

Notice of Meeting



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Governance and Ethics Committee

Monday, 20th March, 2023 at 6.30 pm

in the Council Chamber, Council Offices,
Market Street, Newbury

Note: This meeting can be streamed live here: <https://www.westberks.gov.uk/governanceethicscommitteelive>

Date of despatch of Agenda: Friday, 10 March 2023

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Sadie Owen on 01635 519052
e-mail: Sadie.Owen1@westberks.gov.uk

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



WestBerkshire
C O U N C I L

Agenda - Governance and Ethics Committee to be held on Monday, 20 March 2023
(continued)

To: Councillors Jeff Cant (Chairman), Jeremy Cottam (Vice-Chairman), Jeff Beck, Rick Jones, Tony Linden, David Marsh, Geoff Mayes, Andy Moore, Biyi Oloko, Simon Carey, Bill Graham and David Southgate

Substitutes: Councillors Adrian Abbs, Owen Jeffery, Alan Law, Steve Masters, Graham Pask and Anne Budd

Agenda

Part I		Page No.
1	Apologies To receive apologies for inability to attend the meeting (if any).	1 - 2
2	Minutes To approve as a correct record the Minutes of the meetings of this Committee held on 20 October 2022 and 16 January 2023.	3 - 10
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 .	11 - 12
4	Forward Plan Purpose: to consider the Forward Plan for the next 12 months.	13 - 14
5	Internal Audit Update Report (GE4322) Purpose: to update the Committee on the status of Internal Audit work as at the end of quarter three of 2022/23.	15 - 32
6	External Audit Plan and Fee Financial Year 2021/22 (GE4310) Purpose: To inform members of the external audit plan for audit of the 2021/22 Statement of Accounts.	33 - 58



Agenda - Governance and Ethics Committee to be held on Monday, 20 March 2023

(continued)

- 7 **Informing the audit risk assessment for West Berkshire Council 2021/22** 59 - 90
- Purpose: the report includes a series of questions on each of these areas and the response we have received from West Berkshire Council's management. The Governance and Ethics Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.
- 8 **Audit Committee Guidance (GE4285)** 91 - 102
- Purpose: the purpose of the report is inform the committee that CIPFA (Chartered Institute of Public Finance & Accountancy) have released recent guidance on the role of audit committees. As this committee is the committee at West Berkshire Council that performs the function of an audit committee it is best placed to consider this report and comment upon it as well as complete the appended self-assessment.
- The report is for the committee to consider and reflect upon the latest guidance and then assess where it complies or does not, and where it wishes to seek any changes, if it wishes to complete a self-assessment, as a result of undertaking the attached self-assessment at a future meeting.
- 9 **Exclusion of Press and Public**
- RECOMMENDATION: That members of the press and public be excluded from the meeting during consideration of the following items as it is likely that there would be disclosure of exempt information of the description contained in the paragraphs of Schedule 12A of the Local Government Act 1972 specified in brackets in the heading of each item.*



Part II

- 10 **Audit Committee Guidance (GE4285) : Part II Appendices** 103 - 170
(Paragraph 3 - information relating to financial/business affairs of particular person)

Purpose: the purpose of the report is inform the committee that CIPFA (Chartered Institute of Public Finance & Accountancy) have released recent guidance on the role of audit committees. As this committee is the committee at West Berkshire Council that performs the function of an audit committee it is best placed to consider this report and comment upon it as well as complete the appended self-assessment.

The report is for the committee to consider and reflect upon the latest guidance and then assess where it complies or does not, and where it wishes to seek any changes, if it wishes to complete a self-assessment, as a result of undertaking the attached self-assessment at a future meeting.

Sarah Clarke
Service Director: Strategy and Governance

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.

If you require this information in a different format or translation, please contact Sadie Owen on telephone (01635) 519052.



Agenda Item 1

Governance and Ethics Committee – 20 March 2023

Item 1 – Apologies for absence

Verbal Item

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

SPECIAL GOVERNANCE AND ETHICS COMMITTEE

MINUTES OF THE MEETING HELD ON THURSDAY, 20 OCTOBER 2022

Councillors Present: Jeff Cant (Chairman), Jeremy Cottam (Vice-Chairman), Jeff Beck, David Marsh, Geoff Mayes, Andy Moore, Bill Graham, Claire Rowles (Substitute) (In place of Rick Jones) and Anne Budd (Substitute) (In place of David Southgate)

Also Present: Sarah Clarke (Service Director (Strategy and Governance)), Sharon Armour (Solicitor), Stephen Chard (Democratic Services Manager), Councillor Tom Marino, Councillor Jeff Brooks and Councillor Richard Somner

Apologies for inability to attend the meeting: Councillor Rick Jones, Councillor Tony Linden, Councillor Biyi Oloko and Parish Councillor David Southgate

PART I

24 Declarations of Interest

All West Berkshire District Councillors declared an interest in Agenda Item 4, but reported that, as their interest was a personal or an other registrable interest, but not a disclosable pecuniary interest, they determined to remain to take part in the debate and vote on the matter.

25 Exclusion of Press and Public

RESOLVED that members of the press and public be excluded from the meeting for the under-mentioned item of business on the grounds that it involves the likely disclosure of exempt information as contained in Paragraph 1 of Schedule 12A of the Local Government Act 1972, as amended by the [Local Government \(Access to Information\)\(Variation\) Order 2006](#). [Rule 8.10.4 of the Constitution](#) also refers.

26 NDC2121 and NDC2221

(Paragraph 1 – information relating to an individual)

(All West Berkshire District Councillors declared a personal interest in Agenda item 4 by virtue of the fact that the Subject Member was a fellow Councillor. As their interest was personal and not prejudicial they were permitted to take part in the debate and vote on the matter).

(Councillor Jeff Beck added to his declaration by advising that he had responded to an e-mail of apology sent by the Subject Member).

(Councillor Andy Moore declared a personal interest in Agenda item 4 by virtue of the fact that he was the Chair of the Newbury and West Berkshire Liberal Democrats at the time of the complaint. The matter was referred to the group's Local Party Executive (Councillor Moore did not sit on this) who considered that West Berkshire Council was best placed to resolve the issue. As his interest was personal and not prejudicial he was permitted to take part in the debate and vote on the matter).

(Councillor Claire Rowles declared a personal interest in Agenda item 4 by virtue of the fact that she knew the Independent Investigator on a non-professional basis. As her

GOVERNANCE AND ETHICS COMMITTEE - 20 OCTOBER 2022 - MINUTES

interest was personal and not prejudicial she was permitted to take part in the debate and vote on the matter).

The Committee considered an exempt report (Agenda Item 4) concerning a complaint regarding an alleged breach of the Code of Conduct.

The Committee's resolutions were recorded in the exempt Decision Notice.

(The meeting commenced at 2.00pm and closed at 3.50pm)

CHAIRMAN

Date of Signature

DRAFT

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, 16 JANUARY 2023

Councillors Present: Jeremy Cottam (Acting Chairman), Jeff Beck, Simon Carey, Tony Linden, David Marsh, Geoff Mayes, Andy Moore, Biyi Oloko and David Southgate

Also Present: Sarah Clarke (Service Director (Strategy and Governance)), Shannon Coleman-Slaughter (Chief Financial Accountant), Julie Gillhespey (Audit Manager), Joseph Holmes (Executive Director - Resources) and Sadie Owen (Principal Democratic Services Officer)

Apologies for inability to attend the meeting: Councillor Rick Jones and Bill Graham

Councillor Absent: Councillor Jeff Cant

PART I

1 Minutes

Councillor Andy Moore queried whether it would be possible to review the minutes from the special meeting of Governance and Ethics held on 20 October 2022. Sarah Clarke commented that the minutes would be presented to a future meeting of the Committee.

The Minutes of the meeting held on 26 September 2022 were approved as a true and correct record and signed by the Chairman.

2 Declarations of Interest

Councillor Tony Linden declared an interest in Agenda Item 6 by virtue of the fact that he was on the Local Government Pension Scheme for Councillors, but reported that, as his interest was a personal or an other registrable interest, but not a disclosable pecuniary interest, he determined to remain to take part in the debate and vote on the matter.

3 Forward Plan

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

Sadie Owen noted that the Draft Audit Plan had been added to the forward plan for June 2023.

Sarah Clarke confirmed that there was likely to be a further special meeting of the committee in March to review additional amendments to the Constitution.

Councillor Biyi Oloko questioned the value of the Committee's work given that many items were purely updates and reports to note. Joseph Holmes suggested that Councillor Oloko may be interested in a forthcoming report in March which would review the latest guidance from CIPFA and how it compared to best practice, and which may initiate a self-assessment into the work of the Governance and Ethics Committee.

RESOLVED that: the Governance and Ethics Committee note the Forward Plan, and the potential scheduling of a special Governance and Ethics Committee in early March to consider updates to the Constitution.

4 Internal Audit Update Report

Julie Gillhespey presented the Internal Audit Update Report (Agenda Item 5), which updated the Committee on the outcome of Internal Audit work completed during Quarter Two of 2022/23, and highlighted in particular section 5.2, which noted no areas of concern.

Julie Gillhespey noted that from a full team of five staff, the Audit department had been working with a staff vacancy since June 2022, and had made two unsuccessful attempts at hiring. Despite the vacancy the team were estimated to reach 73% of their 80% key performance target by the end of the year.

In response to a query from Councillor Tony Linden, it was explained that it would take between eighteen months and two years to train someone.

Simon Carey noted that the Key Performance Indicator (KPI) target was to achieve 80% of the Audit Plan, and queried why it was not 100%. Julie Gillhespey responded that 100% would not be achievable, as each audit had planned estimated time allocated which was subject to change. It was suggested that 80% was realistic and comparable with the targets set by other authorities that worked according to a percentage benchmark.

Councillor David Marsh noted that a draft report had been issued for an audit of Electoral Services, and queried whether it would need to be revisited considering the additional expenses required to implement Voter ID legislation. Julie Gillhespey responded that the scope of the audit had been day-to-day financial expenses rather than the full election process within Electoral Services.

Councillor Marsh queried whether the new voting requirements could be the subject of a future audit. Julie Gillhespey responded that it could if the Committee requested and proved a sufficient risk factor.

Councillor Biyi Oloko queried how the scope of the Audit Plan was defined. Julie Gillhespey responded that the Audit Plan was drafted over a three year period, with any area of the Council that presented a financial or reputational risk included, and assessed to determine the frequency that audits would take place, and key risks that would be highlighted.

David Southgate queried the target time and whether there were internal benchmarks from the end of an audit to issuing a report, noting that a number of items had been left over from the previous Audit Plan year without a report issued. Julie Gillhespey responded that the terms of reference allowed for a quarter year to allow a draft report to be issued, with issues such as a lack of information from the auditee causing unavoidable delays, but added that the issue had been highlighted for improvement.

David Southgate queried whether it could be added to future reports as a performance metric. Julie Gillhespey responded that it could, but that it would involve the reporting of a lot of information to explain delays that had occurred, and as a solitary percentage may not provide the necessary context for improvement.

RESOLVED that:

- Governance and Ethics Committee note the report.
- An additional metric be added to future reports detailing a rolling metric of completed and issued reports for the past twelve months.

5 2022/23 Year-End Preparation

GOVERNANCE AND ETHICS COMMITTEE - 16 JANUARY 2023 - MINUTES

Shannon Coleman-Slaughter presented the 2022/23 Year-End Preparation Report (Agenda Item 6), which informed the Committee of the accounting policies to be applied in the production of the Council's 2022/23 Financial Statements.

Shannon Coleman-Slaughter reported that the 2021 and 2022 accounts were still open, and had not been signed off by the external auditors. The 2021 accounts were open due to a national issue around infrastructure accounting, but a statutory override had been enacted in an attempt to clear the backlog.

Councillor Jeremy Cottam stated that he was unhappy with the delays to the 2021/22 accounts, and that he considered the situation to be unacceptable. Councillor Cottam requested that a letter be sent to the external auditors to ascertain the date at which the accounts would be signed off.

Councillor Andy Moore queried whether any authorities had been able to sign off their accounts. Shannon Coleman-Slaughter responded that the issue was a national issues and related to infrastructure accounting and had not previously arisen. Joseph Holmes further noted that in 2020/21, only 9% of audits had received an audit opinion by their due date. In 2021/22, only 12% of auditors had met the 30 November deadline. It was suggested that the delays were due to the Covid-19 pandemic, financial reporting processes, and recruitment and retention issues.

Joseph Holmes commented that it was not satisfactory that Members were being asked to approve the 2023/24 Budget without previous accounts being signed and approved by the auditors. Councillor Cottam agreed, and reiterated that it was a valid action to request a timeframe for completion of the audit.

RESOLVED that:

Members considered and approved the following recommendation:

- To approve the accounting policies which will be applied in the production of the Council's 2022/23 Financial Statements (Appendix A).

Members noted the following:

- Delay to the finalisation of the external audit of the 2020/21 financial statements. The delay has been due to the identification of an accounting treatment concern related to the financial reporting arrangements underpinning Infrastructure Assets, and potential non-compliance with the CIPFA Code. This issue has impacted Local Authorities on a national basis. In order to remedy this issue, a Statutory Instrument incorporating override provisions was published on Tuesday 29 November 2022 (becoming effective on Sunday 25 December 2022).
- Delay to the commencement of the external audit of the 2021/22 draft financial statements. Nationally, there are delays across the Local Government sector in respect of financial statements being finalised to publication, and the associated issuance of audit opinions. The Council's external auditors are scheduled to commence the external audit of the 2021/22 financial statements in January 2023.
- Forthcoming accounting requirements, issued but not yet adopted, in respect of the reporting requirements relating to IFRS 16 Leases;
- Potential implications for accounting arrangements in respect of the Council's operational interests in companies and other entities including Joint Ventures;
- The year-end timetable which will complement the production of the Draft 2022/23 Statement of Accounts (Appendix B).

6 Financial Year 2022/23 Mid-Year Treasury Report

GOVERNANCE AND ETHICS COMMITTEE - 16 JANUARY 2023 - MINUTES

Shannon Coleman-Slaughter presented the Financial Year 2022/23 Mid-Year Treasury Report (Agenda Item 7), which set out an overview of the Treasury management activity for Financial Year 2022/23 as at 30 November 2022.

It was noted that due to the economic conditions and rising interest rates, the Council had followed short-term borrowing strategies in order to reduce costs.

Councillor David Marsh queried the performance of the directly owned property portfolio (Appendix C). Joseph Holmes responded that, from an income perspective, they were performing well, with over 90% in income returns compared to the previous year.

Councillor David Marsh queried whether the stated value of £59 million was feasible if the Council decided to sell the properties. Joseph Holmes responded that investment properties were valued annually and that was their current market value.

Councillor Andy Moore noted that most of the investments were funded by a Public Works Loan Board loan (PWLB), and queried when and whether it needed to be paid back. Joseph Holmes responded that if the Council did decide to sell the assets, it would be need to pay the loan back, which had been taken out on a fixed term basis.

Councillor Biyi Oloko asked for clarity in relation to point 7.3 of the report. Shannon Coleman-Slaughter responded that there was an authorised limit and operational boundary on the loans the Council was able to take out, set out by the Investment and Borrowing Strategy. Exceeding the boundary would result in non-compliance with key performance indicators. Joseph Holmes clarified that those operational boundaries were set at full Council.

RESOLVED that: Governance and Ethics Committee note the report.

7 Exclusion of Press and Public

8 Risk Management Q2 2022/23 Report (GE4239)

(Paragraph 3 –information relating to financial business affairs of a particular person, Paragraph 5 – information relating to legal privilege and Paragraph 6- information relating to proposed action to be taken to the Local Authority)

Catalin Bogos introduced an exempt report (Agenda Item 9), concerning the corporate risks as at the end of September 2022, and actions taken to mitigate them.

RESOLVED that:

That, Governance and Ethics Committee note the report, including the actions taken to manage the existing risks on the Corporate Risk Register and the following recommendations agreed by Corporate Board and Operations Board:

- That, Corporate Board and Operations Board note the current (September 2022) position and actions undertaken to minimise the impact for existing 17 risks on the Corporate Risk Register (CRR).
- That, Corporate Board and Operations Board note the actions proposed to further minimise the impact for risks on the Corporate Risk Register.
- That, Corporate Board and Operations Board note the current (September 2022) progress with risk mitigation actions and that there is one risk proposed to be escalated on the Corporate Risk Register and two to be de-escalated.

(The meeting commenced at 6.30 pm and closed at 7.31 pm)

CHAIRMAN

GOVERNANCE AND ETHICS COMMITTEE - 16 JANUARY 2023 - MINUTES

Date of Signature

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Agenda Item 3

Governance and Ethics Committee –20 March 2023

Item 3 – Declarations of Interest

Verbal Item

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Provisional Governance and Ethics Committee Forward Plan 26 June 2023 – 18 March 2024

26 June 2023						
1.		Annual Governance Statement 2022-23		Joseph Holmes		
2.		Annual Monitoring Officer Report		Sarah Clarke		
3.	GE4347	Audit Draft Plan		Julie Gillhespey		
4.	GE4348	Local Code of Corporate Governance		Joseph Holmes		
5.		Strategic Risk Register Update Q4 2022/23		Catalin Bogos		
24 July 2023						
6.		Internal Audit Annual Report 2022/23		Julie Gillhespey		
7.		Financial statements 2023-23		Shannon Coleman-Slaughter		
8.		Treasury Management Annual Report		Shannon Coleman-Slaughter		
25 September 2023						
9.		Internal Audit Update Report Quarter 1		Julie Gillhespey		
10.		Constitutional Update		Sarah Clarke		
20 November 2023						
11.		Strategic Risk Register Update Q2 2023/24		Catalin Bogos		
12.		External Auditor's ISA 260 report		Joseph Holmes		

Governance and Ethics Committee Forward Plan 27 June 2022 – 20 March 2023

29 January 2024						
13.		Internal Audit Update Report Quarter 2 2023/24		Julie Gillhespey		
14.		2022/23 Year End Preparation		Shannon Coleman- Slaughter		
18 March 2024						
15.		Review of CIPFA's guidance for Audit Committees		Joseph Holmes		
16.		Internal Audit Update Report Quarter 3 2023/24		Julie Gillhespey		
17.		Constitutional Update		Sarah Clarke		

Internal Audit Update Report

Committee considering report:	Governance and Ethics Committee
Date of Committee:	20 March 2023
Portfolio Member:	Councillor Tom Marino
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	GE4322

1 Purpose of the Report

- 1.1 To update the Committee on the status of Internal Audit work as at the end of quarter three of 2022/23.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.
- 1.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.

2 Recommendation

To note the content of the report. Committee members decide if they require further data on audit completion timeframes as set out in points 5.5 to 5.7.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None
Human Resource:	None
Legal:	None
Risk Management:	Internal Audit work helps to improve risk management processes by identifying weaknesses in systems and

	procedures and making recommendations to provide mitigation. The aim of which is to help ensure that services and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.			
Property:	None			
Policy:	None			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		

Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	None			

4 Executive Summary

- 4.1 To update the Committee on the status of Internal Audit work as at the end of quarter three of 2022/23.
- 4.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter quarterly updates are required to be presented to Committee.
- 4.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.
- 4.4 There were no corporate reviews completed which were given a less than satisfactory opinion, one establishment visit was given a weak opinion.
- 4.5 There are no significant issues of concern identified through audit work during the period that need to be highlighted to senior officers/members.
- 4.6 At the previous Committee meeting on 16th January 2023, a query was raised regarding timeframes for completing audit work as some of the work on the list of Current Work related to last financial year. As requested, the Audit Manager has provided some data for Committee members to show the timescales for completing work together with contextual comments and more background to the audit process to explain the reasons why delays occur.

5 Supporting Information

Introduction/Background

- 5.1 A list of audit work completed is set out in Appendix A. The following table summarises the results of the audit work where an opinion was given.

Audit Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial Systems					
Other Systems				1	
Schools				1	
Other Establishment		1			

- 5.2 For this reporting period there were no completed corporate audits given a less than satisfactory opinion. There was one Resource Centre given a weak opinion. This related to Hungerford Resource Centre, the main issues identified were:-

- a) The use of the imprest account and petty cash fund were not effectively managed;
 - b) The Amenities Fund was not being managed in accordance with good practice requirements;
 - c) Catering arrangements could be improved by documenting the processes to be followed and carrying out market testing/having a contract in place.
- 5.3 Details of the audit work in progress and the stage reached is set out at Appendix B. Progress made against the Anti-Fraud Work Plan is set out at Appendix C.
- 5.4 At the previous Committee meeting on 16th January 2023, a query was raised regarding timeframes for completing audit work as some of the work on the list of Current Work related to last financial year. This has been raised previously at Committee and is an area where the Audit Manager is aware there is room for improvement and this has been included on the Audit's Team Improvement Plan for the last few years, as a result the number of audits where there are long delays has reduced.
- 5.5 It was agreed that the Audit Manager would provide some data for Committee members to show the timescales for completing work. This information together with contextual comments and more background to the audit process is set out in Appendix D to this report. Also for background information purposes, an extract of the Audit Team's Improvement Plan provided to Committee in July 2022 is set out at Appendix E, as a reminder of what information the Audit Manager has previously provided around this point.
- 5.6 As previously mentioned at Committee meetings, over the last few years we have experienced an increase in the number of draft reports where there are long delays in services responding. This seemed to be as a result of other service pressures arising due to Covid, but also more recently, due to vacant posts and not having capacity to engage with the audit process. As mentioned at the Committee meeting on 16th January we are not alone with increased delays in progressing audit work, as other councils' audit teams are experiencing the same difficulties. I do not envisage an improvement in this in the short-term so it is a case of trying to be pragmatic when arranging audits/agreeing to postpone where reasonable justification is given, and continuously chase where we do not receive the information we need to progress audit work/finalise audit reports.
- 5.7 As the delays in progressing audit work are usually justified/cannot be eliminated, and are often outside the control of the Audit Team, having timeframes as a measurement of the team's effectiveness would not be appropriate or meaningful unless contextual data is also provided, which would be time consuming to prepare for each Committee Report update. The Audit Manager will be providing an update on the achievement of the Improvement Plan as part of her Annual Audit Report, and suggests that this can include a summary of the number of audits completed, the number of audits where there has been a long delay in completion, and the number which were down to the team not progressing them as effectively as they could. Alternatively Committee could request that the same level of detail as set out in Appendix D is provided as part of each Quarter's update report.

Proposals

Members note the outcome of audit work. Also, Members determine if they require further data around audit completion timeframes, and if they do whether the suggestion set out in 5.7 regarding an annual summary meets their needs or if they require regular detailed information as set out in Appendix D.

6 Other options considered

Not applicable, the report is for information only.

7 Conclusion

There were no corporate audits completed for the period which had a less than satisfactory opinion, with one Resource Centre given a weak opinion. There are no areas of concern which need to be highlighted to Committee.

8 Appendices

- 8.1 Appendix A - Completed Audit Work.
- 8.2 Appendix B - Current Audit Work.
- 8.3 Appendix C - Anti-Fraud Work Plan Update.
- 8.4 Appendix D - Analysis of Audit Completion Timeframes.
- 8.5 Appendix E - Extract from Internal Audit Improvement Plan 2022/23.

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 Committee or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

Officer details:

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Document Control

DocumentRef:		Date Created:	17/01/2023
Version:	01	Date Modified:	
Author:	Julie Gillhespey (Audit Manager)		
Owning Service	Strategy and Governance		

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1) COMPLETED AUDITS

Directorate/Dept/Service	Audit Title	Overall Opinion
Resources		
People		
Adult Social Care	Hungerford Resource Centre	Weak
Education	Robert Sandilands Primary School	Well Controlled
Place		
Environment	Parking	Well Controlled

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).

2) COMPLETED FOLLOW UPS

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Overall Opinion - Report</u>	<u>Opinion - Implementation progress</u>
Resources			
People			
Place			

3) COMPLETED ADVISORY REVIEWS/OTHER WORK

Directorate/Dept/Service	Review Title
Council wide	Covid Grants Payment Assurance Work

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1) CURRENT AUDITS

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year
Corporate			
Development & Regulation	Business Continuity	Draft Report Issued	2021/22
Resources			
Finance and Property	Medium Term Financial Strategy (MTFS)	Background	2022/23
Finance and Property	General Ledger	Ready for Review	2022/23
Finance and Property	Capital Programme	Ready for Review	2022/23
Finance and Property	CIPFA's Financial Management Code – Compliance Review	Background	2022/23
Finance and Property	Accounts Receivable	Draft Report Issued	2022/23
Strategy and Governance	Workforce Strategy	Testing	2022/23
Strategy and Governance	Electoral Services – Financial Processes	Draft Report Issued	2021/22
I.T.	Security of Systems	Draft Report Issued	2021/22
People			
Adult Social Care	Appointeeship/Deputyship	Background	2022/23
Adult Social Care	Purchase of Care – Homecare	Testing	2022/23
Adult Social Care	Personal Budgets/Direct Payments	Testing	2021/22
Children and Families	Assessment and Collection of Contributions	Background	2022/23
Children and Families	Foster Carer Payments	Draft Report Issued	2021/22
Education	Special Educational Needs and Disabilities (SEND) Assessments	Testing	2021/22

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year
Education	Long Lane Primary	Report Being Drafted	2022/23
Education	Garland Junior	Report being Drafted	2022/23
Place			
Environment	Environment Strategy/Delivery Plan	Testing	2022/23
Environment	Street Works/Traffic Regulation Orders/Section 38 Charges	Background	2022/23
Environment	Home to School Transport	Background	2022/23

2) CURRENT ADVISORY REVIEWS/OTHER WORK

Audit/Review Title	Current position of work
Covid Business Grants – payment assurance work	Ongoing

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit title
Resources	
Finance and Property	Fixed Asset Register
People	
Adult Social Care	Carers Payments
Place	
Environment	Waste Management

Anti-Fraud Work Plan**(Drawn together from entries in the Audit Plan for 2022/23)**

<u>Audit Name</u>	<u>Work Focus</u>	<u>Update Position (End of December 2022)</u>
NFI Investigation Work	Review of data matches to assess whether fraudulent.	New exercise commenced in October. Matched data due back January which will need to be reviewed.
Covid Grant Assurance Work (Non-business)	Review of appropriateness/accuracy of grant payments made to third parties/use of grants the Council has received.	Completed.
Covid Business Grants Assurance	Review of payments to assess whether inaccurate or fraudulent.	Ongoing.
Contract letting - Other than Care Packages	Check for compliance with Contract Rules of Procedure/legislation. Check for risk of contracts being awarded inappropriately/potential for conflict of interest/personal gain.	To commence in final quarter of year.
Personal Budgets (Direct Payments/Use of payment cards) (Education Service)	Personal Budgets may be used inappropriately/fraudulent documentation could be provided for expenditure incurred.	Not commenced.
Council Tax Hardship Fund	Check that grants have been awarded accurately/appropriately.	Agreed with service to postpone until next year.
Appointeeship/Deputyship Arrangements	Check that client financial records are kept up to date/are accurate. Check that expenditure incurred is appropriate and has full supporting documentation. Check that any physical assets are adequately safeguarded.	Background work commenced.

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Internal Audit Work Timeframes

1. Background to the 2021/22 Audits on the Quarter 2 List of Current Work

1.1. There were 7 audits still in progress from 2021/22 (from a total of 16 audits that were in progress), reasons behind this for context:-

- a. 4 were where the draft report had been issued a number of months ago to the service and for varying reasons (work pressure and vacant posts being the key ones), we were still awaiting a response from the service. (Issuing a draft report is the point at which the work progress is in our control, after which we then need to remind/chase managers for a response/meeting, we cannot progress further without their engagement in the process).
- b. 2 were where the delays were mainly down to us, and the auditor not prioritising/ progressing this work and working on other audits. Although in both cases there were also delays in the services providing the required information.
- c. 1 was due to the auditor leaving before the audit was completed, the Audit Manager then progressed it as and when she could find time to complete the work, rather than allocate to another auditor to complete when they had had no involvement in the audit.

2. Internal Timeframe Targets/Issues with Trying to Achieve Them

2.1. We have set our internal operational targets as aiming to produce a draft school report within 4 weeks of the visit, and for corporate reviews a draft report within 3 months of obtaining agreement to the Terms of Reference. We have set these targets ourselves, there is no professional norm, professional guidance only states that audit findings should be reported timely.

2.2. The 3 month time window is being optimistic and would only be met if all of the information we required was provided promptly and managers were readily available for meetings, both of which is often not the case. A six month timeframe is more realistic but I would not want to change the Terms of Reference to state this as that may result in further delays in information being provided.

2.3. Where information is not provided/meetings cannot be arranged this results in auditors needing to pick up new audits, each of the team has on average of between 5 – 8 audits on the go at any one time, each at different stages. This then often results in juggling competing priorities to try and complete each piece of work in a timely manner. There are also grant returns/the National Fraud Initiative which require work by set deadlines so these have to take priority over the assurance audit work. There is also unplanned work we are asked to look at which needs to be prioritised e.g. potential fraud allegations/HR grievance or disciplinary investigations and requests for advice.

3. Analysis of Timescales for Work Reported to G&E Committee for 2021/22 and first 2 quarters of 2022/23

School visits (19 schools visited)

68% within 4 weeks
84% within 6 weeks
100% within 8 weeks

Corporate Reviews (19 assurance audits completed)

11% within 3 months
74% within 6 months
84% within 8 months

The remaining 3 audits took between 10 and 12 months, one of which was put on hold because of the auditor assisting with a large investigation. We could have progressed the other 2 audits more timely.

4. Contextual Information

- 4.1. It is easier to meet the school deadlines than corporate reviews as we arrange visits well in advance, there is a standard programme and a standard list of the documents required is provided to the schools so they know what we need. With the assurance audits the scoping for each review differs and needs to be risk assessed, we also do not know the precise information requirements until we commence the audit and ascertain what processes and controls are in place.
- 4.2. Where we consider that a service is not engaging in the process/causing excessive delays without good reason we would escalate, however in most cases delays are down to managers or their staff not having time available to support an audit as it is not top of their priority list and I would not expect it to be.

Extract from Internal Audit Improvement Plan (2022/23)

<u>Area for Improvement</u>	<u>Action Taken/Required</u>	<u>Measure/ Timeframe</u>
<p>1) To reduce the timeframe from commencing an audit to the issuing of a draft report.</p>	<p>Delays will never be eradicated where there is a small audit team, as we have to react to emerging changes in risk/suspected fraud in year, therefore this reprioritisation of work often results in delays in the audit work that has already commenced.</p> <p>Also, where services do not provide required information in a timely manner, this results in delays and the need to commence new audits whilst waiting for information to be provided, this then has a knock on effect of meeting the estimated timeframe for issuing a draft report.</p> <p>We can however, work smarter by improving the following:-</p> <ul style="list-style-type: none"> a) Pre-planning of audits and what records/evidence they will require and giving plenty of notice as to when they will need the information. b) Where there is likely to be large delays due to other work priorities (e.g. an investigation), notifying the relevant Service Director/Head of Service/Service Manager, and if it is considered there will be a significant delay, formally postpone the audit. c) Auditors being more pro-active in chasing information required for an audit/escalating where this is not received. d) Refresher time management/project management training undertaken where required. 	<p>Reduction in number of audits where there is a large delay in us progressing the work.</p>

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West Berkshire Council audit plan

Year ending 31 March 2022

February 2023



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Recovery from Covid 19 pandemic

In 2020-21 and 2021-22 Central Government provided substantial funding to the Council in recognition of both the impact of the Covid-19 pandemic on the Council's finances and in recognition of the additional duties the Council took on in response to the pandemic.

The Council continues to recover from the impact of the pandemic and the impact on demand led services in particular has been considered as part of the Council's budget setting process.

Throughout the pandemic the Council has maintained strong financial control financial sustainability.

Financial management

The Council continues to have a good record for financial management. In 2021-22 the provisional outturn on the revenue budget indicates that the Council had a net underspend of £263,000 against a net revenue budget of £141,661,000.

The future funding framework for the wider local authority sector remains unclear. However, the Council has a robust medium term financial planning framework. The medium term financial strategy covers a five year period and was most recently formally updated in February 2022, with further scoping and detailed scenario planning taking place in July 2022. Whilst there remains considerable uncertainty in the current economic environment this medium term planning indicates that for all scenarios the Council will be required to make savings over the lifetime of the plan, with those assumptions based on continued stagflation requiring substantial annual savings in later years.

Audit Quality

On 29 October 2022, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year.

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our response

- We will be mindful of the impact of Covid 19 on the Council's financial statements (for example with regard to asset valuations, recovery of debts and in accounting for grant income and expenditure).
- Although we have not identified a risk of significant weakness in the Council's arrangements, our Value for Money assessment will consider the Council's budget setting and medium term financial planning.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, will be agreed with both your Director of Corporate Services and PSAA prior to being communicated to yourselves for final approval.
- The results of the recent FRC review are outlined on pages 22 and 23.
- We will continue to provide you with sector updates via our Governance and Ethics Committee updates.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West Berkshire Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) the body responsible for appointing us as auditor of West Berkshire Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Ethics committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance and Ethics Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- ISA 240 – Revenue risk (rebutted)
- Management override of controls
- Valuation of land and buildings
- Valuation of investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £5.827m (PY £5.15m) for the Council, which equates to 1.5% of your gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £291k (PY £255k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified no risks of significant weakness at this stage. We have considered a number of areas of focus at this time and these are detailed on page 16.

Audit logistics

We completed our planning and risk assessment work in January 2023 and our final visit will take place in February and March 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and the Auditor's Annual Report.

Our fee for the audit is proposed as £1117,049 (PY £137,549) for the Council, and is subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and nature of the revenue streams at West Berkshire Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including West Berkshire Council, mean that all forms of fraud are seen as unacceptable. <p>We do not consider this to be a significant risk for West Berkshire Council.</p>	
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (rolling revaluation)	<p>The Council revalues its land and buildings on a rolling basis, with assets physically inspected at least every five years, to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (21-22 £538m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2022. Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2022 in the Council's financial statements is not materially different from the current value, or the fair value for investment properties, at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Discuss with the valuer to confirm the basis on which the valuation was carried out. • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation. • Test, on a sample basis, revaluations made during the year to see if they had been input correctly into the asset register. • Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of investment properties	<p>The Council revalues its investment properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (21-22 £66.3m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Discuss with the valuer to confirm the basis on which the valuation was carried out. • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation. • Test, on a sample basis, revaluations made during the year to see if they had been input correctly into the asset register.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (21-22 £427m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Discuss with the valuer to confirm the basis on which the valuation was carried out. • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation. • Test, on a sample basis, revaluations made during the year to see if they had been input correctly into the asset register. • Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties	<p>The Council revalue Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£66.3m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£427m in its balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Obtain assurances from the auditor of Berkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund; and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Expenditure recognition	<p>As most public bodies are net spending bodies, the risk of material misstatement due to fraud relating to expenditure may be greater than the risk of fraud relating to revenue.</p> <p>There is a risk that the Council may manipulate its expenditure to that budgeted. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end, or not record expenses accurately to improve financial results.</p> <p>In line with Practice Note 10, having considered the risk factors related to this risk and the nature of the Council's expenditure streams we have determined that the risk of fraud arising from expenditure can be rebutted because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate expenditure recognition; • Opportunities to manipulate expenditure recognition are very limited; and • The culture and ethical framework of local authorities, including West Berkshire Council, mean that all forms of fraud are seen as unacceptable. <p>However, we have identified that due to the level of estimation involved in the manual accruals of expenditure, and the potential volume of large accruals at year end, there is an increased risk of error of completeness in expenditure recognition.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period. • Inspect a sample of accruals made at year end for non-pay expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. • Investigate manual journals posted as part of the year end accounts preparation that reduce expenditure, to assess whether there is appropriate supporting evidence for the transaction.
Accounting for grants revenue and expenditure	<p>The Council (similar to all other local authorities) has been the recipient of significant increased grant revenues in 2021-22 relating to Covid-19 funding. Some of these grants relate to the Council and others are grants which should be passed on to other entities.</p> <p>The Council will need to consider, for each type of grant, whether it is acting as agent or principal and, depending on that decision, how the grant income and amount paid out should be accounted for.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Discuss with management and understand the different types of material grants received during 2021-22, and what the conditions are per grant agreements. • Understand the conditions for payment out to other entities. • Test material grant revenues to understand whether the Council should be acting as agent or principal for accounting purposes for specific grants, and ensure correct accounting treatment.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

We identified four recommendations in our 2020-21 audit in relation to the Council's estimation process for valuation of land and buildings and accruals.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Governance and Ethics Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Valuation of defined benefit net pension fund liabilities
- Depreciation
- Year end provisions and accruals, specifically for non-domestic rate appeals
- Credit loss and impairment allowances
- Fair value estimates

The Council's information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate; and
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we will make enquiries of management to obtain an understanding of managerial processes and the Council's oversight in a number of key areas including fraud, related parties and Accounting Estimates. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021-22 financial statements, consider and decide upon any objections received in relation to the 2021-22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £5.827m (PY £5.15m) for the Council, which equates to 1.5% of your gross expenditure for the year.

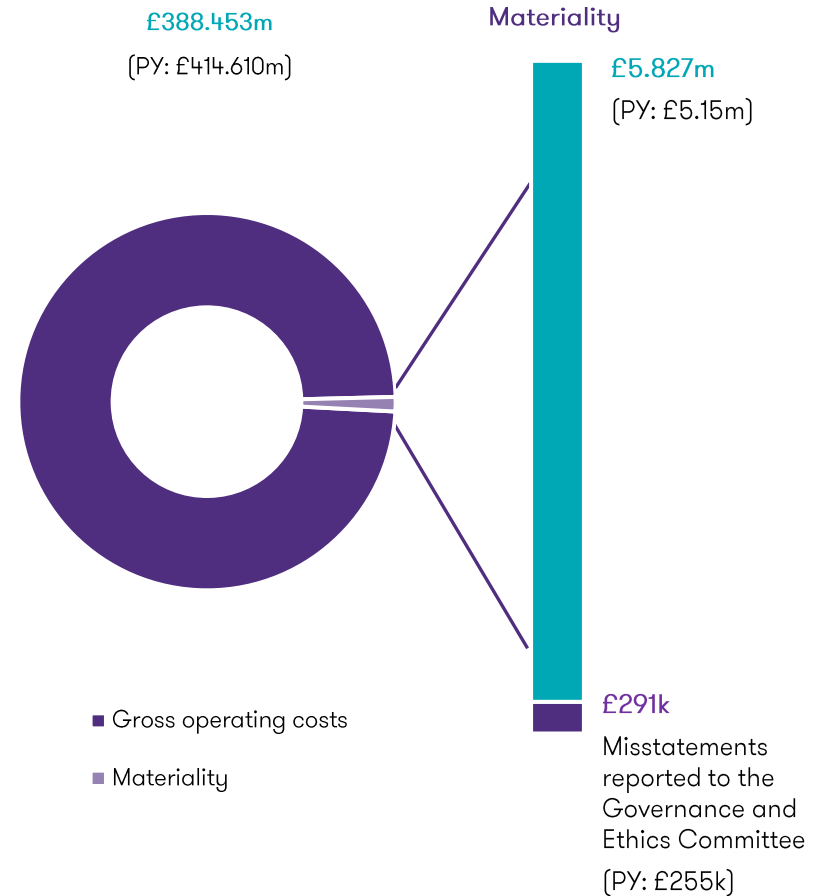
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Governance and Ethics Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Ethics Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £291k (PY £255k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Ethics Committee to assist it in fulfilling its governance responsibilities.

Gross operating costs



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	Streamlined ITGC design assessment
Northgate iWorld	Revenues and benefits	Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for 2021-22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



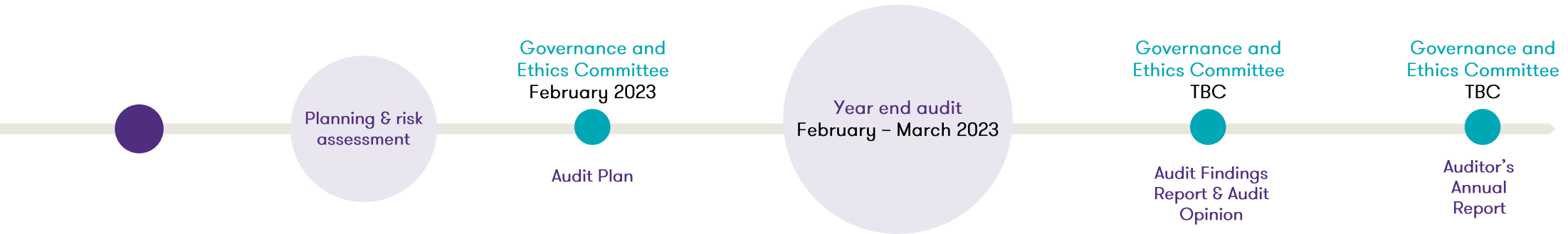
Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Audit logistics and team



Sophia Brown, Key Audit Partner



Sophia is responsible for the overall client relationship, quality control, provision of the audit opinion, meeting with key internal stakeholders and final authorisation of reports. Sophia will attend Governance and Ethics Committee meetings supported by David as required.

David Johnson, Audit Manager



David will work with the senior members of your finance team, ensuring delivery of the final accounts audit and VFM work. David is responsible for the overall management of our work with the Council, and quality assurance of audit work and outputs.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

Audit fees

In 2017, PSAA awarded a contract of audit for West Berkshire Council to begin with effect from 2018-19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISAs, which are relevant from the 2021-22 audit.

Across all sectors and firms the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake additional and more robust testing in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our fee incorporates the impact of FRC requirements and changes to standards in previous years which remain applicable for 2021-22. Our proposed fee for 2021-22 (PY £137,549) is set out below.

	Proposed fee 2021-22
Statutory audit for West Berkshire Council	
	£
Scale fee published by PSAA	80,423
Fee increases in previous years for the impact of revised ISAs and FRC requirements which remain applicable for 2021-22	17,626
Value for Money work	19,000
Total audit fees (excluding VAT)	117,049

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements; and
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

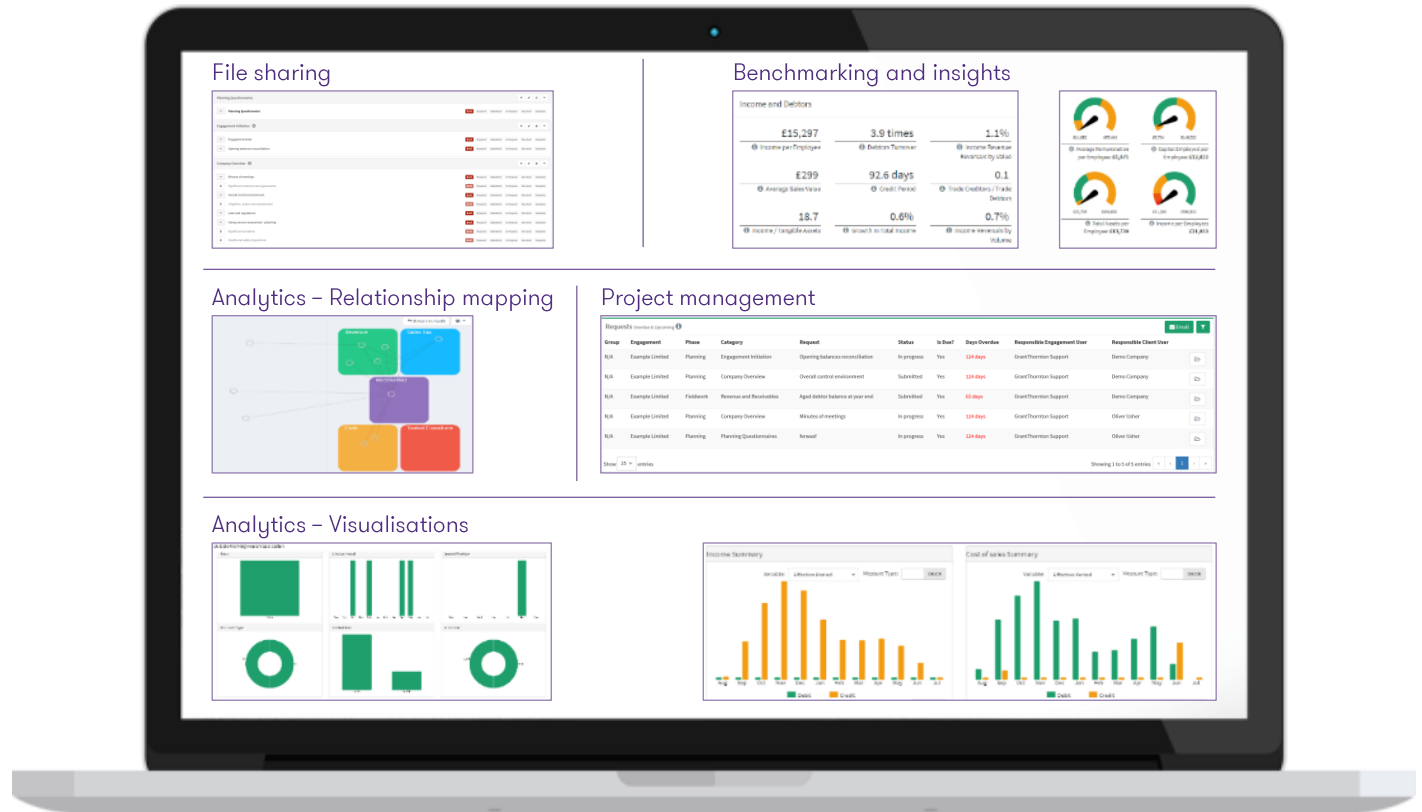
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teachers' Pension return	7,500	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the FRC quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge; and
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Progress against prior year audit recommendations

We identified the following issues in our 2020-21 audit of the Council's financial statements, which resulted in 13 recommendations being reported in our 2020-21 Audit Findings Report. We have followed up on the implementation of our recommendations and 11 are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	Grant income, and particularly that in relation to Covid, has been assessed by the Council incorrectly as principal. The Council have no liability for the majority of this grant income and therefore should recognize this as an agent. This has led to a £40m adjustment to income and expenditure.	We will test the classification of grant income as part of our accounts testing to confirm that this has been appropriately undertaken.
✓	The Council has double counted school employee expenses for two schools through the journaling in of transactions. Testing identified that these costs were already included in the payroll costs leading to an adjustment in 2021-22 and a prior period adjustment and there is a risk that the Council will overstate costs within the CIES.	This was corrected as part of the 2020-21 audit and we will review journal entries in the 2021-22 financial statements audit to ensure no similar issues are identified.
TBC	Testing of the Fixed Asset Register (FAR) to ensure that it reconciles to supporting documentation identified one asset that the Council no longer own and should therefore have been derecognized. There is a risk over overstating balances within the financial statements and incurring costs that are not applicable to the Council	Testing of Property, Plant and Equipment (PPE) opening balances will be undertaken as part of the accounts audit and will confirm that assets have been correctly classified.
✓	Testing of revaluations in year identified one asset which had been assigned a new asset number within the FAR and for which the previous asset records had not been removed leading to a duplicate entry for the asset. There is a risk over overstating balances within the financial statements and incurring costs that are not applicable to the Council	This was corrected as part of the 2020-21 audit and we will review revaluation movements as part of the 2021-22 accounts audit.
TBC	The Council have componentised an asset and have reallocated the asset building cost across the new components. This has been treated as a revaluation gain in the revaluation reserve whilst the overall value of the asset is a revaluation loss. The reallocation of the costs has been incorrectly recorded as a revaluation loss in the surplus/deficit on service provision . There is a risk that the CIES has been overstated and that disclosures have been incorrectly recorded.	We will review revaluation movements and classifications of gains and losses as part of the 2021-22 audit.
TBC	The Council has changed their policy for recognition of cash and cash equivalents from three months to three days. The disclosure of short term investments in the statement of accounts has not been adjusted in line with this change. This has required a prior period adjustment to ensure that comparatives are consistent with updated policies	We will ensure that the Council has correctly applied accounting policies as part of the 2021-22 accounts audit.

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	Detailed transaction testing identified a case where supporting document could not be provided and therefore we are unable to confirm that the value has been correctly included. There is a risk that items will be incorrectly disclosed in the accounts leading to a potential overstatement. An unadjusted misstatement has been identified	Testing will include agreeing transactions and disclosures to supporting documentation to ensure that entries are accurately included.
TBC	Substantive testing of transactions identified that the Council has an issue with providing a full breakdown of transactions and in reconciling populations to the balances disclosed in the statement of accounts. This has required management to run individual reports on an ad-hoc basis to provide the listing to Audit and has resulted in a number of errors being noted. There is a risk that the balances disclosed in the statement of accounts are either misstated or cannot be supported which could lead to a material adjustment within the primary statements	This is an ongoing issue due to the configuration of the Council's accounts system. We continue to discuss with management the most efficient means of ensuring that the correct information is provided for audit purposes.
TBC	The Code requires that the Council disclose an Expenditure Funding Analysis within the statement of accounts to show a reconciliation between the figures in the statement of accounts and the outturn figures reported to members.	We will review the Expenditure and Funding Analysis as part of detailed testing and ensure that the appropriate disclosures are included.
TBC	Within in our sample number of items were selected for testing that the Council are unable to provide third party evidence to support their award.	Testing will include agreeing transactions and disclosures to supporting documentation to ensure that entries are accurately included.
TBC	Creditor testing identified one accrual that related to a service that did not occur and on that related to a 2021-22 expense that had not been appropriately reversed. Further testing also identified a payment in advance recorded as a debtor where no cash payments have been made. This account had been set up to reverse the over-accrual of creditor items. There is a risk that creditor balances will not be accurately disclosed	This is an ongoing issue due to the configuration of the Council's accounts system. We continue to discuss with management the most efficient means of ensuring that the correct information is provided for audit purposes.
TBC	The Council has made an adjustment to S106 payments to reclassify them from creditors to grants received in advance in line with the code. Further work is required to identify which of these relate to short term liabilities and which are long term	We will review the S106 payments as part of detailed testing and ensure that the appropriate disclosures are included.
TBC	The valuation of one asset required updating to allow for the completion of additional buildings that were operational before the year end. There is a risk that full information is not being provided to the valuer and, therefore, valuations within the statement of accounts are incorrect	We will review revaluation movements and supporting documentation to ensure that valuations are based on the most appropriate information.



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Informing the audit risk assessment for West Berkshire Council 2021/22

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David Johnson
Audit Manager
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Agenda Item 7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between West Berkshire Council's external auditors and West Berkshire's Governance and Ethic Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance and Ethics Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Governance and Ethics Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Governance and Ethics Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance and Ethics Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance and Ethics Committee and supports the Governance and Ethics Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from West Berkshire Council's management. The Governance and Ethics Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	As was the case for 2020/21, the key issue impacting on the Council and so the financial statements continues to be the Covid pandemic
2. Have you considered the appropriateness of the accounting policies adopted by West Berkshire Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Accounting Policy report for 21/22 was reported to 25 April 2022 Governance and Ethics Committee. Only significant change was to update the Council's policy for cash and cash equivalent financial assets. The report also highlighted forthcoming accounting requirements, issued not yet adopted.
3. Is there any use of financial instruments, including derivatives? If so, please explain	Not applicable
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Residual Covid-19 distribution of funding – much less core Covid-19 funding for the Council than in the prior financial year, but still a range of grants to distribute

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Not applicable
6. Are you aware of any guarantee contracts? If so, please provide further details	None identified
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No material contingent assets or contingent liabilities have been disclosed in the draft 21/22 Statement of Accounts
8. Other than in house solicitors, can you provide details of those solicitors utilised by West Berkshire Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	See next slide, inserted by WBC

8. Other than in house solicitors, can you provide details of those solicitors utilised by West Berkshire Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?

	Date	Solicitors	Matter type
1	Various	Bevan Brittan	Debt advice
2	04/06/2021	Bevan Brittan	Contracts / procurement
3	07/07/2021	Bevan Brittan	ISA and Privacy Notice
4	09/08/2021	Bevan Brittan	Data Sharing Agreement Review
5	21/09/2021	Bevan Brittan	Advice on Social Value Policy
6	11/11/2021	Bevan Brittan	Learning Platform and Phishing simulation software purchase
7	02/12/2021	Bevan Brittan	Supporting Families Legal Gateways
8		Bevan Brittan	
9	13/07/2021	Blandy & Blandy Sols	Four Houses Corner
10	Various	Liz Howlett - EJHLegal	Review of Constitution
11	Various	Wilkin Chapman	Employment
12	26/08/2021	Sharpe Pritchard	Application for an injunction
13	15/12/2021	Womble Bond Dickinson	Operating and baseline agreements

General Enquiries of Management

Question	Management response
9. Have any of the West Berkshire Council service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None known
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>The Council used Arlingclose as its Treasury Management Advisor in 2021/22</p> <p>The Council instructed Counsel listed below in the following matters:</p> <p>Social Care - Adult & Children - Jonathan Auburn, Chris Jacobs</p> <p>Regulatory & Prosecution - Malcolm Gibney, Emily Lanham, Martha Smith-Higgins</p> <p>Education - Jack Anderson, Leon Glenister, Alex Line, Jennifer Thelen</p> <p>Housing - Emma Godfrey, Andrew Lane, Sarah Salmon</p> <p>Planning & Highways - Noemi Byrd, Matthew Fraser, Emmaline Lambert, Jacqueline Lean</p> <p>Regulatory & Local Government - Matt Lewin</p> <p>Employment - Talia Barsam</p> <p>Property - David Nicholls, Paul Wilmshurst</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Note 39.2 considers nature and extent of risk re: financial instruments and includes an estimate of expected credit losses.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance and Ethics Committee and management. Management, with the oversight of the Governance and Ethics Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance and Ethics Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West Berkshire Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Governance and Ethics Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance and Ethics Committee oversees the above processes. We are also required to make inquiries of both management and the Governance and Ethics Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West Berkshire Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has West Berkshire Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Finance has incorporated an assessment of risk of material misstatement due to fraud within the annual accounts preparation process. Key considerations are current year instances of fraud or potential fraud (none, as per Q3 to this section, below) and in relation to any historic knowledge of fraudulent activity in prior financial periods.</p> <p>The Council's Risk Register is updated on an ongoing basis and is presented to Committee. Note, the risk assessment has been discussed in further detail in the Council's response to the separate Audit Planning request "Information and Communication: Risk assessment process"</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>In preparing the Annual Internal Audit Plan the Audit Manager re-assesses the level of risk of all areas included in the 'audit universe', those areas with types of transactions at high risk of fraud and corruption are identified as such in the Audit Plan. Key fraud risk areas include:</p> <ul style="list-style-type: none"> - The complexity of the organisational/ownership structures – not overly complex for WBC (as a local government entity); - The presence of subsidiary, joint venture and minority interests within a group reporting structure – not applicable for the Council; - Unnecessarily complex accounting policies and/or frequent changes to the accounting policies employed (not the case for WBC); - The pursuit of (and transacting of) high risk investments. Not applicable for the Council, and furthermore the Treasury Management Group is sighted on and reviews the Council's investment portfolio on a continuing basis. - A further category for potential fraud is in respect of business grants that the Council has processed. Regular reporting and audit work has been required throughout to the sponsoring Government departments, as well as pre and post award counter fraud checks.
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Berkshire Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>No new cases of potential fraud requiring investigation have been reported to Internal Audit since April 2020. Where Internal Audit are notified of such cases the Audit Manager would brief both the S151 and Monitoring Officer of the allegations and planned action to investigate.</p> <p>Internal Update reports to Governance & Ethics Committee refer to ongoing investigation work, more detailed information of outcomes is provided to Committee as verbal updates, part II where appropriate. Year end Internal Audit report has a section on fraud cases investigated, outcomes and cost of the investigations.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	This is raised through Internal Audit reporting through the Governance and Ethics Committee via regular reporting from the Internal Audit Manager.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within West Berkshire Council where fraud is more likely to occur?	As part of preparing the Annual Internal Audit Plan, the Audit Manager re-assesses the level of risk of all areas included in the 'audit universe', those areas at high risk of fraud and corruption are identified as such in the Audit Plan. From this information a Counter-Fraud Work Plan is prepared which lifts those key risk areas from the Audit Plan that have been assessed as requiring audit coverage in the financial year.
6. What processes do West Berkshire Council have in place to identify and respond to risks of fraud?	<p>As per the previous response, Internal Audit carries out pro-active anti-fraud work each year, identified as part of compiling the Audit Plan. The Council has associated covering documents:</p> <ul style="list-style-type: none"> - Anti-Fraud and Corruption Policy and Procedure; - Anti-Money Laundering Policy and Procedure; - Bribery Act Policy and Procedure. <p>The above three documents were revised and approved by the Governance and Ethics Committee, November 2019. The documents are published on the Intranet and external webpages. All three policy documents have recently been reviewed/ revised and are going through the governance route for approval.</p> <ul style="list-style-type: none"> - Whistleblowing Policy and Procedure - Disciplinary Policy and Procedure <p>The above two documents are owned by Human Resources, they provide advice to managers/staff on action to be taken where misconduct is identified, this also covers potential fraud cases.</p> <p>All of the above documents refer to the Council's policy/approach to dealing with fraud, roles and responsibilities and how to report and respond to potential fraudulent incidents.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for West Berkshire Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>An opinion is provided in the Audit Manager's Annual Assurance Report.</p> <p>Internal Audit undertake a range of risk-based audits each year to confirm or otherwise the adequacy of the internal controls across the Council's functions and activities in relation to governance and risk management arrangements. Individual assignments would cover the internal controls around separation of duties where relevant to the audit scoping/associated risks. Where controls are not in place/are deemed not effective to manage the risk of fraud this would be highlighted as a risk in the audit report and a recommendation made for remedial action. If the control weakness is deemed a significant issue this would impact on the audit report overall opinion and for weak/very weak opinions, the recommendations are followed up so we can report on progress/flag up any issues of concern not addressed.</p> <p>A review of the system of internal control is undertaken annually as part of preparing the Annual Governance Statement.</p> <p>Other controls – these are varied and numerous depending on the function, from an Internal Audit point of view these will be identified/assessed in our individual audit assignments.</p> <p>No obvious gaps identified as part of previous Internal Audit work. The nature of the Council's business activity is not target driven or reward incentivised and therefore the pressure to achieve financial targets/benchmarks is not deemed to be excessive.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Any such assessment by Internal Audit would be undertaken as part of the risk assessment of any relevant audit assignment.</p>

Fraud risk assessment

Question	Management response
<p>9. How does West Berkshire Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>With the increased risk of fraud due to Covid-19, in April 2020, September 2020 and June 2021 Internal Audit issued all-user emails alerting employees to some work-related fraud scenarios and how to deal with them. The emails also mentioned if staff had any concerns regarding possible fraud or scams, to discuss this with their manager/Internal Audit.</p> <p>The Whistleblowing Policy/Procedure and the Anti-Fraud Policy and Procedures encourage staff to report concerns of fraud. The circumstances in which something should be reported/the type of frauds that may occur are referred to as guidance.</p> <p>Formal fraud training was undertaken during 2020/21 covering general fraud awareness, anti-money laundering, whistleblowing and anti-bribery and corruption. As a starting point the sessions were aimed at senior managers/teams whereby due to the nature of work there is more likelihood they could come across such issues. For 2021/22 general fraud awareness and whistleblowing training sessions were provided to both staff and members.</p> <p>Potential whistleblowing issue raised with Internal Audit in September 2020, but investigation did not confirm the significance of the reported issue.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Any such assessment by Internal Audit would be undertaken as part of the risk assessment of each audit assignment.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No specific instances noted. The detailed year end working paper that supports the Related Parties note in the Statement of Accounts itemises the factors that determine transactional inclusion in the year (and the associated Member/employee relationships).</p> <p>All queries and discrepancies are resolved. Senior management within the Council also review the final note in the Statement of Accounts for reasonableness and any queries arising are resolved.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Governance and Ethics Committee?</p> <p>How does the Governance and Ethics Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>As per Question 3 [Awareness of any instances of actual, suspected or alleged fraud], Internal Audit Update reports to Governance and Ethics Committee refer to ongoing investigation work, more detailed information of outcomes is provided to Committee as verbal updates, part II where appropriate. Year end Internal Audit report has a section on fraud cases investigated, and cost of the investigations.</p> <p>Governance and Ethics Committee are also provided with quarterly updates of progress/outcomes of the Counter Fraud Work Plan prepared and monitored by Internal Audit. There have been no Internal Audit investigations during 2021/22 so there was no need to report on progress to Governance and Ethics Committee.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>As per the Council's Whistleblowing Policy, and such concerns should be reported to HR. If the nature of the whistleblowing issue is fraud related, this would be passed to the Internal Audit team to investigate. The Audit Manager is not aware of any such cases being reported under the Whistleblowing Policy during 2021/22.</p> <p>Some complaints received through the Council's Corporate Complaints Policy/Procedure can be of a serious nature, and where this is the case Legal Services are notified. Legal Services notify the Audit Manager where there is a 'complaint' making reference to inappropriate practices/potential fraud. These are included in the Audit Manager's log of all potential/actual fraud issues, which records how they are being dealt with, and the outcome.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance and Ethics Committee, is responsible for ensuring that West Berkshire Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Governance and Ethics Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West Berkshire Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Monitoring Officer is a member of Corporate Board which considers all reports going to Council or Executive Committee. All decision making reports have a section which considers legal implications, which should record a member of Legal Services who has been consulted in respect of the same.</p> <p>Training is provided by Legal Services to both members and officers to ensure that relevant rules and legislation are complied with at all times.</p> <p>Legal Services has a risk register detailing higher risk claims, and monitors the number of claims for judicial review which are brought which would highlight allegations of non-compliance with laws and regulations.</p> <p>We are not aware of any changes to the regulatory environment which would have a significant impact on the Council's financial statements.</p>
<p>2. How is the Governance and Ethics Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Annual Governance Statement incorporates details of the control framework to ensure effective decision making and no issues have been identified there. Further, the Monitoring Officer has a statutory duty to report such matters to Council and no such reports have been made.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>There are none known</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None identified, this consistent with the nil disclosures for contingent assets and/or contingent liabilities in the draft 2021/22 Statement of Accounts.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does West Berkshire Council have in place to identify, evaluate and account for litigation or claims?	The Council employs a team of specialist lawyers who will advise in respect of any claims received. External advice will be sought when appropriate. Certain claims will be referred to our insurers.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None known

Related Parties

Matters in relation to Related Parties

West Berkshire Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by West Berkshire Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in West Berkshire's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and West Berkshire Council • whether West Berkshire Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>There are no new related parties disclosed in the note (note 34) to the 2021/22 Statement of Accounts. The only change in related parties listed between 2020/21 and 2021/22 is in respect of Parkwood Leisure.</p> <p>Parkwood Leisure hold the contract to operate WBC leisure centres. The 2020/21 disclosure for was made by Councillor Jeff Beck who was, in 2020/21, then a member of Parkwood's management committee. There was a nil return for 2021/22.</p>
<p>2. What controls does West Berkshire Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Annual related party declaration returns are issued to all Council Senior Officers and Members, and all respondents are asked to refer to tailored Finance guidance which defines the applicable transaction types to be disclosed. Any discrepancies within the forms returned are followed-up by Finance. The Strategy and Governance Team retain a separate ongoing record of all such related party transactions and relationships.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All Senior Officers and Members are directed to transact in accordance with the Council's established Procurement and Tendering Policies.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Per the Council's Constitution there are emergency powers included and reporting requirements set out; the Council used this very little during 2021/22 as the impact of the pandemic moved from response to recovery.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by West Berkshire Council will no longer continue?	This would be set out through government direction if this was to take place i.e. through a best value inspection, OfSTED inspection, etc. The latest OfSTED inspection was 'good' for Children's Services. There is a care home run by the Council which is assessed as 'RI' but this is not material to an overall statutory service being removed.
2. Are management aware of any factors which may mean for West Berkshire Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None known.
3. With regard to the statutory services currently provided by West Berkshire Council does West Berkshire Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for West Berkshire Council to cease to exist?	Yes – expect for these to continue. Indeed, by the end of 2021/22, new services were required to be provided e.g. the Homes for Ukraine scheme for 2022/23.
4. Are management satisfied that the financial reporting framework permits West Berkshire Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes – see separate Going Concern paper.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The primary items include the year end valuation of land and property assets (including investment properties), valuation of the Council's year end defined benefit pension scheme liability and the appeals provision supporting Business Rates.
2. How does the Councils risk management process identify and address risks relating to accounting estimates?	The Council reviews the risk register on a quarterly basis through to Corporate Board and this is considered in respect of the accounting estimates where financial risk is raised
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Council engages a cross section of dedicated advisors (including property valuation experts and actuarial specialists) to ensure that the methods and assessments underpinning such accounting estimates remain complete and up to date
4. How do management review the outcomes of previous accounting estimates?	The assumptions used within prior years are considered afresh for a new financial year and reviewed for accuracy and reasonableness. As outlined above, the advice and work of specialists helps to inform the Council's decision making processes
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	The Council has reduced its Business Rates Appeals provision during 2021/22 by £1.046m. Historically this has been based upon the application of the national average percentage of 4.7% of the Net Collectable.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>In determining relevant accounting estimates, management consider a number of factors including past performance, current trends and likely future outcomes supported by sensitivity analyses as appropriate.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The degree of estimation uncertainty (and associated higher risk of material misstatement) is a critical consideration within the application of accounting estimates. As examples, higher estimation uncertainty would prompt the Council to satisfy itself that experts (where engaged) are relying on a breadth of data (from a variety of different sources) in forming conclusions and that any technical models employed are valid and up-to-date.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>The Council has close contact with key external experts (including property valuation specialists and the actuary for the pension schemes). This ensures that there is an awareness of the key controls and review procedures established within these external parties. WBC Finance also typically issue follow-up queries once in receipt of output (including formal reports) and other technical data supplied by such experts.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The accounting estimates established are reviewed for completeness and accuracy afresh in each financial year. Associated Statement of Accounts disclosures are updated accordingly, with any material methodology revisions detailed. See Appendix A which documents the Council's detailed listing of accounting estimates.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	N/A
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	There has been no significant change in accounting estimates from recent years and for which no material audit concerns were raised
12. How is the Governance and Ethics Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The Governance and Ethics Committee receive regular reports and these include the going concern judgement as well as highlights from the financial statements. The committee also receive reports in respect of any significant changes to accounting policies and judgements.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Specialised assets are valued using the Depreciated Replacement Cost (DRC) method and non-specialised assets are valued using Existing Use Value (EUV) and/or Fair Value (FV) measurement indices	The use of tolerance parameters to determine the accounting impact of the application of a varied impairment factor to the asset base	Yes (third party valuation specialists engaged were Wilks Head & Eve LLP)	Land and property asset valuations are subject to ongoing market review with the arising effects variable across the valuation methods and assumptions employed	No
Council dwelling valuations	N/A	N/A	N/A	N/A	N/A
Investment property valuations	Investment properties are valued at fair value	The application of tolerance parameters	Yes (Avison Young as third party valuation specialists)	The Council employs valuation techniques that are appropriate in the circumstances and for which adequate supporting data is available, maximising the use of relevant observable inputs and minimising the application of unobservable inputs	No
Depreciation	In accordance with the Council's accounting policy as disclosed in the Statement of Accounts. The different asset types have been assigned varied useful economic lives	Detailed spreadsheets are maintained which support the depreciation amounts charged at an individual asset level	No	The ongoing review of depreciation charged ensures that the potential accounting impact of factors including componentisation is considered	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Complex valuation models (updated by the Council's actuary) support the Accounts disclosures for three separate pension schemes	The actuary employs sensitivity analysis (modelling the impact of pay and inflation changes, for instance)	Yes	Basis of calculation is the projected unit method with discounting used to discount future liabilities back to present values	No
Level 2 investments	Fair value hierarchy methodology applied	Commercial units has been used as the asset benchmark within this review	Avison Young (third party valuation firm)	In determining the application of Level 2, alternative fair value measurement indicators (including Levels 1 and 3) have been appraised	No
Level 3 investments	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Fair value estimates	The following assets are also accounted for at their fair values – surplus assets, intangible assets and financial instruments. No specialist models are employed	Using financial assets as an example, fair values are reviewed on an ongoing basis and any gains/losses that may arise are not recognised until the relevant instrument matures or is sold	No	Changes in the value of assets recognised at fair value are debited/credited to the Comprehensive Income and Expenditure Statement as they arise	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	Not applicable in terms of the use of a model/provisions are accounted for at the best estimate at the Balance Sheet date	Management incorporate a range of differing outcomes in determining the £ amount to recognise	No	Due consideration is given to alternative estimates. Provisions reflect the likely estimate of the amount required to settle an obligation taking into account all relevant risks and uncertainties	No
Accruals	Not applicable in terms of a model. A material income stream for the Council is grants and contributions	This income is recognised on an accruals basis when there is reasonable assurance that the Council will comply with any payment condition terms and that the monies will be receipted	No	The conditions attached to such grants and contributions are reviewed and monitored in detail. Where conditions remain outstanding, the Council carries such amounts in the Balance Sheet as receipts in advance	No
Credit loss and impairment allowances	Allowances for impairment losses are calculated for assets at amortised cost, and the expected credit losses model is applied	Any material changes in loss allowances are debited/(credited) to the Comprehensive Income and Expenditure Statement	No	The 12-month expected credit losses disclosure within the Financial Instruments note in the Statement of Accounts reflects the expected credit losses for a financial asset that are projected taking account of possible events and uncertainties which may occur during the subsequent financial year	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	Not applicable (the Council holds no such leases)	Not applicable	Not applicable	Not applicable	Not applicable
PFI Liabilities	A detailed Excel model is retained and updated on an ongoing basis by Finance. This supports the future payments stream and year-end liability disclosures within the Statement of Accounts	Finance review this schedule to ensure that all base assumptions remain valid. Accuracy checks are performed to ensure that data items including principal repayment sums and the interest rate used (in the model) are appropriate	No	The model utilised ties movements within the liability to Outturn and Actual/Budget supporting data and these checks are evidenced within the model/file	No



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Audit Committee guidance

Committee considering report:	Governance and Ethics Committee
Date of Committee:	20 March 2023
Portfolio Member:	Councillor Tom Marino
Report Author:	Joseph Holmes, Executive Director (Resources)
Forward Plan Ref:	GE4285

1 Purpose of the Report

- 1.1 The purpose of the report is inform the committee that CIPFA (Chartered Institute of Public Finance & Accountancy) have released recent guidance on the role of audit committees. As this committee is the committee at West Berkshire Council that performs the function of an audit committee it is best placed to consider this report and comment upon it as well as complete the appended self-assessment.
- 1.2 Ensuring good governance is crucial for the Council as a whole. With a variety of pressures and demands on the Council from a range of areas, and a series of high profile governance concerns at a number of other Councils with associated Best Value reviews, it is critical that the Council ensures that its work is underpinned by strong governance and that it is always seeking to improve how it undertakes its functions and services.
- 1.3 The report is for the committee to consider and reflect upon the latest guidance and then assess where it complies or does not, and where it wishes to seek any changes, if it wishes to complete a self-assessment, as a result of undertaking the attached self-assessment at a future meeting.

2 Recommendations

- 2.1 For the committee to note the report and commit to completing the self-assessment with a summary of this brought to a future committee to consider next steps, where/if required.
- 2.2 To approve that members of the existing committee to respond to the self-assessment and circulate that to democratic services.

3 Implications and Impact Assessment

Implication	Commentary

Financial:	There are no direct financial implications of this report			
Human Resource:	There are no Human Resources implications of this report			
Legal:	There are no legal implications of this report			
Risk Management:	This report and any undertaking subsequently should enhance risk management processes, though there are none directly from this report			
Property:	None			
Policy:	This supports national policy work on audit committees and enhancing governance in the Local Government.			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				None – not applicable
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				None – not applicable
Environmental Impact:		X		
Health Impact:		X		

ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:	X			Any output from this report should enhance core governance in the Council
Data Impact:		X		
Consultation and Engagement:	None			

4 Executive Summary

- 4.1 The Council’s audit committee, the Governance & Ethics Committee (update for 2023) performs an important function in supporting the good governance of the Council IT has at times reviewed its effectiveness, per recent internal audit reports, as well as seen its role and remit change through changes to terms of reference and reviews of the constitution.
- 4.2 CIPFA (Chartered Institute of Public Finance Accountancy) have recently (late 2022) released a report with practical guidance for audit committees. This is a paid for publication, so has been included in the exempt appendix, but the contents and potential actions for the Governance & Ethics Committee are included within this report.
- 4.3 The CIPFA report highlights the following areas as being the “overall aim of good governance is to align the authority’s processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:
- resources are directed in accordance with agreed policy and according to priorities
 - there is sound and inclusive decision making
 - there is appropriate stewardship of public assets and resources
 - there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.”
- 4.4 Accompanying the report is a self-assessment of good practice and it is recommended as part of this report that this is completed in conjunction with the Governance & Ethics committee and then reported back to the committee.

5 Supporting Information

Introduction

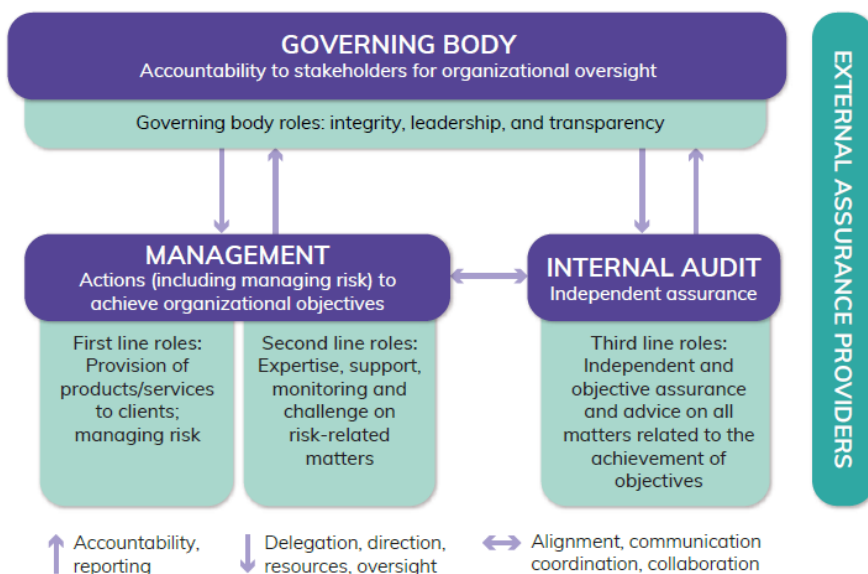
- 5.1 CIPFA are one of the leading bodies on local authority risk management thought leadership and have helped to produce with SOLACE (Society of Local Authority Chief Executives) the framework for good governance that supports the Annual Governance Statement (AGS) that forms part of all local authorities governance framework. The AGS is required to be signed off by the Council or delegated committee (in West Berkshire's case, this committee) and included within the final set of financial statements.
- 5.2 The CIPFA guidance sees three key areas for the audit committee to consider as the core functions of the committee:
- (a) Maintenance of Governance, risk and control arrangements
 - (b) Financial and governance reporting
 - (c) Supporting arrangements for audit and assurance
- 5.3 CIPFA have recently released some guidance for local authorities on the role of the audit committee, and in the public domain is the position statement, see Appendix C of this paper. The guidance is a paid for document, so has been attached as a part II appendix to this report, however, the key elements of the guidance seeks to explore the role of audit committee in Local Authorities; included is the section below looking at the areas of influence for an audit committee:

The principal areas where the committee can exert influence and add value are:

- *aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements*
- *promoting the principles of good governance and how they are applied during decision making*
- *raising awareness of the need for sound internal control and contributing to the development of an effective control environment*
- *supporting arrangements to govern risk and for effective arrangements to manage risk*
- *advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively across the authority*
- *reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions*
- *supporting the development of robust arrangements for ensuring value for money*
- *helping the authority to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption*
- *promoting measures to improve transparency, accountability and effective public reporting to the authority's stakeholders and the local community.*

- 5.4 The report also uses the Institute of Internal Audit's "Three lines model" as part of the assurance framework as well:

Figure 1: The IIA's Three Lines Model



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5.5 The guidance raises some interesting questions for the committee. For example in respect of scope the guidance is clear that it should not dilute its work with other elements of Council business. CIPFA’s position in the self-assessment is that it should only focus on the audit committee direct remit and not scrutiny (which it does not at West Berkshire with a separate scrutiny commission in operation) nor ethics and standards (which is part of the remit of the committee at West Berkshire). It also recommends that the membership of the committee should be a maximum of eight with no substitutes. CIPFA also recommends that the committee remains an advisory committee and does not include the functions delegated to it, for example at West Berkshire, of approving the financial statements. CIPFA also recommend that the committee produces an annual report (which this committee has commenced in 2022) to Full Council.

5.6 The guidance also considers the political make-up of the membership of the committee, independent members of the committee and support for members of the committee. The report also includes some draft terms of reference for the committee.

Proposals

5.7 This report proposes that the committee undertakes the self-assessment at an informal session and then a formal report is brought back through to the committee at a future meeting in the new municipal year.

6 Other options considered

6.1 The committee could decide to ignore the CIPFA report and continue to operate as it currently does.

7 Conclusion

7.1 The release of the guidance is timely with a much greater focus on good governance within the sector and the remit of the audit committee functions. The report highlights some areas for the committee to consider that the completion of the self-assessment will prompt.

8 Appendices

Appendix A – PART II CIPFA report “Audit Committees – practical guidance for local authorities and police”

Appendix B – PART II CIPFA self-assessment

Appendix C – PART I – CIPFA position statement on audit committees

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 Committee or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

Wards affected: All

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CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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Agenda Item 10

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