this is strongly encouraged.
29. The indicative value of each lot will be expressed by reference to the 'audited body notional value' (ABNV), which comprises the published scale fees for 2016/17 for all opted-in bodies. This will establish a consistent baseline against which suppliers will submit their competitive bids.

Bidding rules relating to lots

30. Subject to receiving sufficient bids, PSAA will award six suppliers with contracts to enable it to:
 - manage any independence issues that may arise when making auditor appointments to opted-in audited bodies;
 - respond to shared or joint working arrangements between audited bodies; and
 - make an appropriate auditor appointment to each opted-in audited body after fulfilling its statutory duty to consult such bodies on proposed appointments.
31. Subject to the outcome of the evaluation of responses to the invitation to tender, PSAA expects to award no more than one lot to any successful supplier. Contract lots will be awarded to the suppliers submitting the most economically advantageous tenders.
32. Suppliers will be invited to express their bids for each lot as a fixed proportion of the relevant ABNV.

Audit Fees

34. PSAA believe that audit fees achieved through large contracts will be lower than those that individual authorities will be able to negotiate. In addition, by opting into the PSAA offer, authorities will avoid the costs of their own procurement and management of contracts and also the requirement to set up an auditor panel with independent members.
35. PSAA's costs of managing the scheme will need to be covered by audit fees. We expect future annual operating costs to be lower than current costs because we plan to employ a smaller team to manage the scheme. The costs of developing and setting up the scheme will be funded from the share of our current deferred income which is relevant to eligible principal authorities.
36. PSAA will develop and consult on a system for setting fees for audit work. PSAA will pool scheme costs and charge fees to audited bodies in accordance with a scale of fees which has regard to the size of the audited body, audit risk and the complexity of the work required. In all probability this will reflect past fees adjusted for any fee variations that have a recurring impact. Pooling means that all scheme participants will benefit from the most competitive prices. The number of scheme participants will be critically important – the greater the level of participation, the more advantageous the scale fees.
37. As a not-for-profit organisation, PSAA will be able to return any surplus funds generated by the scheme, after all costs have been met, to opted-in authorities. This obligation is set out clearly in our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.
38. Scale fees from 2018/19 cannot be set until the audit services procurement has been concluded. PSAA will consult on the proposed scale of fees in autumn 2017 and will publish the fees applicable in March 2018. A fee variation process will apply if substantially more or less work is required than is envisaged in the scale fee or the auditor is entitled to recover costs or expenses from the audited body under specific provisions in the regulations, for example in relation to public interest reports or objection work. The process will require that fees for additional work are discussed with and explained to the audited body and approved by PSAA before they can be invoiced.

Procurement process

39. The key stages in the procurement process are set out below. In accordance with the Contract Regulations, PSAA will ensure that at each stage the process complies with the requirements of equal treatment, non-discrimination, transparency and proportionality.
40. PSAA will use the Delta e-tendering platform to undertake this procurement.

Timetable and key milestones

41. The timetable and key milestones for the procurement are summarised in Table 1. The target dates are provisional and may be subject to change.

Table 1:

Key milestone	Target Date
Issue OJEU Contract Notice and Selection Questionnaire (SQ) available on request	16 February 2017
Deadline for eligible bodies to notify PSAA of their decision to opt in to the scheme for audits of 2018/19 accounts	9 March 2017
Deadline for submission of SQs	21 March 2017
Issue ITT to short-listed suppliers	6 April 2017
Deadline for submission of tenders	10 May 2017
PSAA Board approves contract award	30 June 2017

42. Following a statutory consultation process auditor appointments for opted-in principal authorities will be made by 31 December 2017 for audit years from 2018/19.
43. This timetable is consistent with the requirement set out in the Local Audit and Accountability Act 2014, for an authority to appoint an auditor to audit its accounts for a financial year by no later than 31 December in the preceding financial year.

OJEU Contract Notice

44. The purpose and scope of the procurement will be set out in the Contract Notice to be published in the Official Journal of the European Union (OJEU).

Pre-qualification (selection) stage

45. The pre-qualification (selection) stage will be designed to enable PSAA to assess potential audit suppliers' eligibility, technical knowledge and experience, capability and capacity, and organisational and financial standing to meet PSAA's requirements.
46. Evaluation at this stage will result in a pass or fail outcome for each potential supplier. All suppliers achieving a pass outcome will be invited to tender.
47. The selection questionnaire evaluation criteria are:
- compliance with grounds that would otherwise lead to mandatory or discretionary rejection under the Contract Regulations;
 - satisfactory financial and economic standing and insurance arrangements;
 - technical and professional ability; and
 - eligibility for appointment under the Act.

Tender stage

48. All potential suppliers who pre-qualify, by meeting the minimum threshold determined by PSAA, will be invited to tender for the contract areas for which they have pre-qualified.
49. The tenders for each lot will be evaluated in accordance with the published evaluation criteria to identify the most economically advantageous tenders. The relative weighting of price and quality will be 50:50.
50. Suppliers will only be requested to provide one response on audit quality irrespective of the number of contract lots they bid for.
51. The formal ITT evaluation criteria and methodology will be approved by the PSAA Board and published on the PSAA website.

Accounting Policies Report

Committee considering report:	Governance and Ethics Committee on 13 February 2017
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	7 November 2016
Report Author:	Lesley Flannigan
Forward Plan Ref:	GE3209

1. Purpose of the Report

- 1.1 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.
- 1.2 The accounting policies are defined as the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting the financial statements in the Annual Accounts. The Code of Practice requires that authorities select and apply their accounting policies consistently for similar transactions.
- 1.3 The recommendation is for Members to approve the attached Accounting Policies.

2. Implications

- 2.1 **Financial:** The Council is required to follow the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy.
- 2.2 **Policy: N/A**
- 2.3 **Personnel: N/A**
- 2.4 **Legal: N/A**
- 2.5 **Risk Management:**
N/A
- 2.6 **Property: N/A**
- 2.7 **Other: N/A**

3. Other options considered

None: the Accounting Policies follow the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

4. Executive Summary

- 4.1 The accountancy Code of Practice requires Councils to get approval of their accounting policies prior to the start of the completion of the Statement of Accounts.
- 4.2 The Accounting policies which are proposed are shown in appendix A. These are based on recommended practice and there are no instances where the fundamental accounting concepts have not been followed.

5. Conclusion

Members are requested to approve the Accounting Policies.

6. Appendices

- 6.1 Appendix A – Accounting Policies

(1) Statement of Accounting Policies

I. General principles

The purpose of the Statement of Accounting Policies is to explain the basis of measurement that has been used in the preparation of the Financial Statements. The Annual Accounts summarise the Council's transactions for the 2016/17 financial year and its position at the year end, 31 March 2017.

The Financial Statements for 2016/17 are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code) issued by The Chartered Institute of Public Finance and Accountancy (CIPFA), Financial Reporting Standards (FRS) and where appropriate the International Accounting Standards (IAS). The Accounting convention adopted is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments. The Annual Accounts have been prepared on a 'going concern' basis.

There are no instances in the Annual Accounts where the fundamental accounting concepts have not been followed. The Annual Accounts can contain estimated figures, where the actual figure is not known. Estimates are made taking into account historical experience, current trends and other relevant factors. There are no items in the Balance Sheet at 31 March 2017 for which there is believed to be a significant risk of material adjustment in the forthcoming financial year.

The Council has to consider all their interests and to prepare a full set of Group Accounts where they have material interests in subsidiaries, associates or joint ventures. West Berkshire Council currently has no interests that necessitate the production of Group Accounts.

II. Post Balance Sheet Events

Events after the Balance Sheet date are those events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified;

- Those that provide evidence of conditions that existed at the end of the reporting period. In this instance the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. In this instance, the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date when the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

III. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to understanding the Council's financial performance.

IV. Accruals of Income and Expenditure

All revenue income and expenditure relating to the financial year is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventory on the Balance Sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- Interest payable on borrowing and receivable on investment is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised in the accounts but cash has not been received nor paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of the debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to this rule is the periodic costs such as gas and electricity, which are included in the accounts on a payments basis and are not considered material to the accounts.

Accruals are not made for capital expenditure, but unspent capital funds are carried forward to the next financial year to cover any commitments which are outstanding at year end. This does not follow CIPFA guidance as the recommended practice expects the use of accruals based accounting that is recognising items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the Code. The Council is of the opinion that the time required to produce these accruals is not cost effective. The capital expenditure is written out through the accounts so has no meaningful impact on the Council's current operation or on the Comprehensive Income and Expenditure Statement, although it will have a minor impact on the Council's 'net worth' on the Balance Sheet. The level of the accrual has been estimated to be about £2 million which is 0.46% of the total value of Fixed Assets on the Balance Sheet.

V. Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council's policy is to include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. In the balance sheet, cash and cash equivalents are shown net of bank overdrafts that are payable on demand and form an integral part of the Council's cash management strategy.

VI. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution (If there are no 'conditions' the grant is reflected as income immediately). There must also be reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet under creditors. When conditions are satisfied the grant or contribution is moved to the relevant service revenue account.

Where capital grants have been credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund through the Movement in Reserves Statement.

VII. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year.

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the revaluation reserve against which the losses can be written-off.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account.

VIII. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the General Fund balance on the Statement of Movement in Reserves, so there is no impact on the level of council tax.

IX. Employee Benefits

(a) Salaries and Wages

The cost of salaries and wages has been included in the accounts based on 12 months and 52 pay weeks.

In line with (IAS 19), an accrual has been made for leave and flexible hours owing at year end. The accrual is based on a three year historic sample of leave owing and then averaged out to give a total for the whole Council. No adjustment has been made for other employee costs.

(b) Pension Schemes and Discretionary Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme (Berkshire Pension Scheme) is administered by The Royal Borough of Windsor and Maidenhead.
- The NHS Pension Scheme, administered by NHS pensions.

All schemes provide defined benefits to members (retirement lump sums and pension), earned as employees working for the Council.

The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in

the Balance Sheet and the Education Service revenue account is charged with the employer's contribution payable to the Teachers' Pension Scheme in the year.

The NHS Pension Scheme is also accounted for as if it were a defined contributions scheme.

The Berkshire Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Berkshire Pension Scheme attributed to the Council are included in the Balance Sheet on an actuarial basis using the Projected Unit Method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.

Liabilities are discounted to their value at current prices using a discount rate. (The discount rate is the yield on the Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond index, with an adjustment to reflect the liabilities relative to the duration of the index.)

The assets of the Berkshire Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unlisted securities – current bid price
- Property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year; allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the change in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years or from plan curtailments; credited or debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Gains or losses on settlements - transactions that eliminate all further legal or constructive obligations for part or all of the benefits provided under the plan.
- Administration expenses are those that are directly related to the management of plan assets. These have been charged to the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability ie net interest expense for the Council - is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period and adjusted for contribution and benefit payments during the year. This is charged to the Financing and Investment income and Expenditure Line of the Comprehensive Income and Expenditure Statement.

- Re-measurements comprising:
 - Differences between the return on plan assets and interest income on plan assets calculated as part of the net interest on the net defined benefit liability;
 - Actuarial gains and losses which result from events not coinciding with assumptions made at the last actuarial valuation or the actuaries updating the assumptions.

These charges are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid into the Berkshire Pension Scheme, cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Berkshire Pension Scheme in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension scheme and any amounts payable to the pension scheme but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits: The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied in the Berkshire Pension Scheme.

Redundancy policy: It is the Council's policy to minimise the impact of organisational change on its employees and to redeploy employees whenever possible. Therefore redundancies and redundancy payments only occur when absolutely necessary and in consultation with the Trade Unions.

When redundancy payments are applicable, it will be as a result of a decision by the Council to terminate an officer's employment before their retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement.

It is the Council's policy not to offer enhanced pension payments on termination of employment.

X. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2016/17. The full cost of overheads and support services are shared between users in proportion to the benefits received.

The costs of the Corporate and Democratic Core have been separately identified and are not borne by the revenue services. This category is defined by the SeRCOP and accounted for within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Non Distributed Costs – the provision of post-employment unfunded benefits awarded on a discretionary basis and impairment losses chargeable on Assets Held for Sale is accounted for as a separate heading within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

XI. Investment Property

Investment properties are those that are used solely to earn rental income or for capital appreciation. The definition does not apply if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be sold. Investment properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line and results in a gain for the General Fund Balance. Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

XII. Heritage Assets

FRS 30, Heritage Assets, has been adopted by the Council. Heritage Assets are those assets held by the Council for cultural, environmental or historical reasons in relation principally to their contribution to knowledge and culture. The Council has two main Heritage Assets; the Berkshire Record Office Archives and the West Berkshire Museum Collections. Neither of these assets are disclosed in the Balance Sheet since the cost of obtaining reasonable valuations would not be commensurate with the benefits to users of these statements.

XIII. Highways Asset

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2017. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code, Transport Infrastructure Assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. This separate class of asset will be called the Highways Asset.

The disclosure will require a transfer of assets between infrastructure and the new Highways Asset category. This will result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of the works, which would have been built up over a significant time period.

In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

XIV. Property, Plant and Equipment (PPE) / Other information re Fixed Assets

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Measurement

Fixed assets are initially valued at cost, comprising:

- The purchase price,
- Any costs attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

CIPFA guidance allows Councils to choose whether to depreciate its assets at either the mid- point through the year or at the end of the year. West Berkshire Council's assets have been depreciated at the end of the year.

Fixed assets are classified under the following headings:

- Land and Buildings, shown at fair value
- Plant and Equipment, shown at depreciated historical cost
- Infrastructure Assets, shown at depreciated historical cost
- Community Assets, shown at depreciated historical cost
- Investment Properties, shown at market value
- Assets Under Construction, shown at historical cost
- Assets Held for Sale, shown at fair value.
- Highways Asset, shown at fair value.

Revaluation

Assets included in the Balance Sheet at fair value are re-valued, as a minimum, every five years, except for Investment Properties and the Highways Asset which are re-valued annually. All increases in valuations for PPE are matched by credits to the Revaluation Reserve as unrealised gains. Exceptional increases might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

When decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain);
- When there is not a balance within the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Impairment

Where impairment losses are identified they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain);
- When there is not a balance within the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

Componentisation

The code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately and componentised. Within the Council's asset portfolio there are a number of asset classes where componentisation will not be considered.

- Equipment as this is considered immaterial.
- Infrastructure
- Asset classes which are not depreciated such as Land, Investment properties, Heritage assets, Community Assets, Surplus Assets and Assets Held for Sale.

The remaining assets which are contained with the operational portfolio are often of a specialised nature such as schools, leisure centres and libraries. The Council requires the valuers to provide component information for each asset which is then reviewed to assess if inclusion of different components will have a material impact on depreciation.

Where an item of Property Plant or Equipment is made up of components that have different asset lives, International Accounting Standard 16 (IAS 16) requires the components to be recognised as separate assets. West Berkshire Council splits Fixed Assets into components where components are either 10% of the asset's value or have value of more than £250k. These assets are recognised either at the time of purchase or on revaluation.

Depreciation

In accordance with IAS 16, depreciation is provided for on all Fixed Assets with a finite useful life by the systematic allocation of their depreciable amounts over their useful lives. All Fixed Assets, with the exception of Freehold Land, Community Assets, Investment Properties and Assets under Construction are depreciated,

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by a qualified valuer, between 10 and 60 years
- Vehicles, Plant and Equipment - straight line allocation over the life of the asset, mainly 10 years
- IT Assets are depreciated over 5 years
- Infrastructure – straight line allocation, between 10 and 40 years.
- The Highways asset depreciation is calculated in accordance with the current methodology in the Transport Code. Any differences to the depreciated replacement cost (DRC) value on this asset will require appropriate adjustments to the Revaluation Reserve.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where assets have been componentised, components can be depreciated over different asset lives, but they will always be in the same asset class.

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is classified as an Asset

Held for Sale. The asset is revalued immediately before reclassification. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to a non-current asset and valued at the lower of their carrying amount before they were classified as Held for Sale. The asset is adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale.

When an asset is disposed of or is decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land, net of statutory deductions and allowances) is payable to the Government up to a maximum ceiling. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only be used for new capital investments or set aside to reduce the underlying need to borrow.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

XV. Inventories and Work in Progress

Inventories are shown in the Balance Sheet on a cost basis. This is compliant with IAS 2, which recommends valuation at the lower of cost or net realisable value.

XVI. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the Comprehensive Income and Expenditure Statement and the relevant provision released from the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Assets arise where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of economic benefits will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

XVII. Financial Instruments

The term 'Financial Instrument' covers both financial assets and liabilities and includes debtors, creditors, the Council's borrowings, PFI liabilities and investment transactions. It broadly covers the instruments used in the treasury management activity of the Council, including the borrowing and lending of funds and the making of investments.

As part of its interest and debt management, on occasion the Council may repay loans before their maturity date; usually receiving a discount or incurring a premium. Such gains and losses on premature repayment of debt are recognised in the Comprehensive Income and Expenditure Statement in the year they occur, unless they meet the modification test in The Code (i.e. the present values of the debt restructured has not changed significantly). Otherwise they are adjusted through the Financial Instruments Adjustment Account (FIAA) in accordance with statutory criteria.

Where PWLB borrowing is repaid and replaced on the same day, gains and losses are amortised using the effective interest rate method provided the modification test criteria set out in The Code are met. For financial assets and liabilities carried at fair value, the fair value has been determined using discounted cash flow analysis. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the General Fund Balance.

Provisions for Bad Debts have been established in respect of general debtors in accordance with the CIPFA code of practice. The level of the provision has been set to provide adequate cover based upon an aged debt profile as at 31 March 2017

Borrowings The loan debt held by Berkshire County Council (BCC) when it was abolished due to local government reorganisation as at the 31 March 1998 amounted to approximately £220m. The portfolio of debt consisted entirely of Public Works Loans Board (PWLB) loans, of which some £40m was deemed to be West Berkshire's liability as part of the disaggregation process. At that time it was agreed by all the Berkshire councils that the total debt would be administered by Reading Borough Council as part of their role as Designated Council overseeing the closure of the BCC accounts.

The Prudential Code presented the opportunity for this Council and other Berkshire councils to take back the direct management of the remaining part of the ex BCC loan debt. The transfer took place with effect from 1 December 2005 and at that time £28.92m of PWLB debt was transferred to West Berkshire Council.

The level of Investment required to fund the Capital Programme currently over and above the level of external funding available is borrowed from the Public Works Loans Board.

Investments are shown in the Balance Sheet at cost.

Interest has been credited to certain reserves at the year-end based on the average level of balances during the year. The balance of the interest received (after the amount credited to reserves) has been credited to the General Fund.

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For most of the borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Financial Assets: Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Fair Value estimations: With the exception of its long term loans from the Public Works and Loans Board (PWLB), the fair value of all the Council's financial assets and liabilities is deemed to be equal to their carrying value. This is because these assets and liabilities are, for the most part short term in nature (i.e. < one year). The fair value of the Council's long term PWLB loans as shown in the statement of accounts is calculated by the PWLB.

Capital Financing: The Prudential Code Framework places the emphasis for capital expenditure on affordability. Local councils themselves decide how much they can afford to borrow, the costs of this borrowing being met from the revenue budget.

Every year, a borrowing limit and annual investment strategy is produced, which is approved by full Council.

Instruments Entered into Before 1 April 2006: The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Annual Accounts to the extent that provisions might be required or a contingent liability note is needed.

XVIII. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the Fixed Assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are charged to revenue to reflect the value of services received in each financial year.

Prepayments: A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the Council at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of

services received in each year. However, as the charge is a notional one, it is reversed out in the General Fund to remove any impact on council tax or rents.

Reversionary Interests: The Council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the Council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (unenhanced) and a Reversionary Interest Asset has been created in the Council's Balance Sheet.

As the asset is stated initially at net present value, the discount will need to be unwound over the life of the scheme by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the Council.

Residual Interests: Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value (including residual interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the payment charged to the revenue account.

PFI Credits: Government grants received for PFI schemes, in excess of current levels of expenditure.

XIX. Leases

The Council as Lessee;

The Council has acquired some land, buildings, vehicles and equipment by means of operating leases. In accordance with current accounting procedures the operating leases are not stated in the Balance Sheet. Rentals are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, in accordance with the terms of the lease.

The Council as Lessor;

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council did not enter into any finance lease agreements during the year.

XX. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and put against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, retirement and employee benefits. These do not represent usable resources for the Council. Both Usable and Unusable Reserves are explained in note 24.

XXI. VAT

The Comprehensive Income and expenditure Account excludes any amounts related to VAT. VAT is reconciled and accounted for to HM Revenues and Customs on a monthly basis.

XXII. Collection Fund

The Collection Fund Statement is an agent's statement which reflects the statutory obligation in accordance with section 89 of the Local Government Finance Act 1988 for billing authorities to maintain a separate Collection Fund. The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the government of council tax and non-domestic rates. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and Council Tax belong to the bodies (ie major preceptors, the billing authority and the government).

XXIII. Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the Major preceptors.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. Revenue related to Council Tax shall be measured at the full amount receivable as they are non contractual, non exchange, transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

XXIV. National Non-Domestic Rates

The NNDR income for the year credited to the Collection Fund is the accrued income for the year. Regulations determine when it should be released from the Collection Fund and paid out to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NNDR for the year from the National Non-Domestic Rates (NNDR) 1 return.

The NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the collection fund's accrued income for the year from the NNDR 3 return. Revenue relating to non-domestic rates shall be measured at the full amount receivable as they are non contractual, non exchange transactions and there can be no difference between the delivery and payment dates.

XXV. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash

flows are recognised in the local authority financial statements (and not group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

Internal Audit Interim Report 16-17

Committee considering report:	Governance and Ethics Committee on 13 February 2017
Portfolio Member:	Councillor James Fredrickson
Date Portfolio Member agreed report:	12 January 2017
Report Author:	Ian Priestley
Forward Plan Ref:	GE3091

1. Purpose of the Report

- 1.1 To update the Committee on the outcome of internal audit work carried out during the first half of 2016-17.
- 1.2 The Public Sector Internal Audit Standards, as adapted by CIPFA's "Local Government Application Note" requires the Chief Internal Auditor to make a formal report annually to the Council in order to present an opinion of the Council's internal control framework.
- 1.3 In addition to the formal annual report the Chief Internal Auditor provides an interim report to the organisation in the course of the year. The interim report aims to address emerging issues in respect of the whole range of areas to be covered in the formal annual report. This report provides an interim view looking at the first 6 months of the year.

2. Recommendation

- 2.1 To note the report and consider the explanations provided by the Head of Finance respect of the follow up audit where we considered that progress on implementation of agreed actions was unsatisfactory.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** None
- 3.6 **Property:** None
- 3.7 **Other:** None

4. Other options considered

- 4.1 None

5. Executive Summary

- 5.1 A summary of the internal audit work that is currently underway is at appendix A. Details of completed work is at appendix B.
- 5.2 The following table summarises the results of the audit work where an opinion was given.

Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial System	0	0	0	0	0
Other systems	0	0	2	0	0

- 5.3 The following summarises the results of follow up audits.

Type	Unsatisfactory	Satisfactory
Key Financial Systems	0	0
Other systems	1	1

- 5.4 One follow audits was given an unsatisfactory opinion. This was:

(1) Procurement Cards - (Finance / Corporate)

5.5 Procurement Cards

- (1) **Internal Audit** comments - The overall opinion of the original audit was weak, and as there was little progress at the time of the follow up we rated this as **Unsatisfactory**. Also the level of risk in this area had increased with 30 cards now in use compared with 21 when the audit was undertaken. The overall guidance and processes for approving and issuing the cards were sound. But we found that services were not always following the guidance. We recommended that services should be reminded of the requirement to follow correct procedures, but at the time of the follow up this had not happened. We carried out further testing and this reconfirmed that services were not following correct procedures.
- (2) **Head of Finance** comments – Pressure of work in the finance team delayed the implementation of recommendations. Since the follow up audit was carried out all of the recommendations have now been implemented. Detailed guidance has been amended and issued to Heads of Service and card holders. The issue has been discussed at Corporate Management Team and Heads of Service have been reminded of need to adhere to approved procedures. In addition the Portfolio Holder for Assurance has discussed the matter with Executive

Members and asked that they reinforce this message with their Heads of Service.

- 5.6 A copy of the Action plan from the follow up audit is attached at **Appendix C**. A further audit of procurement cards will be proposed for the 2017-18 audit plan.
- 5.7 The volume of audit work completed during the first half of the year is much reduced from previous years. This was caused by the need to respond to two separate serious allegations of financial irregularity that diverted significant audit resource away from planned work. The first of these allegations resulted in a disciplinary case that led to the dismissal of a senior manager for gross misconduct. The second set of allegations identified weaknesses in procedures. The latter is now being followed up by a full audit of the function. In addition staff have been reminded of the availability of the whistle-blowing procedure through an article on the intranet.

6. Conclusion

- 6.1 No fundamental weaknesses were identified in the Council's internal control framework through the work carried out by internal audit. However, as noted in paragraph 5.7 above levels of assurance work completed have been much reduced. The audit team will work to catch up during the second half of the year.

7. Appendices

- 7.1 Appendix A – Current Audit work
- 7.2 Appendix B – Completed Audits
- 7.3 Appendix C – Procurement Cards – action plan as revised at follow up

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1) CURRENT AUDITS

Directorate/Service	Audit Title	Current Position of Work	Audit Plan Year
Corporate	National Fraud Initiative	Commencing the exercise for 16/17	2016/17
Resources			
Finance	Budgetary Control	Draft Issued	2014/15
Customer Services	Council Tax	Draft issued	2015/16
Customer Services	Accounts Receivable	Ready for Review	2015/16
Finance/Education	Asset Management Strategy	Ready for Review	2015/16
ICT and Corporate Support	Change Control Management	Background	2016/17
ICT and Corporate Support/HR	Telecommunications	Background	2016/17
Strategic Support	Electoral Services	Background	2016/17

Communities			
Children & Family Services	Section 17 Payments	Draft Issued	2014/15
Children & Family Services	Turnaround Families Programme – testing of grant claims	Ongoing testing of claims	2016/17
Children & Family Services	Guardianship/Residence Orders	Testing	2016/17
Care Commissioning, Safeguarding and Housing	Disabled Facility Grants	Draft Issued	2015/16
Education	Asset Project Management	Testing	2015/16
Education	Education Capital Programme	Testing	2015/16

Education	Property Database	Ready for Review	2015/16
Care Commissioning, Safeguarding and Housing	Charging and Assessment of Resources	Background	2016/17

Environment			
Highways and Transport	Home to School Transport	Draft issued	2014/15
Highways and Transport	Fleet Management	Background	2016/17
Culture and Environmental Services	Shaw House	Testing	2016/17
Culture and Environmental Services	Museum	Testing	2016/17

2) CURRENT ADVISORY REVIEWS/OTHER WORK

Directorate/Service	Audit Title	Current position of work
Communities	CareDirector System	Audit Manager undertaking an advisory role in the implementation of the new system

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit title
Corporate	Corporate Performance Management Framework
Resources	
Finance/Education	Commercial Rents
Human Resources	DBS Checks
Strategic Support/ICT & Corporate Support	Data Protection/Information Access
Communities	
Environment	
Culture & Environmental Protection	Trading Standards Joint Arrangement

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1) Completed Audits

Directorate/Service	Audit Title	Date Audit finalised	Overall Opinion
Resources			
Public Health and Wellbeing	Public Health	19/09/16	Satisfactory
Communities			
Children and Family Services	Respite	23/06/16	Satisfactory

Environment			

NOTE

The overall opinion is derived from the number/significance of recommendations together with using professional judgement. The Auditor's judgement takes into account the depth of coverage of the review (which could result in more issues being identified) together with the size/complexity of the system being reviewed.

3) COMPLETED FOLLOW-UPS

<u>Directorate/ Service</u>	<u>Audit Title</u>	<u>Date follow up finalised</u>	<u>Overall Opinion of Report</u>	<u>Opinion – implementation progress</u>
Resources				
Finance	Procurement Cards	27/06/16	Weak	Unsatisfactory
Customer Services	Car Loans and Car Leasing	28/04/16	Satisfactory	Satisfactory
Communities				
Environment				
Highways and Transport	Driving at Work Polices and Procedures	31/05/16	Compliance check therefore no overall opinion.	Follow up Identified significant changes in process, as a result further recommendations were made. A further Follow up is to be carried out.

Procurement Cards - Follow up Action Plan

Recommendations discussed with Gabrielle Esplin – Finance Manager – Capital and Treasury Management

	<u>Recommendation</u>	<u>Weakness/Significance</u>	<u>Agreed/Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>
1	We recommend that it should be ensured that a copy of the central guidance is issued to all new teams/services requesting a card.	Minor / Advisory	Agreed	We were informed that where new cards are issued a copy of the guidance is issued to the relevant service/team. Implemented	Finance Manager – Capital, Assets, VAT & Treasury With immediate effect
2	We recommend that the standard template set up to record monthly expenditure be amended to include the requisition order number.	Minor / Advisory	Agreed	The Finance Manager amended the template to include a column to record the order number. Implemented When providing us with this update the Finance Manager noted that the template had recently been revised again by the Financial Reporting Team and it no longer included a column for the order number. This will be highlighted to the team so it can be rectified.	Finance Manager – Capital, Assets, Vat & Treasury Within 3 months
3	We recommend that the guidance notes be updated to include the level of authorisation required when completing requisition forms.	Minor / Advisory	Agreed	The Finance Manager agreed to amend the guidance to provide further clarification of the required authorisation process. We were informed that the guidance was in the process of being updated. The copy of the guidance we were given as part of the follow-up was dated 2011. This therefore suggests the revisions have not yet been finalised. We also noted that the guidance document is not published on the Council’s Intranet for services to be able to access/refer to. Not Implemented	Finance Manager – Capital, Assets, Vat & Treasury Within 3 months

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	<u>Recommendation</u>	<u>Weakness/Significance</u>	<u>Agreed/Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>
4	<p>We recommend that the guidance notes are updated to include the central roles of Accountancy covering the following processes:-</p> <p>a) monthly payment of card account statements; b) transfer of balances to Service's card holders holding accounts; c) journalling of expenditure to the service budgets; d) Checking the expenditure incurred is reasonable and in accordance with the approved types of expenditure; d) process to follow where Monthly Expenditure sheets are not received from the services.</p>	Moderate / Necessary	Agreed	Not implemented	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 3 months</p>
5	<p>We recommend that it should be ensured that -</p> <p>a) the hardcopy /signed application forms should be retained in future. b) the record of card holders is fully completed with all required information.</p>	Moderate / Necessary	Agreed	<p>We were provided with an updated copy of the spreadsheet. We found most of the information had been recorded, but there were a few lines where the card number was not recorded or the expiry date. For the Children’s Services card the spreadsheet still has the name of the previous HOS as being the recipient of the paper bank statements.</p> <p>Partially Implemented</p>	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>With immediate effect</p>
6	<p>We recommend that :-</p> <p>a) the written guidance is updated to specify that the relevant Head of Service is responsible for ensuring that procurement cards are returned and cancelled in advance of a 'card holder/ member of staff leaving the Council.</p> <p>b) Consideration is given to instigating a checking process to validate that each card holder is still employed by the Council (we suggest that this is undertaken quarterly).</p>	Moderate/ Necessary	Agreed	<p>During draft report discussions the Finance Manager informed us that she intends to discuss the possibility of recording credit card holder details on individual employee records on ResourceLink.</p> <p>In addition, she will request that the cancellation of a credit card be included on the Human Resources ‘Leavers check list’.</p> <p>Not Implemented</p>	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 3 months</p>
7	<p>We recommend that the Finance Manager - Capital & Treasury Manager issues a reminder to all card holders/their managers about the need to hold the card/card pin securely.</p>	Moderate / Necessary	Agreed	Not Implemented	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 1 month</p>

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Internal Audit

Appendix C

	<u>Recommendation</u>	<u>Weakness/Significance</u>	<u>Agreed/Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>
8	<p>We recommend that the Finance Manager - Capital & Treasury Management, issues a reminder to all card holders/their managers covering the following:-</p> <p>a) The need to ensure that full details are recorded for each transaction in the Expenditure Record;</p> <p>b) All card bank statements should be retained.</p> <p>c) The standard template is used and transactions must be recorded at the time the purchases are made.</p>	Moderate / Necessary	Agreed	Not Implemented	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 1 months</p>
9	<p>We recommend that the Finance Manager - Capital & Treasury Management liaises with the Service Accountants to ensure that the Expenditure Record standard template is used by each team to record their card transactions.</p>	Minor/ Advisory	Agreed	Not Implemented	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 3 months</p>
10	<p>We recommend that the written procedures are amended to include the requirement for supporting receipts to be cross-referenced to the Expenditure Record to ensure the record is comprehensive /accurate and can be reconciled to the bank statements.</p>	Minor/ Advisory	Agreed	Not Implemented	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 3 months</p>
11	<p>We recommend that teams/services holding a procurement card are reminded of the following:-</p> <p>a) Requisition orders must be completed for each transaction where the card has been used;</p> <p>b) The requisition must be completed in advance of the card being used;</p> <p>c) The requisitions should be appropriately signed on all occasions.</p> <p>d) The cards should not be used to incur expenditure that should be treated as staff travel and subsistence costs.</p> <p>e) The cards should not be used to incur costs for/on</p>	Moderate / Necessary	Agreed	<p>When discussing the draft report The Finance Manager – Capital, Assets, Vat & Treasury informed us that she will discuss the possibility of setting up a list of circumstances defining where it may be appropriate to book travel and accommodation online e.g. where a cheaper fare can be obtained on line or if the cost is high and the employee cannot reasonably be expected to meet this cost up front.</p> <p>We were informed that FAGG recommended some cards should be treated as Directorate Cards e.g. the HR card for occasional use by other services as this presents a lower risk than issuing cards to services which do not need to use them on a regular basis.</p>	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 1 months</p>

	<u>Recommendation</u>	<u>Weakness/Significance</u>	<u>Agreed/Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>
Page 110	<p>behalf on another team/budget holder unless noted as being for corporate use on the card register.</p>			<p>In such cases the requisition form should be signed by the budget holder or appropriate authorising officer for the service making the purchase. The procedure notes will be amended to reflect this.</p> <p>She further stated that the register will be updated to record which cards FAGG approved as being for corporate use.</p> <p>d) Some discussions did take place regarding the use of Procurement cards for travel costs. These did not progress as an issue was highlighted about how this would not be in accordance with the Council’s arrangement with the HMRC regarding employee expenses.</p> <p>e) FAGG’s recommendations regarding ‘corporate’ cards has not been progressed. However, bearing in mind the issues we have identified within one service regarding the lack of control over the use of the card where it is used across the whole service (see Appendix A for information), we do not consider that this is an option that should be progressed.</p> <p>Not Implemented</p>	
12	<p>We recommend that teams/services holding a procurement card should be reminded of the need for the following:-</p> <p>a) Receipts/ invoices must be obtained and retained as evidence of each purchase made;</p> <p>b) A V.A.T receipt must be obtained where V.A.T has been paid in order for the team/service to be able to claim the V.A.T cost.</p> <p>c) The types of purchases must be in line with the approved expenditure recorded on the initial application/bank card form or an application must be made in writing to the Finance Manager – Capital, Assets VAT & Treasury if there is a need to change the type of expenditure incurred.</p>	Moderate / Necessary	Agreed	<p>During draft report discussion we were informed that a request will be made to each credit card holder for them to provide an update on the type of expenditure required and to ensure that it complies with the type approved by FAGG.</p> <p>Not Implemented</p>	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 1 months</p>

	<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>
13	<p>We recommend that:-</p> <p>a) a process is established to check that the unblocked types of supplier on the NatWest Bank form is consistent with the types of expenditure approved by FAGG;</p> <p>b) the East Locality team is required to submit an approved list of types of expenditure.</p>	Moderate/ Necessary	Agreed	<p>During draft report discussion we were informed that checks are carried out to ensure that the list of merchant types is based on the types of expenditure approved by FAGG.</p> <p>However, she stated that it is often difficult to predict which merchant types will apply to legitimate types of expenditure. For occasions where a type of merchant is unblocked there will be documented evidence (e-mail) from the Service Manager as confirmation of a request.</p> <p>a) Already in place, but this would only apply where there is a FAGG approved list.</p> <p>b) The team holding this card has not been requested to submit an approved list of expenditure. The central record shows this card to be allocated to Youth Services (cost centre 32400). It is in the name of Juliet Penley who is in Children’s Services. The details for this card therefore need to be amended.</p> <p>Partially Implemented</p>	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 3 months</p>
14	<p>We recommend that:-</p> <p>a) teams/services issued with a procurement card are reminded that they need to carry out an independent reconciliation of the Monthly Record of Purchases to the bank statements.</p> <p>b) Accountancy teams are informed that they should only accept Expenditure Forms that have been appropriately authorised.</p> <p>This will require teams to sign/scan the documents before forwarding them to Accountancy for processing.</p> <p>If it is decided that this would cause difficulties for teams/services, then an alternative approach for obtaining confirmation about the accuracy/validity of the Expenditure Record needs to be determined.</p>	Moderate / Necessary	Agreed	<p>We were informed that Accountancy require an electronic copy of the record of payments to create a journal on Agresso.</p> <p>The Finance Manager informed us that as an alternative control she intends to propose that a system of authorisation by email should be put in place e.g., the person responsible for authorising the monthly record should forward the spreadsheet to Accountancy by email, confirming that the record has been checked and authorised.</p> <p>Not Implemented</p>	<p>Finance Manager – Capital, Assets, Vat & Treasury</p> <p>Within 3 months</p>

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	<u>Recommendation</u>	<u>Weakness/Significance</u>	<u>Agreed/Not Agreed</u>	<u>Client Comments</u>	<u>Responsible Officer/ Timescale for Implementation</u>
15	We recommend that Accountancy undertake a cost/ benefit analysis of setting up of the Procurement card module in Agresso to replace the manual processes currently being used.	Moderate / Advisory	Agreed	Accountancy has not progressed the possibility of using Agresso for this. There is a current corporate exercise taking place to assess the use of procurement cards for specific suppliers, which could encompass the use of the service procurement cards. Not Implemented	Finance Manager – Capital, Assets, Vat & Treasury in conjunction with the Finance Manager – Financial Reporting Within 6 months

	Category of weakness		Significance
Fundamental	May result in a complete breakdown of the service and or fraud or other irregularity	Mandatory	For statutory, council regulations or service instructions fundamental control weaknesses
Significant	May result in a breakdown in the service and or fraud or other irregularity	Necessary	For Significant or moderate control weaknesses
Moderate	May result in some impact on the service	Advisory	For minor control weaknesses or efficiency improvements
Minor	Limited impact on the service		