

Notice of Meeting



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Governance Committee **Monday 26th June, 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 16 June 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
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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 Committee to be held on Monday, 26 June 2023 (continued)

- To:** Councillors Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Jeremy Cottam, Iain Cottingham, Owen Jeffery, David Marsh, Christopher Read, Louise Sturgess, Simon Carey, Bill Graham and David Southgate
- Substitutes:** Councillors Anne Budd, Dennis Benneyworth, Carolyne Culver, Paul Dick, Janine Lewis and Stephanie Steevenson
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Agenda

Part I

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2	Minutes To approve as a correct record the Minutes of the meetings of this Committee held on 20 March 2023 and 25 May 2023.	3 - 8
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 .	9 - 10
4	Forward Plan Purpose: to consider the Forward Plan for the next 12 months.	11 - 12
5	External Audit Findings Report for Financial Statements 2020/21 (GE4414)	13 - 56
6	Annual Governance Statement 2022-23 (GE4321) Purpose: the report sets out the Annual Governance Statement (AGS) for the Council for 2022-23 for approval. The AGS summarises the key governance issues for the Council and the action plan to address these. The AGS is required to be approved by those charged with governance, the Governance Committee at West Berkshire, under the Accounts and Audit Regulations 2015. The AGS will form part of the Council's financial statements and will be considered by the Council's external auditors, Grant Thornton as part of their annual audit for 2022-23.	57 - 76

Agenda - Governance Committee to be held on Monday, 26 June 2023 (continued)

- 7 **Local Code of Governance (GE4348)** 77 - 86
Purpose: to provide a Code of corporate governance to the Governance Committee to approve. The code is part of the overall system of internal control at the Council and supports the provision of the Annual Governance Statement (AGS) which is approved annually by the Governance Committee.
- 8 **Treasury Outturn Financial Year 2022/23 (EX4385)** 87 - 98
Purpose: the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA TM Code) requires the Council to approve both mid-year and annual treasury management reports. This report provides an overview of the treasury management activity for financial year 2022/23 as at 31st March 2023.
- 9 **Financial Statements 2022/23 Highlight Report and Going Concern Assessment (GE4386)** 99 - 126
Purpose: the report informs members of the key highlights from the draft 2022/23 financial statements and summarises management's assessment of the Council's ability to function as a going concern; this determination supporting the preparation of the Statement of Accounts for 2022/23.
- 10 **Internal Audit Plan 2023-2026 (GE4347)** 127 - 168
Purpose: the Public Sector Internal Audit Standards (PSIAS) require the Council's Audit Plan and Internal Audit Charter to be approved by those charged with governance within the Council. The purpose of this report is to set out a risk based plan of work for Internal Audit (IA) that will provide assurance to the Governance Committee on the operation of the Council's governance, risk management and internal control frameworks, and support the Committee's review of the Council's Annual Governance Statement.
- 11 **Review/Update to the Anti-Fraud Policy and Related Policies (GE4410)** 169 - 210
Purpose: the Council's policies covering Anti-Fraud and Corruption, Anti-Money Laundering and the Bribery Act were last reviewed/published in 2019, they are required to be reviewed every three years to ensure they reflect the most recent local government guidance and relevant legislation.



- 12 **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 paragraphs 3, 5 and 6 of Schedule 12A of the Local Government Act 1972 specified in brackets in the heading of each item.

Part II

- 13 **Risk Management Q4 2022/23 Report (GE4394)** 211 - 234
Purpose: to highlight the corporate risks (as at the end of March 2023) that need to be considered and to outline the actions that were being taken to mitigate those risks.

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.

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Governance Committee – 26 June 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

GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 20 MARCH 2023

Councillors Present: Jeff Cant (Chairman), Jeremy Cottam (Vice-Chairman), Jeff Beck, Rick Jones, Tony Linden, Andy Moore, Biyi Oloko, Simon Carey and Bill Graham

Also Present: Julie Gillhespey (Audit Manager), Joseph Holmes (Executive Director - Resources) Sadie Owen (Principal Democratic Services Officer) and Lizzie Reeves (Project Manager)

Sophia Brown and David Johnson (Grant Thornton)

Apologies for inability to attend the meeting: Councillor David Marsh, Councillor Geoff Mayes and David Southgate

1 Minutes

The Chairman noted that it was the last Governance and Ethics Committee before the election.

The Chairman paid tribute and thanks to Councillor Jeff Beck, who had served on the Committee since 2007.

The Minutes of the meeting held on 20 October 2022 were approved as a true and correct record and signed by the Chairman, subject to the following amendment:

- Councillor Andy Moore's declaration of interest regarding Item 26 was amended to note that he was a member of the West Berkshire and Newbury Liberal Democrats, and to remove the text stating that he did not sit on the Local Party Executive.

The Minutes of the meeting held on 16 January 2023 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 Items 5 and 6, 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).

RESOLVED that: Governance and Ethics Committee noted the Forward Plan.

4 Internal Audit Update Report (GE4322)

(Councillor Tony Linden declared a personal interest in Agenda Item 5 by virtue of the fact that that he was on the Local Government Pension Scheme. As his interest was 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.)

GOVERNANCE COMMITTEE - 20 MARCH 2023 - MINUTES

Julie Gillhespey presented the report (Agenda Item 5), which updated the Committee on the status of Internal Audit work as at the end of quarter three of 2022/23. It was reported that there had been no significant issues of concern identified through audit work, and no corporate reviews completed which were given a less than satisfactory opinion during the quarter.

Julie Gillhespey noted that an establishment visit to Hungerford Resource Centre had received a weak opinion, which was explained in point 5.2 of the report as being due to the management of the imprest account and petty cash fund, as well as the Amenities Fund.

Julie Gillhespey noted that Councillor David Southgate had raised a query at the previous meeting regarding the timeframe for internal audit work, and highlighted that Appendix D of the report provided explanations for those 2021/22 audits which were still in progress, and provided further context regarding internal timeframes. Julie Gillhespey suggested that in future the issues could be highlighted by an annual exception report.

The Chairman queried whether the finding in relation to the Hungerford Resource Centre suggested any indication of fraud. Julie Gillhespey responded that there were no concerns raised, and that the review was for assurance.

Councillor Tony Linden asked whether a further report relating to the Hungerford Resource Centre would return to the Committee. Julie Gillhespey responded that it would be reviewed within the forthcoming six months.

In response to a query from Councillor Linden as to whether a fifth member of the Audit team was being recruited, Julie Gillhespey responded that she was in discussions with Human Resources regarding a job advert.

Councillor Rick Jones asked at what point the Committee should become concerned about escalating timescales becoming a governance risk. Julie Gillhespey responded that she would raise it as an issue with Committee if it became a risk, but she was aware of issues across other local authorities. The Covid-19 pandemic, as well as resourcing, were common issues which caused timescale concerns.

Simon Carey queried why managers were not giving enough credence to the Audit process, and asked whether the Committee could support the Audit team to assist them in achieving their targets. Julie Gillhespey responded that she would escalate to the Committee if she felt that managers were not taking the process seriously.

RESOLVED that:

- Governance and Ethics Committee noted the content of the report.
- Governance and Ethics Committee determined that there was no requirement for further data on audit completion timeframes, as set out in points 5.5 to 5.7.

5 External Audit Plan and Fee Financial Year 2021/22 (GE4310)

(Councillor Tony Linden declared a personal interest in Agenda Item 6 by virtue of the fact that that he was on the Local Government Pension Scheme. As his interest was 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.)

Sophia Brown and David Johnson, external auditors from Grant Thornton, presented the plan (Agenda Item 6). David Johnson noted that the 2020/21 finances were still outstanding, and work was ongoing. The issue with infrastructure assets had now been resolved, but a significant amount of work was still being undertaken.

Councillor Adrian Abbs noted that the frequent re-evaluation of land was considered to be a risk and queried whether it would generate a liability in the accounts. David Johnson

GOVERNANCE COMMITTEE - 20 MARCH 2023 - MINUTES

responded that the property valuation did not impact the accounts, in terms of the income and expenditure impact, but were more administrative risks rather than financial.

Councillor Linden noted that the planning process was regularly raised as a risk. David Johnson agreed, but commented that the external auditors were unlikely to focus on it as an issue. It was suggested that it would be an issue for internal auditors to review.

Councillor Jeff Cant noted the 20% increase in fees and asked the external auditors for an explanation for the increase. Sophia Brown responded that the £80,000 fee was the scale fee, with the additional work undertaken by the auditors covered by the separate fee.

Councillor Rick Jones queried whether a significant delay to the 2022/23 process was likely. Sophia Brown responded that most samples had been taken and reviewed. There were issues with some property valuations, and work was ongoing until the end of April. Councillor Jones asked whether the Committee should be concerned with any governance issue in relation to the delay. David Johnson responded that findings had been presented to an independent panel for review which had concluded that the issue was not endemic.

Councillor Linden suggested that the widespread delay in audits should be raised with the Department for Levelling Up, Housing and Communities (DLUHC). Joseph Holmes responded that it was an issue that central government were aware of.

Councillor Abbs queried the size of the portfolio of assets that was being re-assessed, and what portion of it was under investigation. Sophia Brown responded that the value of fixed assets that had been re-assessed for 2021-22 was 20%, and that approximately 100 assets had been identified as not having been captured for valuation when expected. Joseph Holmes agreed to clarify the total number of assets held in order to put the figures into some context.

Councillor Cant queried whether Simon Carey, as the Independent Person, had any observations on the external audit plan. Simon Carey responded that he did not, and that the plan was a comprehensive document.

In response to a query from Councillor Biyi Oloko, Sophia Brown explained that the auditor's fee was determined on a broader workforce than just herself and David Johnson, including five junior trainees, staff undertaking field work and extra work undertaken in relation to ISAs.

RESOLVED that: Governance and Ethics Committee noted the External Audit Plan and Fee for the Financial Year 2021/22.

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

Sophia Brown introduced the report (Agenda Item 7), which detailed questions posed by the internal auditors with the responses received from West Berkshire Council management. The Committee was asked to consider whether the responses were consistent with their understanding.

Councillor Andy Moore referred to Question 10, and queried which advisors were consulted in relation to the London Road Industrial Estate. Joseph Holmes commented that he did not think that the London Road Industrial Estate would have been consulted on during 2021/22 but agreed to follow up the query.

RESOLVED that: Governance and Ethics Committee noted the Risk Assessment.

7 Audit Committee Guidance (GE4285)

Joseph Holmes introduced the report (Agenda Item 8), concerning recent guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) on the role of audit committees. The Committee was asked to consider and reflect upon the latest guidance and to assess whether it complied or not, and to propose any amendments. The Committee was additionally asked to consider completing a self-assessment.

Joseph Holmes noted that the CIPFA guidance was in the Part II section of the agenda as it was not yet a being a public document. Joseph Holmes highlighted suggestions that financial statements be approved by full Council, and that there be additional Independent Persons on the Committee.

In relation to the suggestion that full Council approve financial statements, Councillor Tony Linden commented that the Governance and Ethics Committee allowed members a greater ability to scrutinise in detail and review reports free from party political discipline.

Councillor Jeremy Cottam disagreed with having financial statements approved by full Council suggesting that a number of Members would be unable to thoroughly assess and scrutinise the reports due to the time constraints imposed by Council meetings.

It was agreed that a meeting would be scheduled within the forthcoming fortnight to discuss the self-assessment.

Councillor Biyi Oloko noted that the report suggested a dedicated Audit Committee. Joseph Holmes and Councillor Rick Jones clarified that the Audit Committee role was integrated within the Governance and Ethics Committee, and that the report provided guidance rather than required actions.

RESOLVED that:

- Governance and Ethics Committee noted the report and committed to completing the self-assessment, with a summary to be scheduled for a future Committee to consider any amendments or revisions, where required.
- Governance and Ethics Committee approved that Members of the existing Committee would individually respond to the self-assessment and circulate to Democratic Services.

(The meeting commenced at 6:30 pm and closed at 7:45 pm)

CHAIRMAN

Date of Signature

DRAFT

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

GOVERNANCE COMMITTEE

**MINUTES OF THE MEETING HELD ON
THURSDAY, 25 MAY 2023**

Councillors Present: Dominic Boeck, Jeremy Cottam, Iain Cottingham, Owen Jeffery, David Marsh, Erik Pattenden, Christopher Read, Louise Sturgess and Howard Woollaston

Also Present: Sarah Clarke (Monitoring Officer) and David Cook (Principal Democratic Services Officer)

Apologies for the inability to attend: None Received.

PART I

1 Election of the Chairman

RESOLVED that Councillor Erik Pattenden be elected as Chairman for the 2023/2024 Municipal Year.

2 Election of the Vice-Chairman

RESOLVED that Councillor Howard Woollaston be elected as Vice-Chairman for the 2023/2024 Municipal Year.

(The meeting commenced at 20:11 and closed at 20:13)

CHAIRMAN

Date of Signature

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Governance Committee –26 June 2023

Item 3 – Declarations of Interest

Verbal Item

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Governance Committee Forward Plan 26 June 2023 – 18 March 2024

25 September 2023						
1.	GE4359	Internal Audit Annual Report 2022/23		Julie Gillhespey		
2.	C4412	Annual Monitoring Officer Report		Sarah Clarke		
3.		Internal Audit Update Report Quarter 1		Julie Gillhespey		
4.		2021-2022 External Auditors Report		Joseph Holmes		
5.		Constitutional Update		Sarah Clarke		
20 November 2023						
6.		Strategic Risk Register Update Q2 2023/24		Catalin Bogos		
7.		Treasury Management Mid-year review		Shannon Coleman-Slaughter		
8.		2022-2023 External Auditors Planning Report		Joseph Holmes		
29 January 2024						
9.		Internal Audit Update Report Quarter 2 2023/24		Julie Gillhespey		
10.		2022/23 Year End Preparation		Shannon Coleman-Slaughter		
11.		2022-2023 External Auditors		Joseph Holmes		

Governance Committee Forward Plan 26 June 2023 – 18 March 2024

		Report				
18 March 2024						
12.		Review of CIPFA's guidance for Audit Committees		Joseph Holmes		
13.	GE4413	Financial Statements 2022-23		Shannon Coleman-Slaughter		
14.		Internal Audit Update Report Quarter 3 2023/24		Julie Gillhespey		
15.		Constitutional Update		Sarah Clarke		
16.		Internal Audit Plan 2024-25		Julie Gillhespey		

External Audit Findings Report for Financial Statements 2020/21

Committee considering report:	Governance Committee
Date of Committee:	26 June 2023
Portfolio Member:	Councillor Iain Cottingham
Date Portfolio Member agreed/sent report:	16 June 2023
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	GE4414

1 Purpose of the Report

This report provides members an updated draft audit findings report provided by Grant Thornton in respect of their external review of the 2020/21 Financial Statements.

2 Recommendation

That delegated authority to sign the 2020/21 Financial Statements is delegated the Councils Executive Director for Resources (S151 Officer) and the Chair of the Governance & Ethics Committee, once the Council’s appointed external auditors Grant Thornton provide a formal opinion on the 2020/21 Financial Statements and in the absence of any material changes.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	Not applicable
Human Resource:	Not applicable
Legal:	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditors are required to report whether, in their opinion, the Council's financial statements:

	<ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. 			
Risk Management:	Not applicable			
Property:	Not applicable			
Policy:	Not applicable			
	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:	Joseph Holmes (Executive Director for Resources)			

4 Executive Summary

- 4.1 This report provides members with the draft audit findings report provided by Grant Thornton in respect of their external review of the 2020/21 Financial Statements.
- 4.2 The Council’s appointed external auditors are required under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), to report on, in their opinion, if the Council's financial statements:
- (a) Give a true and fair view of the financial position of the Council and Council’s income and expenditure for the year; and
 - (b) have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
- 4.3 The external auditors are also required to report on whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is not materially inconsistent with the financial statements or knowledge obtained in the process of the audit, or otherwise appears to be materially misstated.
- 4.4 The external audit of the 2020/21 Financial Statements was commenced in November 2021. The draft audit findings report as at June 2023, produced by Grant Thornton is included in appendix A.
- 4.5 The external auditor’s findings in summary is:

“Our audit work has been undertaken remotely from November 2021. We have identified 7 material adjustments to the financial statements which have resulted in a £8,435k

adjustment to the Council's Comprehensive Income and Expenditure Statement. We have also raised recommendations for management as a result of our audit work.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or further material changes to the financial statements, subject to the following outstanding matters;

- (a) receipt of management representation letter; and*
- (b) review of the final set of financial statements.*

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report will be unmodified."

5 Supporting Information

The draft external audit findings report is detailed in appendix A.

Proposals

No proposals are made within this report.

6 Other options considered

Not applicable, this report is statutory in nature.

7 Conclusion

The revised audit findings report from the Council's external auditors highlights the adjustments that has been made to the 2020/21 Financial Statements. On the basis of the revised audit findings report and that no material adjustments to the 2020/21 Financial Statements are anticipated the recommendation has been made that delegated authority is given to the Executive Director for Resources and Chair of the Governance & Ethics Committee to formally sign off the 2020/21 Financial Statements upon receipt of a final audit opinion.

8 Appendices

- 8.1 Appendix A – The Draft Audit Findings for West Berkshire Council Year Ended 31 March 2021 (Issued by Grant Thornton June 2023).

Subject to Call-In:

Yes: No: X

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 Scrutiny Commission or associated Committees, Task Groups within preceding six months
 - Item is Urgent Key Decision
 - Report is to note only

Officer details:

Name: Shannon Coleman-Slaughter
Job Title: Acting Head of Finance & Property
Tel No: 01635 503225
E-mail: Shannon.colemanslaughter@westberks.gov.uk

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The Audit Findings for West Berkshire Council

Year ended 31 March 2021

June 2023



Contents



Your key Grant Thornton team members are:

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Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Audit Fees

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and [the Governance and Ethics Committee.

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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Berkshire Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work has been undertaken remotely from November 2021. Our findings are summarised on pages 5 to 21. We have identified **7 material adjustments** to the financial statements which have resulted in a **£8,435k adjustment** to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or further material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by [September 2023](#). This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify a risk of significant weakness at the planning stage but did note a number of areas of focus. Our work on this is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We are unable to certify the closure of the 2020-21 audit of West Berkshire Council until we complete our work in the following areas:

- Whole of Government Accounts return; and
- Completion of the value for money work as outlined above

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Governance and Ethics Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you in October 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Ethics Committee meeting on 25 April 2022. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e. remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity.

2. Financial Statements



Our approach to materiality

The concept of 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.

Materiality levels remain the same as reported in our audit plan.

We detail in the table below our determination of materiality for West Berkshire Council.

Council Amount (£) Qualitative factors considered

Materiality for the financial statements	5,150,000	Equates to 1.25% of the prior year gross expenditure
Performance materiality	3,860,000	Equates to 75% of materiality figure
Trivial matters	255,000	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties
Materiality for Senior Officer Remuneration	100,000	The senior officer remuneration disclosure in the statement of accounts has been identified as an area requiring lower materiality due to its sensitive nature.



2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>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 have performed the following work in respect of this risk:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates and significant unusual transactions • reviewed assurances from Those Charged with Governance and management in relation to fraud, law and regulations. <p>Our audit work has not identified any issues in respect of management override of controls.</p>
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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>As per the audit plan this risk has been rebutted. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Berkshire Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, in summary because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of Local Government authorities, including West Berkshire Council, means that all forms of fraud are difficult to rationalise i.e. the culture and ethics mitigate against fraud being seen as acceptable. <p>Therefore we do not consider this to be a significant risk for West Berkshire Council.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

The expenditure cycle includes fraudulent transactions

Practice note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:

“As most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.” Public sector auditors therefore, need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit

We have considered both pay and non pay costs and considered there to be little opportunity for fraudulent transactions. Pay costs are determined by employee contracts and are standard monthly payments. Non pay costs are based on supplier invoice transactions and have to be paid within a set timeframe.

As part of the audit we have considered the completeness, accuracy and occurrence of expenditure transactions by:

- Evaluating the design and implementation effectiveness of the accounts payable process
- Testing a sample of transactions incurred around the year end to ensure these have been accounted for in the appropriate financial period
- Testing a sample of accruals made at year end that have not yet been invoiced to assess whether the valuation has been calculated on an appropriate basis.

Our audit work has not identified any issues in relation to fraudulent transactions in the expenditure cycle

Valuation of Investment Properties

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.

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.

We have:

- Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- Evaluated the competence, capabilities and objectivity of management’s expert
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- Tested revaluations made during the year to see if they had been input correctly into the Council’s asset register

Our audit work has not identified any issues in relation to valuation of investment properties

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of (land and buildings)

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 and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2021.

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, and a key audit matter.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- discussed with the valuer to confirm the basis on which the valuation was carried out; and
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- testing revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluating 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.

From our work undertaken we have identified three issues. One is in relation to recording of assets on the fixed asset register (FAR) and two on the recording of transactions within the revaluation reserve.

A reconciliation of the FAR to the valuation report identified that one asset revalued in the year had been recorded to a new asset number and the previous asset number, and associated values, had not been removed which had resulted in a duplication of the asset valuation.

As part of our review of revaluations undertaken in year we undertake an assessment of the transactions posted to the revaluation reserve to ensure these have been accurately recorded. From our work we identified one asset where the valuer was required to update their valuation to reflect that an extension had been completed in year and was operational. This required an update to the GIA based on the updated floor plan.

We also identified that one asset had been updated to reflect the componentisation of the elements. The revaluation reserve has been incorrectly updated which has resulted in an overstatement of gross expenditure, within surplus/deficit on the provision of services, and in the revaluation reserve. This has required a restatement to show the correct change in both the CIES and the revaluation reserve.

These misstatement have resulted in 2 recommendations on pages 25 and 26 and the values are shown in appendix C on pages 28 to 32

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Authority'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.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£426.7m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested 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; and
- undertaken 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.
- obtained 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.

We have obtained a letter of assurance 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. We have reviewed the letter which has highlighted a number of issues. These include:

Increase of pension fund assets by approximately £48.1m. The Council's share of this is approximately 13% and based on the figures disclosed equates to an adjustment of £6.3m. The accounts have been adjusted for this error

Variances in membership data numbers between those submitted to the actuary and the data held on the Altair membership data system. Work completed at the Council to confirm data provided to the pension fund has been undertaken and no issues have been identified.

A variance of £1.6m in contributions at a pension fund level

We have gained assurances over the Council's arrangements for providing the required data to the pension fund and no further issues have been identified.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>Recognition and Presentation of Grant Income</p> <ul style="list-style-type: none"> The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income There is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correction presentation of revenue in line with the Code 	<p>The Council has undertaken a review of the grant income in year and whether they are acting as principal or agent. This has identified that there are a number of grants where the conclusion from this assessment is incorrect and therefore, the accounting for the transactions is also incorrect. The Council has assessed approximately £40.7m as principal and has thus recognised both the income and expenditure within the CIES. As the Council does not have any liability for these grants these should have been recorded on the agent principal and therefore only the creditor balance should be recognised. This has required an adjustment to the CIES although the net impact is nil.</p> <p>This has also impacted whether the remaining balance has been correctly classified. The Council have classified the remaining covid grant balance as Grant receipts in advance as they have assessed the themselves as principal. As above, the correct treatment is for the Council to assess themselves as agent and therefore this balance should be treated as short term creditors. This has resulted in an adjustment of £6.3m</p> <p>Testing of revenue classed as grant income identified the following issues:</p> <ul style="list-style-type: none"> S106 developer contributions are accounted for under section 2.3 of the Code and should therefore be classified as Grants receipts in advance. The Council has classified these as creditors and therefore an adjustment of £7.4m has been made. The Council is unable to identify which of these contributions are short term and which are long term and therefore all S106 creditors are currently classed as short term. The Council has received a loan which is due to be repaid in December 2022. This has been recorded as grant income and should be recognised as a loan in line with the agreement. Testing also identified that no liability for the repayment has been disclosed which has required an adjustment of £1.8m Testing carried out on capital grants identified that local transport capital funding for 2021-22 has been recorded as grant income for 2020-21 and should have been recorded as grant income in advance as this relates to 2021-22. 	<p>A number of issues have been identified in the work completed on recognition and presentation of grant income. The issues have been discussed with management and amendments have been made as a result of the work undertaken.</p> <p>There has been one material adjustment that has impacted both the revenue and expenditure and one material adjustment that is a reclassification of S106 balances within the balance sheet.</p> <p>Management has made these adjustments and therefore it is considered that balances are fairly stated. Management's has a number of processes for reviewing grant income and disclosing these appropriately in the statement of accounts. The issues identified show that these processes need to be reviewed and further enhanced. A recommendation has been raised in Appendix A.</p>

2. Financial Statements – new issues and risks

Issue	Commentary	Auditor view
<p>Employee Benefit Expenditure</p> <ul style="list-style-type: none"> The Council are responsible for the funding for state schools within their boundaries and ensure that the income and expenditure for these institutions are appropriately recorded within the statement of accounts. 	<p>Within the schools population there were two schools identified where the transactions journaled in at year-end included employee expenses. Testing of Council employee expenses showed that these costs had already been included within the payroll costs and therefore were being double counted. This required a £6.963m adjustment to the CIES in 2020-21.</p> <p>Further review considered whether a similar error had occurred in 2019-20 and testing confirmed that there had also been a duplication in 2019-20. This has led to a further adjustment and has required a prior period adjustment to be included in the updated statement of accounts.</p>	<p>Employee benefit expenditure has been adjusted to reflect the double counting of transactions in the year. A further material adjustment has been made to the 2019-20 balance to recognise the incorrect treatment in the prior year leading to a prior period adjustment.</p> <p>The council need to review processes for identifying and reconciling school payroll transactions to other sources of information to avoid future duplications. A recommendation has been raised in Appendix A.</p>
<p>Cash and Cash Equivalents</p> <ul style="list-style-type: none"> The definition of cash within the statement of accounts has been amended and is defined as any investments that are maturing within 3 days of the year end. This is a change from the previous policy of 3 months and has required a restatement of the prior year accounts 	<p>The change in policy has been clearly demonstrated within the accounting policies and is considered to be appropriate in line with the requirements of the Code.</p> <p>We tested the balance to ensure the new policy had been correctly applied and identified that the Council had misclassified £12m of short term investments as cash and cash equivalents. This has necessitated a material adjustment between the two balances although the net impact on the balance sheet is nil</p>	<p>The Council have amended an accounting policy and have not applied it appropriately in year leading to a material adjustment. Management have also failed to consider the impact on prior year balances and have subsequently made a material adjustment to the closing 2019-20 balance.</p> <p>Management need to ensure that where policy changes are made a full review of comparator figures is undertaken and any adjustments are appropriately reflected. A recommendation has been raised in Appendix A</p>
<p>Derecognition of assets</p> <ul style="list-style-type: none"> When an asset is disposed the Council need to ensure that the FAR is updated to correctly derecognise the asset. 	<p>As part of testing we undertake a reconciliation of the FAR to supporting documentation. This exercise identified that Thatcham C of E Primary School is not owned by the Council and is still recorded in the FAR. This has necessitated an adjustment to the PPE balances in the balance sheet</p>	<p>As part of the year end processes the Council undertake a review of the Fixed Asset Register to identify any assets that are incorrectly included. The issues identified show that Management need to further embed this process into year end close.</p> <p>A recommendation has been raised in Appendix A</p>

2. Financial Statements – new issues

Issue	Commentary	Auditor view
<p>Creditors</p> <ul style="list-style-type: none"> Correct disclosure creditor balances shows the Council's liabilities and it is therefore important that this is accurately stated 	<p>Testing has been undertaken to ensure that creditors are appropriately stated. This has identified the following issues:</p> <ul style="list-style-type: none"> Two issues were identified in relation to accruals whereby one accrual related to a service that did not go ahead and one related to 2021-22 expense that was not reversed A payment in advance has been recorded as a debtor but is not a prepayment as no cash payments have been made at year end. This account has been set up to reverse the over-accrual of creditor items which relate to 2021-22 	<p>Year end estimates are considered an area of risk and are subject to consideration as part of the audit process. The Council need to review processes for identifying creditors and accruals and ensuring that these are accurate.</p> <p>The Council's current process of review has not identified all issues and therefore further reviews should be undertaken at an appropriate level to mitigate future errors. A recommendation has been raised in Appendix A</p>
<p>Capital adjustment account</p> <ul style="list-style-type: none"> The capital adjustment account records those costs related to timing differences arising from the consumption of non-current assets and the financing of purchases. It is credited with amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs 	<p>Testing of entries in the accounts which also impact the capital adjustment account has identified the following:</p> <ul style="list-style-type: none"> Further inspection of property schedule to gain additional assurance over the ownership of the Council over its asset identified a land property not owned by the Council (owned by Highways Agency) that is still reflected on the Fixed Asset Register and accounts of the Council. Our disposal testing identified one asset disposed in 2018 but was only removed from FAR during the year. 	<p>As part of the year end processes the Council undertake a review of the Fixed Asset Register to identify any assets that are incorrectly included. The issues identified show that Management need to further embed this process into year end close.</p> <p>A recommendation has been raised in Appendix A</p>
<p>Lease Disclosures</p> <ul style="list-style-type: none"> Testing carried out on the operating leases identified a significant increase on the maturity analysis of the lease payments on 'Later than one year and not later than five years' and 'Later than five years' even if there were no significant new leases during the year. Based on further testing, we determined that the prior year maturity analysis was discounted at 2.5%. This is not in line with the requirements of the Code that the maturity analysis of the operating leases should be presented at gross amount. In addition, we identified that the second table on Authority as a lessee is not in compliance with the requirements of the CIPFA Code and relevant financial reporting framework. A required disclosure of the lease payments recognised as an expense in the period should be presented but the Council included the entire remaining lease payables of the Contract. 	<p>Testing and recalculation of minimum lease repayments identified the following</p> <ul style="list-style-type: none"> the amount of adjustments identified amounting to a total of £17.8m in the Authority as a lessor and £2.8m in the authority as a lessee disclosure. The £17.8 adjustment pertains to 2019/20 disclosure and since this is above materiality and restatement of the disclosure is required. 	<p>Disclosures within the statement of accounts that do not impact on the primary financial statements are subject to audit under the requirement of the Code and auditing standards. Where material variances are identified a restatement of the balance should be undertaken including an explanatory note as to why the restatement has occurred. Management should ensure that all disclosures are in line with the requirements of the code. A recommendation has been raised in Appendix C.</p>

2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
<p>Infrastructure Assets:</p> <p>The Code requires infrastructure to be reported in the balance sheet at historic cost less accumulated depreciation and impairment and that where there is 'enhancement' to the assets, that the replaced components are derecognised. Where authorities are not fully compliant with these requirements, there may be a risk of material misstatement.</p>	<p>Most local government entities own infrastructure assets and the balance is likely to be material in most cases. For Local Government entities with material infrastructure assets, at either a gross or net value basis, there is therefore, a potential risk of material misstatement in relation to this balance.</p> <p>We have held discussions with management over their treatment of this balance and have sought further evidence to support these assertions.</p> <p>Further consideration of this issue has been undertaken by the key stakeholders, DLUHC, CiPFA, the NAO and the FRC, and it has been agreed that a statutory override will be applied.</p> <p>We discussed the options with management which were, earlier completion but with a potential qualified opinion or waiting for the statutory override to come into force. The statutory instrument came into legislation on 25 December 2022 and waiting for this meant that the reporting date of 30 November 2022 was not met. Management indicated their preference for waiting for the legislation to come into force and we continued to discuss the issue and provide updates to members.</p> <p>Following the issue of the statutory instrument on December 25, 2022, we have reviewed management's assumptions around the Useful Economic Lives (UEL) of infrastructure assets and whether these are in line with expectations. This work identified a number of assets that were outside of expectations and therefore we were unable to gain assurance that the depreciation charged for the year was appropriate.</p> <p>We discussed the issue with management, and it was agreed that depreciation would be recalculated using UELs as prescribed within the updated guidance. This identified a variance of just over £1m. This is not material and therefore management have chosen not to adjust the financial statements.</p> <p>We have included this in the unadjusted misstatements and a recommendation in relation to UELs has been included in the action plan</p>	<p>Our work in this area is still ongoing and we have identified a number of issues that have been reported to management. Further work is required to ensure that appropriate UELs are applied, and that depreciation has been calculated correctly.</p> <p>We will report any further findings to TCWG.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £330.004m	<p>Other land and buildings comprises £330.004m of assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The Authority has engaged Wilks Head and Eve LLP to complete the valuation of properties as at 31 March 2021 £58,879,000 of the assets were revalued during 2020-21. The valuation of properties valued by the valuer has resulted in a net increase of £7,378,000. The Authority values assets on a five year rolling programme of revaluations in order to ensure that all revalued assets falling under the same class are assessed at the same time.</p>	<ul style="list-style-type: none"> We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity the valuer in their capacity as the management experts used. We reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding and challenged key assumptions where appropriate. We communicated with the valuer to get further supporting evidence for the data used in calculating the updated asset values to ensure these were consistent with expectations Testing identified that one asset had been revalued in year and had been recorded under a new asset number within the FAR. However the Council failed to remove the previous asset number leading to a duplication of the value within the FAR One asset was identified that was included on the FAR that the Council no longer owned The valuer was required to update the valuation of one asset to reflect the completion of an extension which was not originally included <p>Our work in this area is ongoing and we discuss any further findings with management and report to those charged with governance where relevant.</p>	

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Properties – £66.315m	The Council has investments in a number of investment properties that are valued on the balance sheet as at 31 March 2021 at £66.315m. The investments are not traded on an open market and the valuation of the investment is subjective. In order to determine the value, management have employed Avison Young as management experts. The valuation was based on the market approach and are classed as Level 2 which have taken the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date. The value of the investment has decreased by £255k in 2020-21 due to net losses from fair value adjustments.	<ul style="list-style-type: none"> We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity the valuer in their capacity as the management experts used. We reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding and challenged key assumptions where appropriate. We tested revaluations made during the year to ensure they are input correctly into the asset register and subsequently recorded in the financial statements 	

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £426.738m

The Council's total net pension liability at 31 March 2021 is £426.738 million (PY £293.143 million) comprising the Berkshire Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £159.665m million net actuarial loss during 2020-21.

- We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place.
- We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% – 2.05%	●
Pension increase rate	2.85%	2.80% - 2.85%	●
Salary growth	3.85%	3.80% - 3.90%	●
Life expectancy – Males currently aged 45 / 65	22.5 / 21.2	21.9 – 24.4 / 20.5 – 23.1	●
Life expectancy – Females currently aged 45 / 65	25.4 / 23.9	24.8 – 26.4 / 23.3 – 25.0	●

- We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identified any inconsistencies.
- The Authority has considered that the impact of GMP equalisation is not material to the Statement of Accounts. Based on our review of this area we concur with this view.
- Work completed by the Pension Fund auditor, and communicated to GT through the IAS19 assurance letter, identified that assets had been reduced by £48.1m. West Berkshire's share of this is 13% which is £6.3m. We are continuing to discuss with management how this will be reflected in the statements

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £76.400m	<p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income</p> <p>here is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correction presentation of revenue in line with the Code</p>	<ul style="list-style-type: none"> We have reviewed management's processes for identifying whether they are agent or principal for grant income and ensured that the appropriate disclosures have been made in the statement of accounts We have agreed a sample of grant income to third party documentation including the grant paying body to ensure that revenue has been correctly disclosed We have reviewed supporting documentation to identify any conditions an ensure that the Council has complied with these We have reviewed year end accruals to understand how these have been calculated and that these are appropriately accounted for. Testing identified that there are a number of grants that the Council has assessed as principal should have been accounted for as agent. This means that income and expenditure within the CIES have been overstated by £40.7m which has a net nil impact on the general fund. S106 developer contributions have been classified as creditors rather than Grants received in Advance in line with the requirements of the code. There is a further issue with allocating the contributions between short term and long term and the Council are unable to complete this process with the information available. 	

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Ethics Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A standard letter of representation will be requested from the Council, which will be considered by the Governance and Ethics Committee.
Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have yet to receive confirmation for three investment balances and continue to work with management to complete this process. Any issues identified from this work will be reported to members at Governance and Ethics Committee. We requested from management permission to send confirmation requests to the Pension Fund auditor. This permission was granted and the requests were sent.
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. We have identified the following disclosure issues within the statement of accounts that are being reviewed and updated by the Council:</p> <ul style="list-style-type: none"> Review of related parties identified one body that did not meet the definition of IAS24 and therefore should not be included. Heritage assets have not been separately disclosed on the face of the balance sheet The Council has disclosed a PPA for an amendment of £1.8m This is not material and in line with the Code it is considered that there is no requirement for this disclosure. The Council have reviewed the treatment and consider that this needs to be retained for transparency purposes
Audit evidence and explanations/ significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management were provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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 entity’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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council’s financial reporting framework the Council’s system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work in this area is not yet complete and to date no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect upon completion of the work.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>Our work in this area is not yet complete and to date we have nothing to report on these matters. Any issues identified will be reported to the Governance and Ethics Committee.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required at West Berkshire Council as they do not exceed the threshold required for the completion of this work. It is noted that the NAO has yet to provide guidance for the completion of this work</p>
Certification of the closure of the audit	<p>We intend to delay the certification and the closure of the 2020-21 audit of West Berkshire Council in the audit report due to ongoing VFM work and any requirement for completion of WGA work.</p>



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require 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 the three specified reporting criteria.



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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay will be shared with the S151 Officer and the Chair of the Governance and Ethics Committee. We expect to issue our Auditor's Annual Report by 31 July 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks at the planning stage but noted some areas of focus. Our work on this is underway.

4. Independence and ethics

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 and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard 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.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	5,000	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 £5,000 in comparison to the total fee for the audit of £95,023 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 14 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	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.	<p>The Council should ensure that all analysis of grant income and other revenue is undertaken appropriately and that it is recognised in line with the requirement of the code</p> <p>Management response</p> <p>The accounting adjustment described had a net £nil impact upon the Council's 2020/21 Comprehensive Income and Expenditure Statement, in that income and expenditure totals were both reduced by the same sum of £40m. The Council received extensive Covid-19 grant funding sums in 2020/21 during unprecedented operational circumstances. Management accept the finding and the Council will review for accuracy if there are any such agent/principal amounts within the preparation of the 2021/22 Statement of Accounts.</p>
	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.	<p>A detailed reconciliation of year end transactions should be undertaken to ensure that all transactions are appropriately recorded and that there is no duplication of disclosures.</p> <p>Management response</p> <p>The 2020/21 Statement of Accounts reflects the current year and prior year impacts relating to this specific journal entry. Management will ensure that work is undertaken which demonstrates that such accounting transactions have been treated appropriately during the 2021/22 financial year</p>
	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	<p>The Council should undertake a detailed review of the Fixed Asset Register at year end to ensure that all assets are accurately recorded and that they are still owned by the organisation</p> <p>Management response</p> <p>This finding is acknowledged. Review work is ongoing within Finance to ensure that the FAR remains complete and accurate in terms of supporting detail</p>
	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	<p>The Council should undertake a detailed review of the Fixed Asset Register at year end to ensure that all assets are accurately recorded and that there are no erroneous entries</p> <p>Management response</p> <p>Attention is drawn to the response provided immediately above.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	<p>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.</p>	<p>Management should ensure that any changes in accounting policies are properly and accurately reflected in the statements</p> <p>Management response</p> <p>Recommendation accepted. Within the scope of the 2021/22 financial year-end closedown, the Council will review afresh all established accounting policies</p>
	<p>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</p>	<p>Management should ensure that any changes in accounting policies are properly and accurately reflected in the statements</p> <p>Management response</p> <p>The Council has updated the wording within the associated accounting policy. The 2020/21 Statement of Accounts also reflects the current year and prior year effects of processing this change</p>
	<p>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</p>	<p>The Council should ensure that all supporting documentation is retained and can be accessed when requested in order to provide evidence for figures disclosed within the statement of accounts.</p> <p>Management response</p> <p>The Council has implemented projects with a view to recalibrating the General Ledger framework and to improve reporting processes. Audit issues identified will be incorporated into the project scope.</p>
	<p>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</p>	<p>The Council should ensure that balances disclosed in the statement of accounts are fully supported by an auditable transaction listing or other supporting documentation</p> <p>Management response</p> <p>The Council has implemented projects with a view to recalibrating the General Ledger framework and to improve reporting processes. Audit issues identified will be incorporated into the project scope.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	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.	The Council should ensure the consistency of reporting between the statement of accounts and the figures reported to members Management response This recommendation is acknowledged. A supporting paper will be collated that bridges the Expenditure and Funding Analysis content (presented in the Statement of Accounts) and management's Outturn Report
	A review of infrastructure assets identified that Useful Economic Lives applied were not appropriate and were not in line with the revised guidance. This has meant that depreciation has not been calculated on an appropriate basis and there is a risk of a material misstatement within the financial accounts.	Management should review the useful economic lives applied to infrastructure assets to ensure that these are appropriate and that depreciation is being accurately calculated. Management response
	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.	The Council should ensure supporting evidence is retained for all balances within the statement of accounts to provide assurance as part of the audit process. Management response The finding is accepted. The Council understands the importance of third party evidence as adequate backing for specific financial transactions
	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	Management should review year end accruals and creditor balances to ensure that these have been recorded accurately and allocated to the correct accounting period Management response All such balances will be reviewed for completeness and accuracy within the context of forthcoming financial year-end closedowns

Controls

● High – Significant effect on financial statements ● Medium – Limited Effect on financial statements ● Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	<p>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</p>	<p>Management should ensure processes are in place to allow the monitoring of S106 contributions and when these will be spent in order to ensure analysis within the statement of accounts is accurate.</p> <p>Management response</p> <p>The receipt and application of S106 funding amounts is managed on an ongoing basis. In respect of the 2021/22 financial year-end, management will ensure that a similar exercise (to 2020/21) is undertaken which denotes amounts falling due within one year and amounts falling due within greater than one year</p>
	<p>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</p>	<p>Management need to ensure that all information is provided to the valuer to allow a full and accurate valuation of assets at the year end</p> <p>Management response</p> <p>In order to ensure that the year-end financial statements disclose accurate asset valuations, reliance is placed on the work of third party valuation specialists. The Finance Section is supported by the Council’s in-house Property Team in ensuring that the valuation firms receive complete and accurate supporting data on which to base their asset valuation conclusions at each financial year-end</p>

Controls

B. Follow up of prior year recommendations

We identified the following issues in the audit of West Berkshire Council's 2019/20 financial statements, which resulted in 11 recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations and note 4 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Review of the Fixed Asset Register (FAR) and agreement to the statement of accounts identified that one asset valued at £2.4m had been incorrectly classified as an investment property and £6.1m of Investment property land had been double counted. This has resulted in a material adjustment to the primary statements	This was an adjustment to the prior year accounts which have been processed. It is considered that this issue has been appropriately addressed
X	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 in 2020-21 has identified a number of transactions where the Council have been unable to provide supporting documentation to support the disclosures. We have again raised this as a recommendation for 2020-21
X	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 from the setup of the accounts structure within the general ledger. Management continue to investigate options for restructuring which will provide a more suitable reporting platform that will allow provision of accurate listings for the purpose of audit
✓	A review of the draft statement of accounts identified a number of disclosures that were not included and disclosures that were not compliant with the requirements of the code including fair value hierarchy.	No such issues have been identified as part of the 2020-21 audit

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Testing of PPE disposals identified that there were a number of disposals that related to REFCUS which had been previously incorrectly classified. The disposal was to correct this classification	Testing in 2020-21 has identified further issues relating to PPE disposals. However, these do not relate to REFCUS and therefore we are satisfied that this issue has been appropriately addressed.
X	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. Review of these identified that the figures did not reconcile	This issue remains in 2020-21 and has been discussed with management. It is noted that management undertake a constant review of accounts presentation and will continue to consider this disclosure for the 2021-22 accounts. A recommendation has again been raised in 2020-21
✓	REFCUS allows the Council to fund certain revenue expenditure through capital on the basis of meeting a number of criteria. Testing is required to ensure that this has been properly and accurately applied. Testing undertaken identified £600k of expenditure for which the Council could not provide a transaction listing and therefore could not be tested.	As noted in a previous issue the Council are currently providing reports on an ad-hoc basis and that this is still causing issues in providing full transaction listings for the purpose of audit. However, testing in 2020-21 has not identified any specific issues with REFCUS and this issue is considered to have been addressed
✓	The Audit approach requires the identification and testing of debit balances in income. Testing of these items identified that they were expenditure items and therefore incorrectly classified. There is a net nil impact on the statement of accounts	No such issues have been identified in 2020-21
✓	A review of the bank reconciliation identified approximately £45k in unrepresented cheques from 2018 that remained in the workings	No such issues have been identified in 2020-21
✓	The overall balance of Grants received in advance is correct and has been agreed to supporting documentation. Testing identified that the analysis of this balance was incorrect and that it should not just be disclosed as a LEP balance	No such issues have been identified in 2020-21
X	One item selected for testing with a value of £4.2m was made up of numerous transactions for which the Council are unable to provide third party evidence to support their award.	Testing in 2020-21 has identified a number of transactions where the Council have been unable to provide supporting documentation to support the disclosures. We have again raised this as a recommendation for 2020-21

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
S106 Developer contributions are accounted for under section 2.3 of the code as Government and Non-government grants. This should be classified as Grant Receipts in advance rather than creditors		Short-term creditors 7,421 Grants received in advance- capital (7,421)	
Several grants received as income have been re-assessed as agent rather than principal. Therefore, the income and expenditure has been incorrectly reflected in the CIES which is not in line with the code or IFRS15. This will be removed and the creditor recorded to reflect the balance due for recovery by Central Government and/or expected to be passported to the recipient next financial year	Grant Income - 40,678 Gross Expenditure – Other services expenses - (40,678)	Short-term creditors - (6,282) Grants received in advance – revenue - 6,282	
Testing of employee benefit identified that some school's payroll had been recorded twice.	Employee Benefit Expenditure – (6,963) Miscellaneous income – 6.963		
Testing of short term investments identified that £12m had been incorrectly classified as cash equivalent. These investments do not meet the criteria for cash equivalents and should be reclassified.	Cash equivalent – (12,000) Short-term investment 12,000		
Local capital grant funding has been recorded as grant income and should be classified as Grant receipt in advance to reflect that it relates to 2021-22	Grant income – 718	Grant receipts in advance – capital (718)	718
Per the pension fund assurance letter there has been increase in the value of the pension fund assets. The Council's share of this is approximately 13% and the accounts have been adjusted to reflect this.	Remeasurement of net defined benefit liability - 6,357	Long term liability – (6,357)	6,357
Overall impact	£7,075	£(7,075)	£7,075

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
<p>The minimum lease instalment payable for later than one year and not later than five years in 2019-20 has been erroneously discounted and should be presented at gross under paragraph 4.2.4.20 of the Code. A restatement has been made to Note 36.1 to reflect the prior period disclosure adjustment as follows:</p> <ul style="list-style-type: none"> 1 – 5 years – amended from £11,483k to £12,598k Later than 5 years – amended from £21,752k to £38,397k 	The Council should ensure that disclosure of future liabilities is appropriately analysed between the correct categories	✓
<p>Table 2 on Note 36.2 – Authority as Lessees – Operating leases should show only the lease payments expensed during the period in accordance with paragraph 4.2.4.2 Item 8 of the CIPFA Code</p> <ul style="list-style-type: none"> Minimum lease payments – amended from £4,360k to £1,589k 	Management should ensure that only those transactions in relation to financial year being reviewed are disclosed in the statement of accounts	✓
<p>Note 31 External Audit Costs – A disclosure note is required relating to additional fees charged in 2020-21 for the 2019-20 audit for reconciliation purposes</p>	Management should ensure that all audit costs are appropriately disclosed in the statement of accounts	✓
<p>Review of grant income identified that Housing Benefit Subsidy had been recorded as Fees Charges & Other Service Income rather than Grant Income. This will be reclassified within Note 13 from Fees, Charges & Other Services to Grant Income amounting to £26,621k. The related grant income has also been updated to reflect the change</p>	Management should ensure that all income is disclosed appropriately within the statement of accounts and in line with the requirement of the Code	✓
<p>Testing of Financial Instruments identified that collection fund debtors have been included as financial assets when they should be excluded as they is a statutory right rather than contractual right to receive cash. Adjustments on S106 developer's contributions, cash and cash equivalents & investments have also been adjusted and therefore note 18 has been amended as follows:</p> <ul style="list-style-type: none"> Note 18.1 Current debtor - £28,486k to £19,331k Note 18.1 Current creditors - £34,958k to £27,537k Note 18.3 Fixed Assets held at amortised cost – cash and cash equivalents - £33,080k to £21,080k Note 18.3 Fixed Assets held at amortised cost – short term investments - £2,000k to £12,000k 	Management should ensure that financial instruments are appropriately stated in line with the requirement of the Code.	✓
<p>The 2019-20 Improved Better Care Fund Grants Received in Advance amounting to £213k recorded as other non-covid grants should be classified as Improved Better Care Fund line item for consistency of presentation of disclosure</p>	The Council should ensure that presentation within the statement of accounts is consistent with prior years to allow full analysis	✓

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
<p>Note 13 grant income current year figures have been adjusted to reconcile to Note 13.1 Grant Income as appropriate and Other Income has been included within Fees, Charges and Other income. However the 2019-20 comparatives have not been restated to be consistent with the updated presentation. The amendments to prior year balances is:</p> <ul style="list-style-type: none"> • Fees, Charges & Other Income – amended from £215,792k to £128,304k • Grant Income – amended from £32,053k to £155,589k • Other Income – amended from £4,767k to £0 	Where management change the presentation in the current year they should review prior year disclosures to ensure these are consistent with the updated figures	✓
<p>A number of presentational disclosures are required to the Property, Plant and Equipment (PPE) Note 14 to ensure this agrees to the Fixed Asset Register:</p> <ul style="list-style-type: none"> • Revaluation decrease recognised in the revaluation reserve – from £(42k) to £(1,048k) • Revaluation decrease recognised in the surplus/deficit on provision of service – from £(2,594k) to £(1,588k) • Depreciation written out to the revaluation reserves – from £1,722k to £1,006k • Impairment losses/(reversals) recognised in the surplus/deficit on provisions of services – from £(548k) to £168k 	Management should ensure that transactions required to disclose PPE balances are accurate and that adjustments through revaluation reserves accurately reflect the transactions in year.	✓
<p>There has been a change in the management reporting structure in 2020-21 as Capital Financing and Risk Management have been reallocated to the appropriate Directorates in 2020-21. The CIES, FA and segmental income shows the 2019-20 comparatives under the old structures.</p> <p>Code guidance Notes para 135 confirms that comparative figures should be restated to match the new format. This should include prior year figures being noted as 'restated' and an explanatory note as to why the amendment has been made.</p>	Where management change the presentation in the current year they should review prior year disclosures to ensure these are consistent with the updated figures	✓
PFI assets included within the PPE balance in note 14 should be separately disclosed in line with the Code	<p>Management should ensure accounts disclosures are in line with the requirements of the Code</p> <p>Management Comment</p>	x
Our audit identified a number of presentational and disclosure updates that do not warrant individual reporting. Management updated the FS for areas identified in order to improve the overall presentation and readability, ensure compliance with the Code and ensure that disclosures matched the financial records of the Council.	Management should review all disclosures for accuracy	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Governance and Ethics Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Our reconciliation of the Fixed Asset Register and Valuation report identified that Thatcham Park C of E Primary School Building is not owned by the Council but is still recorded in the books as part of Other Land & Buildings and should be removed from FAR.	Derecognition – Disposals – 810	Accumulated Depreciation OLB – 28 OLB – (838)	810	Not material
Our reconciliation of the Fixed Asset Register and Valuation report identified that one asset revalued had been recorded to a new asset ID and the old asset ID had not been removed, thus, duplicating the value recorded.	Revaluation loss – 20	Revaluation Gain – 330 Accumulated depreciation – 4 OLB – (350) Depreciation written out to revaluation reserve – (4)	20	Not material
Two issues identified on the over accrual of creditor - 1 relates to service that did not go ahead and yet was accrued and 1 relates to 21/22 expense and was not reversed accordingly.	Expense – (583)	Creditors – 583	(583)	Not material
Payment in advance account recorded as debtor is not actually a prepayments as there are no cash payments made as at YE. This account was set-up to reverse the over accrual of creditor items which relates to the next financial year.		Creditors – 567 Debtors – (567)		Not material
Testing carried out on schools imprest reconciliation identified that there are £313k reconciling items that the Council cannot evidence. These largely relates to unrecorded receipts, hence, bank statement balance is greater than the cash currently recorded in the banks.	Fees, Charges & Other Income (313)	Cash and Cash Equivalents – 313	(313)	Not material
Further inspection of property schedule to gain additional assurance over the ownership of the Council over its asset identified a land property not owned by the Council (owned by Highways Agency) that is still reflected on the Fixed Asset Register and accounts of the Council.	Operational Land – (701)	Capital Adjustment Account – 701	(701)	Not material

C. Audit Adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The Valuer has updated their valuation of Willink School to reflect the completed extension in one of the blocks and to update the GIA based on the floor plan provided by the Council.		Revaluation reserve – 684 Property, Plant & Equipment – (684)		Not material
Our disposal testing identified one asset disposed in 2018 but was only removed from FAR during the year.	Loss on disposal – (1,290)	Capital adjustment Account – 1,290	(1,290)	Not material
Our detailed valuation testing identified that a couple of asset had incorrectly charged revaluation decreases to SDPS when they should have been charged against revaluation reserve.	Gross expenditure (Revaluation decrease recognised in SDPS) – (1,845)	Revaluation Reserve – 1,845	(1,845)	Not material
Prior to the audit management identified that one revalued asset had been matched against wrong asset ID. As a result Other Land & Buildings (OLB) was understated and a revaluation loss had been recorded when it should have been revaluation gain.	Revaluation Loss SDPS – (186)	Accumulated depreciation – (66) OLB – 2,615 Depreciation written out Revaluation reserve – 66 Revaluation Gain Revaluation Reserve – (2,429)	(186)	Not material
The Council are unable to evidence that £2.3m of grants relating to Local restriction grant are unspent at year end.		Short term creditors – 2,298 Grants received in advance revenue – (2,298)		Not material
Recalculation of depreciation charged on Infrastructure assets as a result of changes in Useful Economic Lives identified a overstated variance of £1m	Net Cost of Services – (1,018)	Property Plant and Equipment – 1,018	(1,018)	Not material
The Council has incorrectly classified a loan as capital grant income. The loan is due to be repaid in December 2022 and no liability has been disclosed in the statements	Grant Income - 1,360	Capital adjustment account – 440 Loan liability (current) – (1,800)	1,360	Not material
Overall impact	£(4,405)	£4,045	£(4,045)	

Impact of prior year unadjusted misstatements - No unadjusted misstatement were identified in the 2019-20 statement of accounts

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
West Berkshire Council Audit	£131,523	*TBC
Total audit fees (excluding VAT)	£131,523	TBC

Details of variations in final fees from the proposed fee per the audit plan

- fees per financial statements – £146,973
- Less additional 2019-20 fee – (£14,050)
- Less pension fund recharge for 2019-20 work – (£1,400)
- total fees per above - £131,523

*Once audit work has been completed on the accounts, we will discuss the need for any changes to the proposed fees. We will then revisit this following completion of the VfM work. This will be discussed with management and TCWG and then be submitted to PSAA for final approval.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of Teacher's Pension return	5,000	5,000
Total non-audit fees (excluding VAT)	£5,000	£5,000



Annual Governance Statement 2022-23

Committee considering report:	Governance Committee
Date of Committee:	26 June 2023
Portfolio Member:	Councillor Jeff Brooks
Date Portfolio Member agreed report:	25 May 2023
Report Author:	Joseph Holmes – Executive Director (Resources)
Forward Plan Ref:	GE4321

1 Purpose of the Report

- 1.1 The report sets out the Annual Governance Statement (AGS) for the Council for 2022-23 for approval. The AGS summarises the key governance issues for the Council and the action plan to address these. The AGS is required to be approved by those charged with governance, the Governance Committee at West Berkshire, under the Accounts and Audit Regulations 2015.
- 1.2 The AGS will form part of the Council's financial statements and will be considered by the Council's external auditors, Grant Thornton as part of their annual audit for 2022-23. The Government have brought forward the deadline for the production of the financial statements for the previous financial year (2022-23) to 31st May. This document has been included in the draft financial statements though can be amended as part of the revisions to the financial statements during the Grant Thornton external audit. The AGS will form part of the final financial statements for approval by the Governance committee upon receipt of the Grant Thornton audit of the 2022-23 financial statements.

2 Recommendation

- 2.1 For the Governance Committee to note and comment on the AGS.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None directly
Human Resource:	None directly

Legal:	This report is a requirement that it must be considered by the Governance Committee under the accounts and audit regulations 2015.			
Risk Management:	See the main report detailing the action plan to mitigate overall risks raised in the AGS			
Property:	None directly			
Policy:	None directly			
	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		The AGS supports the Council Strategy through focussing on areas to help improve its delivery
Core Business:	X			The AGS focusses on areas that can improve core business
Data Impact:		X		
Consultation and Engagement:	The Council's Finance and Governance Group, Corporate Board and the portfolio holder			

4 Executive Summary

- 4.1 The Annual Governance Statement (AGS) is a core document that sets out the Council's governance arrangements and a review of their effectiveness. The AGS must be reviewed and approved by the Governance Committee annually and is published with the financial statements.
- 4.2 The review for 2022-23 has highlighted four key areas to include in the AGS with an accompanying action plan:
1. Financial resilience
 2. Staff recruitment and retention
 3. Transformation programme
 4. New governance structure
- 4.3 The areas have been identified as areas where progress needs to be made during the forthcoming year to enhance the Council's governance processes and continue to deliver Best Value. Following the Covid-19 pandemic and the impact that this has had on wider recruitment and workforce issues as well as highlighting a different way of working, there is much learning to take forward to improve the Council's underlying governance approach. The impact of the pandemic has also added in longer term financial issues for the Council that impact on the financial resilience of the Council.

5 Supporting Information

Introduction

- 5.2 This report outlines the purpose of the Annual Governance Statement (AGS) and explains how the necessary assurance to support the AGS has been obtained. This should enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.

Background

5.3 The AGS is designed to provide stakeholders of the Council with assurance that the Council has operated within the law and that the Council has met the requirements of the Accounts and Audit Regulations:

“The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control”.

5.4 A copy of the AGS for 2022-23 is attached to this report, for review, at Appendix A.

5.5 The Council relies on a number of sources of information to carry out the review of the system of internal control and effectiveness. These include:

- Service risk registers and the Corporate Risk Register (that is presented to the Committee bi-annually)
- The Internal Audit Manager’s annual report
- Reports from external regulators, e.g. OFSTED, Grant Thornton (the Council’s External Auditor), the LGA (peer review process).

5.6 This evidence provides the assurance that enables the Leader and Chief Executive to sign the AGS with confidence.

5.7 The Chief Executive has undertaken a review of governance arrangements led by the Centre for Governance and Scrutiny. The new structure is due to launch in early 2023-24, and has been amended to ensure a more effective delivery of the Council’s priorities through the Council’s governance structure and implementing the learning of working during the Covid-19 pandemic. This has been included as a key area within the action plan for the AGS.

5.8 A key element of the review of the system of internal control is the identification of any weaknesses or risks in the system, along with recommendations to mitigate such issues. Then in the subsequent year a further report is made on progress with implementing agreed recommendations.

5.9 The Annual Governance Statement for 2021-22 outlined the following issues of focus, and the below includes some commentary on progress against these in the 2022-23 financial year:

Item from 2021-22	Progress during 2022-23	Included in the 2022-23 AGS
Capacity to deliver projects	The Council has been able to deliver a range of projects during the 2022-23 financial year; though there remains a risk always with project delivery, the capacity to	No

	<p>deliver projects has increased and has enabled business as usual and change projects to take place.</p> <p>Solutions for the digitisation and integration of project management processes with performance management and risk management have been initiated. A new integrated system (InPhase) has been procured and implemented to enhance and increase the efficiency and effectiveness of project management processes.</p>	
<p>Review of governance</p>	<p>The new governance structure has been articulated and consulted upon internally within the Council. For the year ahead, the framework it sets out needs to be commenced and embedded before it can be set out as an action completed.</p>	<p>Yes – revised for the 2023-24 year to include the delivery of this in the future</p>
<p>Constitution Review</p>	<p>The majority of the constitution review has been completed with further updates coming through to the Governance Committee and the Council. This review has almost been completed, and though it remains a dynamic document and should be altered for any changes, the fundamental review of the Constitution is substantively complete.</p> <p>The Constitution Review Task Group has completed its review of the following Parts of the Constitution:</p> <p>Parts 4, 5, 6, 7, 9, 10, and 11 and elements of Part 13</p> <p>The new rules have been approved by Council and came into effect on the 30th April.</p>	<p>No</p>

	The current focus is on Parts 3 and 13, which will enable the review of the updated Articles and introduction to be completed.	
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Proposals

- 5.10 In light of the issues raised during the year and after a review of effectiveness, the following **four** areas are the focus for 2023/24:
- **Financial resilience** – ensuring adequate levels of reserves, the achievability of savings, and the identification of further savings in light of a very high savings requirement and very high inflation for the 2022-23 financial year.
 - **Staff recruitment and retention** – ensuring sufficient staffing levels to deliver services without a significant impact on the customer in light of national shortages in some business critical service areas. Move the focus away from agency and interim structures into a higher proportion of WBC employed staff
 - **The delivery of a Transformation programme** - Delivering and monitoring of a transformation programme and funding to demonstrate it meets criteria and improves services. Link to business case for each project. **Core to delivering the refreshed Council Strategy.**
 - **New governance structure** - the roll out, understanding and compliance with this new structure to enable faster operational decisions to be made and support the delivery of the Council Strategy. **Core to delivering the refreshed Council Strategy.**

6 Other options considered

None. The production of the AGS is a requirement to be completed annually and the Council must comply with its production.

7 Conclusion

- 7.1 A key function of the Governance Committee is to review and approve the AGS for 2022-23 prior to it being signed off by the Chief Executive and Leader of the Council, and review the conclusion reached.
- 7.2 In order to be able to review the AGS the Committee needs to examine the evidence, highlighted in the AGS and Code of Local Governance.

8 Appendices

- 8.1 Appendix A – Annual Governance Statement
- 8.2 Appendix B – Code of Local Governance

Background Papers:

Previous year's Annual Governance Statement

Reports from external inspectorates / organisations

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

Officer details:

Name: Joseph Holmes
Job Title: Executive Director (Resources)
Tel No: 01635 503540
E-mail: joseph.holmes1@westberks.gov.uk

Appendix A

Appendix A – Annual Governance Statement

1. Scope of Responsibility

- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 This Statement explains how West Berkshire Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.
- 1.4 The Council has currently undertaking a comprehensive review of its Constitution to improve its governance and decision making. The Council has delivered an action plan following a corporate peer challenge led by the Local Government Association November 2019 and is expecting its next Peer Review during 2023-24.

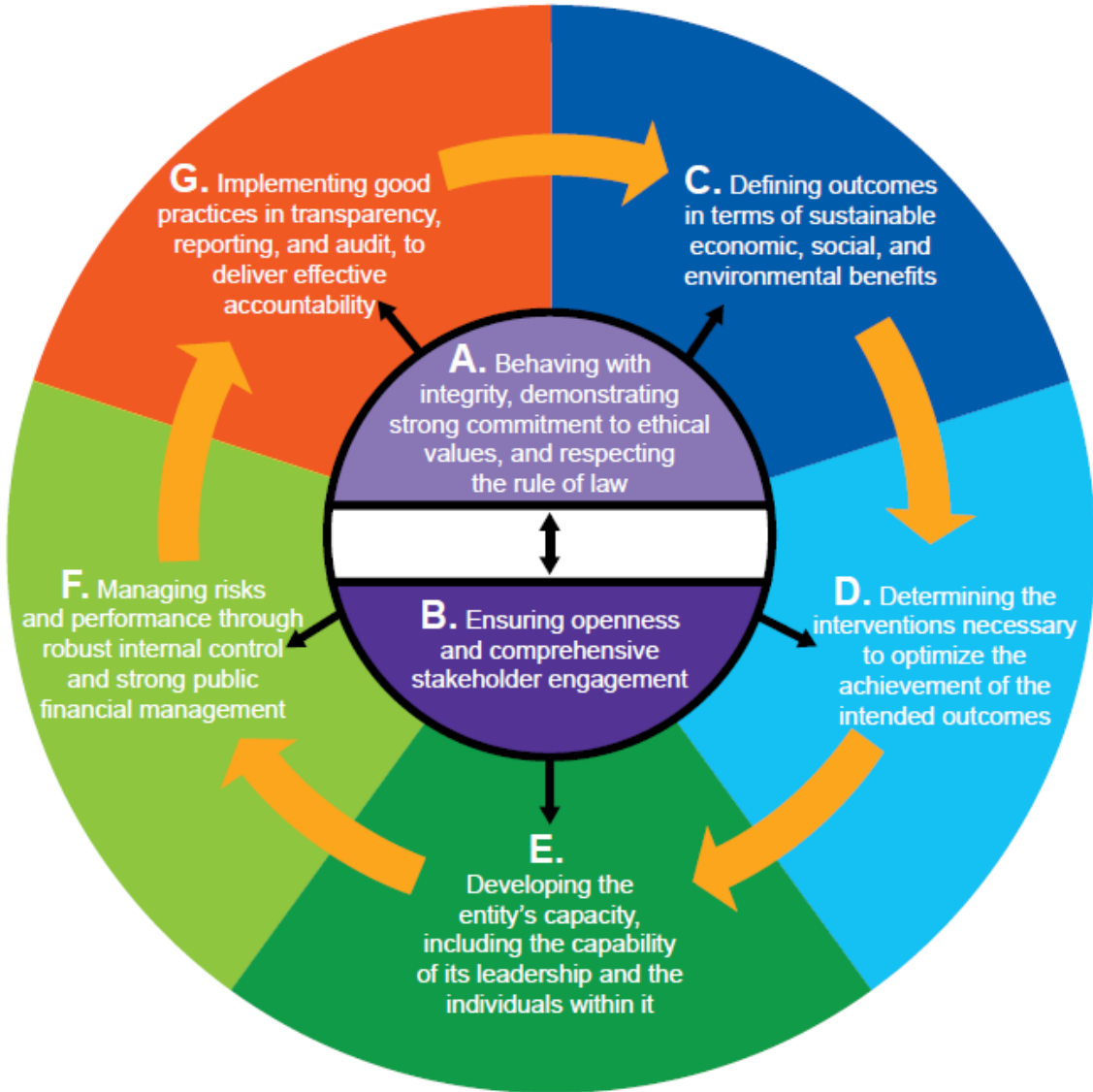
2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts. The

Governance and Ethics Committee approved a Code of Local Governance at its meeting in April 2021 which supports the framework for the compilation of the Annual Governance Statement.

3. **The Principles of Good Governance**

3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:



4. **Methodology for preparing the Annual Governance Statement**

4.1 The Annual Governance Statement has been prepared using a process similar to that used in previous year, including;

- Review of the annual Internal Audit report and quarterly internal audit progress reports.
- The work of the Finance and Governance Group reviewing the Constitution on annual basis and referring changes to the Governance and Ethics Committee and Council

- The Audit and Governance Committee approves the Annual Governance Statement at the same time as the final approval of the financial statements and is signed off by the Chief Executive and Leader of the Council.
- Review of the Corporate risk Register by the Corporate Board (quarterly) and Governance & Ethics Committee (twice yearly)
- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman, the Care Quality Commission (CQC) and external auditor Grant Thornton.

5. The Governance Framework

5.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements. These elements form our local code of Governance and these are underpinned by the CIPFA / SOLACE framework above and core principles of good governance which are:-

- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of Members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability

5.2 The Council has arrangements for managing risk in its Risk Management Strategy which was endorsed by the Governance and Ethics Committee and approved by the Executive in April 2021.

6. Review of effectiveness

8.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service / Service Directors who have responsibility for the development and maintenance of a sound governance environment and is supported by the Corporate Programme Office.

- 8.2 This review is articulated in the Code of Corporate Governance approved by the Governance and Ethics Committee in April 2021, and the Code of Corporate Governance has been included in appendix B.
- 8.3 It is important to reflect on the previous year's key areas for improvement and its impact on governance. A key emergent issue has been the significant increase in inflation which has remained in double figures for the first time in many decades for much of the 2022-23 financial year. This has presented some significant financial pressures, especially in respect of social care, energy and pay costs. This has risen up the corporate risk register as an issue and impacts on financial resilience with a significant use of reserves forecast for 2022-23, alongside further pressure for the 2023-24 financial year. Indeed, for the 2023-24 budget, the Council has put some of the largest amounts of investment into the budget in its history, most of which is inflation linked. Allied to inflation has been the difficulty of recruiting staff in particular areas, especially in social care services due to a variety of reasons, including inflation and comparative pay with other sectors. This item has been added to the AGS due to increasing risk around having a higher proportion of agency staff from an operational and financial point of view.
- 8.4 To assist with the challenges, and opportunities, arising from the Covid-19 pandemic and subsequent financial pressures arising through high inflation, the Council is putting in place a corporate transformation programme to increase its customer focus and efficiency. This will be a key part of the Council's focus for the year ahead, and ensuring it is successful will require effective governance. The review undertaken by the Chief Executive of existing governance arrangements has been completed and this provides an opportunity for a more streamlined and effective approach during the year ahead. This item has remained on the AGS to ensure that it is embedded during the year ahead and delivers the clarity and streamlining anticipated from its proposals.
- 8.5 For 2022-23 the AGS had three areas for improvement; one of these, in respect of governance has been continued through into the 2022-23 financial year, and two have been removed from the AGS on capacity to deliver projects and the Constitution review. Though capacity always remains under pressure, projects are very closely monitored through the enhanced programme management office. The Constitution review is majority completed, with the large items on how the Council runs at the start of the Constitution complete and approved by the Full Council.
- 8.6 The issue of timeliness of external audit certification of the financial statements has not been included for the AGS for 22-23 but may well be for 2023-24. At the time of writing, the 2020-21 financial statements audit was still not completed and the 2021-22 were partially completed. This is not inconsistent with the rest of Berkshire and the national pictures. As at the start of April 2023, only 16 of 149 upper tier authorities (including West Berkshire) had seen the completion of the 2021-22 financial statements by their external auditors. Grant Thornton at West Berkshire provide regular updates to the Governance Committee and so members are kept apprised of progress, and expect to complete their audit of the 2021-22 financial statements in the Summer 2023. The Government's decision to bring forward the completion deadline for Council's for the production of financial statements to the 31st May (but leave a four month period for external audit to complete their audit) is unlikely to help the position in the short term and that condenses more audit work into a short period, as well as increasing the

pressures on local government finance teams to complete the financial statements in line with Government deadlines.

7. Key Governance areas for improvement

7.1 The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the coming years and these are:

Issue	Detail	Action	Owner / Date
Financial resilience	Ensuring adequate levels of reserves, the achievability of savings, and the identification of further savings in light of a very high savings requirement and very high inflation for 2022-23.	Ensure Revenue Budget is set for 2024-25 with sufficient reserves and in year balanced budget.	Executive Director (Resources) / 1.3.2024
Staff recruitment and retention	Ensuring sufficient staffing levels to deliver services without a significant impact on the customer in light of national shortages in some business critical service areas, as well as significant change in senior management postholders. Move the focus away from agency and interim structures into a high proportion of WBC employed staff	Reduce agency spend and decreased staff turnover through talent attraction posts to enhance recruitment and retention, and changed internal processes.	Chief Executive / March 2024
The delivery of a Transformation programme	Delivering and monitoring of a transformation programme and funding to demonstrate it meets criteria and improves services. Link to business case for each project.	Creation of a transformation programme with projects identified, and already in existence, to enhance customer experience and efficiencies	Service Director (Transformation) / March 2024
New governance structure	The roll out, understanding and compliance with this new structure to enable faster operational decisions to be made and support the delivery of the Council Strategy.	Implementation of the new governance structure with a review of its delivery in 2023-24	Chief Executive / December 2023

8. Assurance Summary

- 8.1 Good governance is about operating properly. It is the means by which the Council shows that it is taking decision for the good of its residents, in fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the Council would find it difficult to operate services successfully.
- 8.2 The Internal Audit Opinion for 2022/23 is that the Council's framework of governance, risk management and management control is 'reasonable' and that audit testing carried out during the year has demonstrated controls to be working in practice. The assessments contained within this document highlight that there are effective arrangements in place to deliver good governance but that four key areas are highlighted to further improve our governance.
- 8.3 We propose, over the coming year, to take steps to help address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

**SIGNATURES TO BE INSERTED POST
OPERATIONS BOARD**

Leader of the Council

Chief Executive

Date: 31st May 2023

Date: 31st May 2023

Code of Local Governance - Appendix B

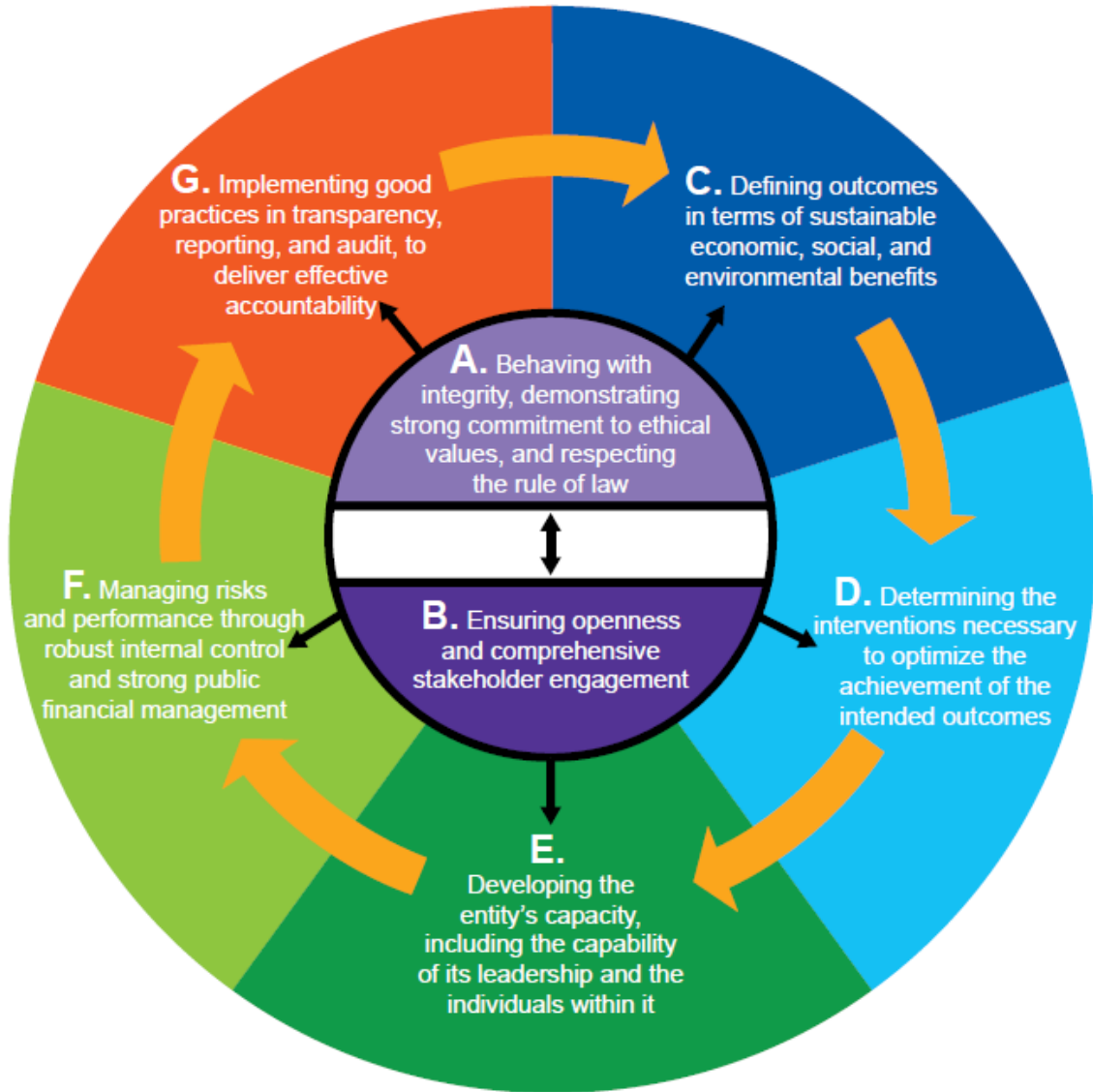
1. Executive Summary

- 1.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. The Leader of the Council and Chief Executive have a special relationship role as custodians of the Council's governance arrangement, but good governance is also the responsibility of all Members and Officers.
- 1.2 The Chartered Institute of Public Finance and Accountancy, ("CIPFA") and the Society of Local Authority Chief Executives ("SOLACE") have published a framework document for Corporate Governance in Local Government, April 2016. The Council is committed to the principles of good corporate governance through the adoption and maintenance of a Local Code of Corporate Governance, as recommended by the CIPFA/SOLACE Framework.
- 1.3 This Local Code of Corporate Governance therefore sets out and describes the West Berkshire Council's commitment to corporate governance and identifies arrangements that will ensure its effective implementation and application in all aspects of the Council's work. This Local Code of Corporate Governance will be reviewed by the Statutory Officers through the Finance and Governance Group annually.

2. Supporting Information

Background

- 2.1 The Council should have an overarching code of corporate governance, and for West Berkshire this is based on the CIPFA/SOLACE framework. The framework "Delivering Good Governance in Local Government" sets out seven core principles of good governance, these are:



3 The Governance Framework

3.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements. These elements form our local code of Governance and these are underpinned by the CIPFA / SOLACE framework above and core principles of good governance which are:-

- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
 - Developing the capacity and capability of Members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability
- 3.2 The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of the Executive, portfolio holders, each committee and Members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution and has adopted codes of conduct for both Officers and Members which facilitate the promotion, communication and embedding of proper standards of behaviour. Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.
- 3.3 The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Executive /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make decisions under delegated authority. The over-arching policy of the Council is decided by the full Council.
- 3.4 The Overview and Scrutiny Management Committee and Governance and Ethics Committee hold Portfolio Holders to account for delivery of the Council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 3.5 The Council engages with its communities through a number of channels, including consultation events, surveys and campaigns relating to specific initiatives.
- 3.6 The Council Strategy is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in service plans. More detailed service plans are drawn up by teams across the Council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.
- 3.7 Progress against the Council Strategy outcomes and budgets is monitored regularly by the Corporate Board and Portfolio Holders. The Overview and Scrutiny Commission receives regular reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Portfolio Holders also monitor progress of delivery, especially through the Corporate Programme Board.

- 3.8 The Council has an officer Strategic Leadership Team (Corporate Board) to monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 3.9 The Council publishes an Annual Financial Report (the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 3.10 The Council is subject to independent audit by Grant Thornton and receives an Annual Audit Letter reporting on findings. The Council supplements this work with its own internal audit function and ad hoc external peer reviews. The Governance & Ethics Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 3.11 The Council has arrangements for managing risk in its Risk Management Policy.

4 Review of effectiveness

- 4.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Service Directors/Heads of Service who have responsibility for the development and maintenance of a sound governance environment.
- 4.2 Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Acts, and Equality requirements.
- 4.3 The Council has appointed the Executive Director (Resources) as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Executive Director (Resources) is a member of the Executive Leadership Team.
- 4.4 The Council has appointed the Service Director (Strategy & Governance) as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 4.5 All Executive reports are reviewed by the S151 and Monitoring Officer. All reports to Executive are required to demonstrate how the subject matter links to the Council Strategy and highlight resource implications. Officers are also asked to draw out risk, equality, environmental, management and legal issues as appropriate. Similar procedures are in place for the other Council Committees.
- 4.6 The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council's

Governance & Ethics Committee deals with complaints relating to the conduct of Members.

- 4.7 Members' induction training is undertaken after each election. Members also receive regular updates and training on developments in local government.
- 4.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

The Council is collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.

The Executive receives regular monitoring reports on revenue and capital expenditure and on key performance measures.

Governance and Ethics Committee approves the annual audit plan, monitors the internal control environment through receipt of audit reports and the AGS, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts.

External Audit external audit is provided by Grant Thornton. Whilst the external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance following the annual audit of the Council's financial accounts.

Internal Audit The internal audit team provide the Council with an internal audit service which includes the Council's entire control environment. The Internal Audit Manager takes account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the Council's objectives.

The Internal Audit Plan is based on the Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Governance & Ethics committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in the AGS

There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

5 Proposals

- 5.1 To achieve and maintain good governance, the Council will seek to apply each of the six core principles above, along with their supporting principles, in the following way:

Principle	Evidence
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Members code of conduct • WBC values • Role of monitoring officer • Council policies e.g. anti-fraud
Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • New Consultation and Engagement strategy • Providing clear decision making process • Review of the Constitution • Consultation process with key stakeholders • Openness of Council meetings and retaining this post May 2021 • Access to information
Defining outcomes in terms of sustainable economic, social, and environmental benefits	<ul style="list-style-type: none"> • Health & Wellbeing Strategy • Council Strategy • Support strategies and delivery plans e.g. Environment Strategy, Economic Development Strategy
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Regularly quarterly reporting on key strategies e.g. performance reporting • Corporate Programme Board and regularly monitoring and management of overall list of projects • Ensuring strong link between Council Strategy and the Medium Term Financial Strategy (MTFS)
Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> • Recent Senior Management Review • Performance management system • Leadership and Management development through the Workforce Strategy

<p>Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> • Robust quarterly monitoring of performance, finance and strategic risk register • Public scrutiny of the above at Executive, Overview & Scrutiny Management Commission and the Governance & Ethics Committee • Annual review and approval of financial statements and progress reporting on action plans • Role of internal and external audit
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> • Review of constitution • Internal audit reporting to Governance & Ethics on a regular basis and an annual report • Implementing the outcome of the Redmond Review (to G&E Committee in Feb. 2021) • Committee reports containing clear sections on consultation / risk management

Local Code of Governance

Committee considering report:	Governance Committee
Date of Committee:	26 June 2023
Portfolio Member:	Councillor Jeff Brooks
Date Portfolio Member agreed report:	25 May 2023
Report Author:	Joseph Holmes (Executive Director – Resources)
Forward Plan Ref:	GE4348

- 1.1 To provide a Code of corporate governance to the Governance Committee to approve. The code is part of the overall system of internal control at the Council and supports the provision of the Annual Governance Statement (AGS) which is approved annually by the Governance Committee.
- 1.2 The Code of Corporate Governance details how the Council complies with the CIPFA/SOLACE (The Chartered Institute of Public Finance and Accountancy, (“CIPFA”) and the Society of Local Authority Chief Executives (“SOLACE”) framework for good governance and supports the principles of good governance contained within this.

2 Recommendation

- 2.1 That the Governance Committee approves the Code of Corporate Governance.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None directly
Human Resource:	None directly
Legal:	Compliance with the CIPFA/SOLACE framework for good governance
Risk Management:	
Property:	None

Policy:	None directly			
	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
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4 Executive Summary

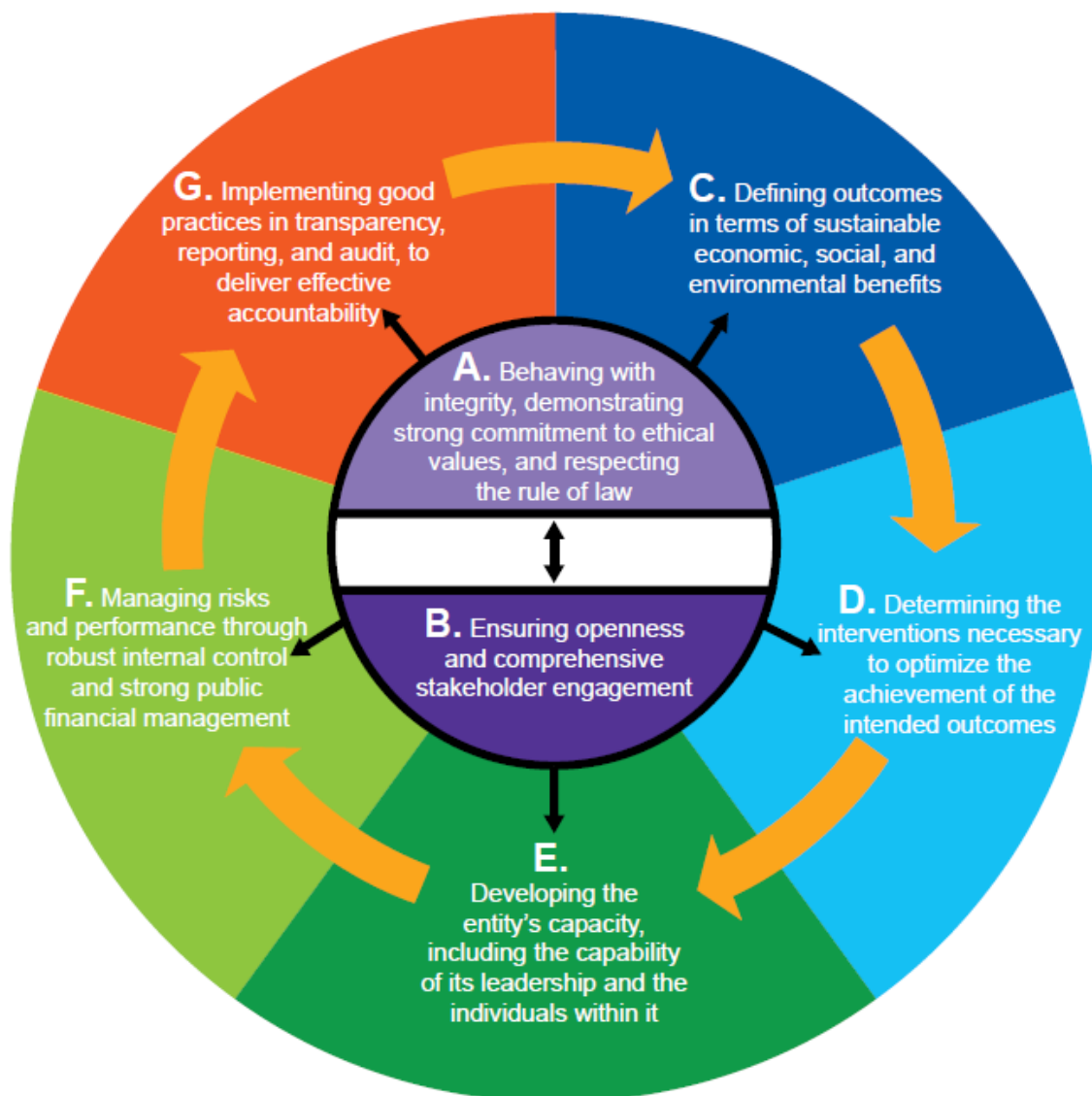
- 4.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. The Leader of the Council and Chief Executive have a special role as custodians of the Council’s governance arrangements, but good governance is also the responsibility of all Members and Officers.
- 4.2 The Chartered Institute of Public Finance and Accountancy, (“CIPFA”) and the Society of Local Authority Chief Executives (“SOLACE”) have published a framework document for Corporate Governance in Local Government, April 2016. The Council is committed to the principles of good corporate governance through the adoption and maintenance of a Local Code of Corporate Governance, as recommended by the CIPFA/SOLACE Framework.
- 4.3 This Local Code of Corporate Governance therefore sets out and describes the West Berkshire Council’s commitment to corporate governance and identifies arrangements that will ensure its effective implementation and application in all aspects of the Council’s work. This Local Code of Corporate Governance will be reviewed by the Statutory Officers through the Finance and Governance Group regularly and at least annually as part of the preparation of the Annual Governance Statement.

5 Background

- 5.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. The Leader of the Council and Chief Executive have a special relationship role as custodians of the Council’s governance arrangement, but good governance is also the responsibility of all Members and Officers.
- 5.2 The Chartered Institute of Public Finance and Accountancy, (“CIPFA”) and the Society of Local Authority Chief Executives (“SOLACE”) have published a framework document for Corporate Governance in Local Government, April 2016. The Council is committed to the principles of good corporate governance through the adoption and maintenance of a Local Code of Corporate Governance, as recommended by the CIPFA/SOLACE Framework.
- 5.3 This Local Code of Corporate Governance therefore sets out and describes the West Berkshire Council’s commitment to corporate governance and identifies arrangements that will ensure its effective implementation and application in all aspects of the Council’s work. This Local Code of Corporate Governance will be reviewed by the Statutory Officers through the Finance and Governance Group annually.

6 Supporting Information

6.1 The Council should have an overarching code of corporate governance, and for West Berkshire this is based on the CIPFA/SOLACE framework. The framework “Delivering Good Governance in Local Government” sets out seven core principles of good governance, these are:



The Governance Framework

6.2 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements. These elements form our local code of Governance and these are underpinned by the CIPFA / SOLACE framework above and core principles of good governance which are:-

Local Code of Governance

- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of Members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability

6.3 The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of the Executive, portfolio holders, each committee and Members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution and has adopted codes of conduct for both Officers and Members which facilitate the promotion, communication and embedding of proper standards of behaviour. Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

6.4 The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Executive /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make decisions under delegated authority. The over-arching policy of the Council is decided by the full Council.

6.5 The Scrutiny Committee and Governance Committee hold Portfolio Holders to account for delivery of the Council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.

6.6 The Council engages with its communities through a number of channels, including consultation events, surveys and campaigns relating to specific initiatives.

6.7 The Council Strategy is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in service plans. More detailed service plans are drawn up by teams across the Council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.

Local Code of Governance

- 6.8 Progress against the Council Strategy outcomes and budgets is monitored regularly by the Corporate Board and Portfolio Holders. The Overview and Scrutiny Commission receives regular reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Portfolio Holders also monitor progress of delivery, especially through the Corporate Programme Board.
- 6.9 The Council has an officer Strategic Leadership Team (Corporate Board) to monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 6.10 The Council publishes an Annual Financial Report (the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 6.11 The Council is subject to independent audit by Grant Thornton and receives an Annual Audit Letter reporting on findings. The Council supplements this work with its own internal audit function and ad hoc external peer reviews. The Governance Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 6.12 The Council has arrangements for managing risk in its Risk Management Policy.

7 Review of effectiveness

- 7.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Service Directors/Heads of Service who have responsibility for the development and maintenance of a sound governance environment.
- 7.2 Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the General Data Protection Regulations (GDPR) and Freedom of Information Acts, and Equality requirements, and current completion rates of this course are at over 95% across the Council.
- 7.3 The Council has appointed the Executive Director (Resources) as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Executive Director (Resources) is a member of the Executive Leadership Team.
- 7.4 The Council has appointed the Service Director (Strategy & Governance) as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 7.5 All Executive reports are reviewed by the S151 and Monitoring Officer. All reports to Executive are required to demonstrate how the subject matter links to the Council

Strategy and highlight resource implications. Officers are also asked to draw out risk, equality, environmental, management and legal issues as appropriate. Similar procedures are in place for the other Council Committees.

- 7.6 The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council's Governance Committee deals with complaints relating to the conduct of Members.
- 7.7 Members receive regular updates and training on developments in local government. With a new intake of elected members in May 2023, there has also been an enhanced members induction programme to support new and existing members in undertaking their role.
- 7.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

The Council is collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.

The Executive receives regular monitoring reports on revenue and capital expenditure and on key performance measures.

Governance Committee approves the annual audit plan, monitors the internal control environment through receipt of audit reports and the AGS, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts and reviews treasury management reports.

External Audit external audit is provided by Grant Thornton. Whilst the external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance following the annual audit of the Council's financial accounts. At the time of writing, May 2023, Grant Thornton had not completed their work on the 2020-21 financial statements, nor the 2021-22 financial statement. This provides a gap in the overall risk and control procedure for the Council. From the 2023-24 financial year, the Council will have different external auditors, KPMG.

Internal Audit The internal audit team provide the Council with an internal audit service which includes the Council's entire control environment. The Internal Audit Manager takes account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the Council's objectives.

The Internal Audit Plan is based on the Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Governance Committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in the AGS

There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the Council’s governance arrangements.

8 Proposals

8.1 To achieve and maintain good governance, the Council will seek to apply each of the six core principles above, along with their supporting principles, in the following way:

Principle	Evidence
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Members’ code of conduct • WBC values • Role of monitoring officer • Council policies e.g. anti-fraud • Emerging Behaviour Framework
Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • Communications and Engagement Strategy and Internal Communications Strategy • Providing clear decision-making process • Review of the Constitution • Consultation process with key stakeholders • Openness of Council meetings • Access to information
Defining outcomes in terms of sustainable economic, social, and environmental benefits	<ul style="list-style-type: none"> • Health & Wellbeing Strategy • Council Strategy • Support strategies and delivery plans e.g. Environment Strategy, Economic Development Strategy • West Berkshire 2036 Vision • Local Plan Review
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Regularly quarterly reporting on key strategies e.g. performance reporting

	<ul style="list-style-type: none"> • Enhanced reporting through the Council’s new integrated Performance and Project Management system • Corporate Programme Board and regularly monitoring and management of overall list of projects within the governance structure • Ensuring strong link between Council Strategy and the Medium Term Financial Strategy (MTFS) • Seeking new Corporate Peer Challenge in 2023
<p>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Recent Senior Management Review • Performance management system • Leadership and Management development through the Workforce Strategy • Political awareness training
<p>Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> • Robust quarterly monitoring of performance, finance and strategic risk register • Public scrutiny of the above at Executive, Overview & Scrutiny Management Commission and the Governance & Ethics Committee • Annual review and approval of financial statements and progress reporting on action plans • Role of internal and external audit
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> • Review of Constitution • Internal audit reporting to Governance & Ethics on a regular basis and an annual report • Implementing the outcome of the Redmond Review (to G&E Committee in Feb. 2021) • Committee reports containing clear sections on consultation / risk management

9 Other options considered

9.1 As part of the preparation of the Annual Governance Statement and statements on good governance the Council should have a separate code of governance. This is included in the Annual Governance Statement for the year using the existing code of governance; this document provides an updated code for future Annual Governance Statements.

10 Conclusion

For the committee to consider the proposed updated code to be used as part of our governance structure.

11 Appendices

11.1 None

Background Papers:

Local Code of Governance 2021

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:

Name: Joseph Holmes
Job Title: Executive Director (Resources)
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E-mail: joseph.holmes1@westberks.gov.uk

Treasury Outturn Financial Year 2022/23

Committee considering report:	Governance Committee
Date of Committee:	26 June 2023
Portfolio Member:	Councillor Iain Cottingham
Date Portfolio Member agreed/sent report:	9 June 2023
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	EX4385

1 Purpose of the Report

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA TM Code) requires the Council to approve both mid-year and annual treasury management reports. This report provides an overview of the treasury management activity for financial year 2022/23 as at 31st March 2023.

2 Recommendation

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA TM Code) requires the Council to approve both mid-year and annual treasury management reports. This report provides an overview of the treasury management activity for financial year 2022/23 as at 31st March 2023 and is deemed the Council's annual treasury report.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	The Treasury function is responsible for the daily cash flow management of the Council. Income from investments contributes to the Council's annual budget. The Council did not take on new external borrowing in the reporting period and focused on utilising internal resources and cash flows in order to mitigate interest rate risk due to the rising interest rate environment.
Human Resource:	Not applicable

Legal:	The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA TM Code) requires the Council to approve an annual treasury management strategy, a mid-year and outturn review. This report satisfies the requirement.			
Risk Management:	All investments are undertaken with a view to minimising the risk of financial loss. The Investment and Borrowing Strategy approved by the Council sets parameters to ensure this. Key treasury indicators are adopted as part of the annual strategy and compliance with these indicators is detailed in section 7 of this report.			
Property:	Not applicable			
Policy:	Not applicable			
	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			The treasury function supports the delivery of the Council Strategy through the financing of the Council's approved Capital Programme and monitoring of Council cash flows.
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	Joseph Holmes, Executive Director for Resources and s151 Officer.			

4 Executive Summary

- 4.1 The Council's Investment and Borrowing Strategy for 2022/23 was approved by Council on 3 March 2022. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.
- 4.2 During 2022/23 inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, has resulted in UK interest rates having been volatile right across the curve, from Bank Rate through to 50-year gilt yields. CPI inflation picked up to what should be a peak reading of 11.1% in October 2022, although hopes for significant falls from this level are dependent on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. The expectation was the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%. Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%. The economic environment during 2022/23 has presented a significant number of financial challenges for the Council, in respect of capital financing and treasury management
- 4.3 The capital programme approved by Council Committee in March 2022 was set with the expectation to undertake £14.5 million of new long term borrowing alongside £8.1 million of short term borrowing during 2022/23. Recent economic instability has been reflected in significant increases to Local Government borrowing from the PWLB (Public Works and Loans Board), with rates for a 25 year annuity loan now on average at between 4%

- 5% compared to a historic average of 2.5%. In a rising interest environment, the Council will face risks of increased cost on any new external borrowing undertaken to support delivery of planned capital works, in addition to general cost inflationary pressures. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. During the current financial year officers have sought to mitigate risk through a strategy of not undertaking long term borrowing in respect of PWLB financing and, instead focusing on supporting delivery of the capital programme through short term borrowing and cash balances. The strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, has reduced risk and keep interest costs low.

- 4.4 On 31 March 2023, the Council had a Capital Financing Requirement (CFR) of £279.5 million (i.e. the underlying need to borrow for capital purposes is measured by the CFR, while usable reserves and working capital are the underlying resources available for investment). At 31st March 2023, the Council held £186.3 million of long term loans, a reduction of £4.7 million compared to 31st March 2022. Included within the borrowing portfolio is the community bond which was issued in 2020/21 in order to assist the financing of the Council's net zero agenda. The Council's borrowing position is summarised in the table below.

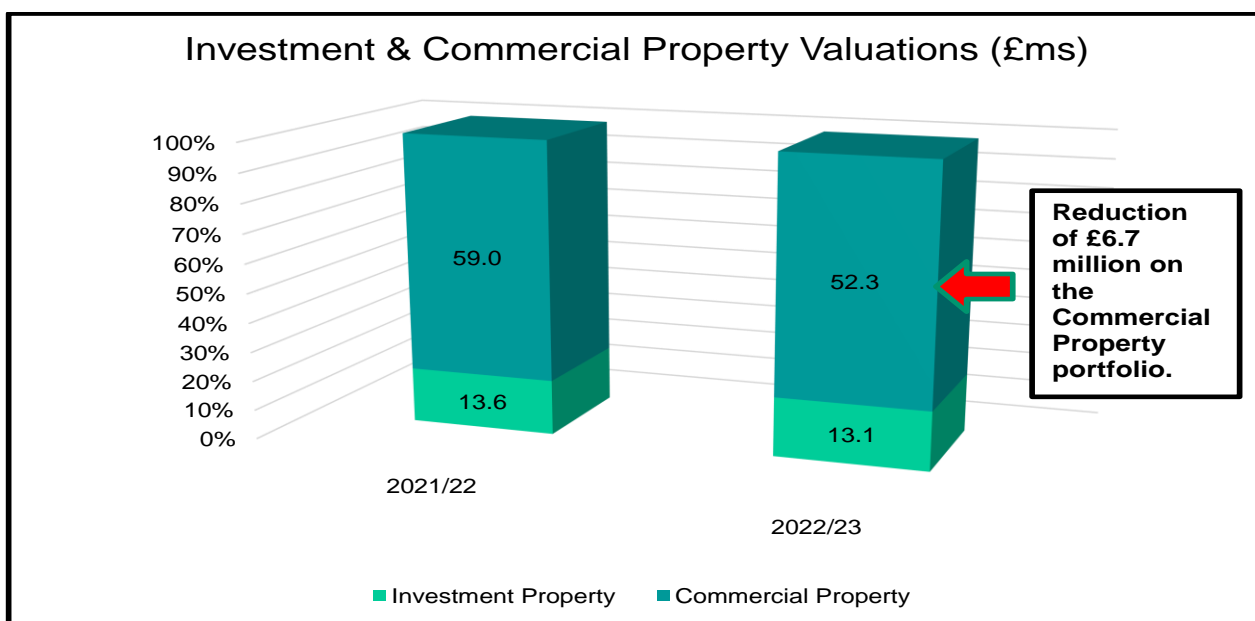
Borrowing position as at 31 March 2023	31/03/2022	Net movement	31/03/2023
	Balance		Balance
	£m	£m	£m
Public Works Loan Board	(191.0)	4.7	(186.3)
Community Bond	(0.8)	0.2	(0.6)
Short term borrowing from local authorities		(3.0)	(3.0)
Total borrowing	-191.8	1.9	-189.9

- 4.5 The strategy of keeping borrowing and investments below their underlying levels, has reduced risk and keep interest costs low. The impact of the strategy has been a reduction in the level of investments held over the reporting period. The investment position as at 31st March 2023 compared to 31st March 2022 is shown in the table below.

Investment Summary	31/03/2022	Net movement	31/03/2023
	Balance		Balance
	£m	£m	£m
Banks & Building Societies (Unsecured)	5.0	0.3	5.3
Government (Incl. Local Authorities)	18.0	-17.0	1.0
Money Market Funds	14.8	-0.4	14.4
Total Investments	37.8	-17.1	20.7

- 4.6 The Council also holds a portfolio of non-treasury investment assets, at the 31st March 2023 (based on 31st December 2022 valuations), the Council held £65.4 million of investments in directly owned property categorised as, commercial property of £52.3 million (i.e. property that the Council has borrowed specifically to fund the purchase), and investment property of £13.1 million (i.e. this is property that the Council holds as an investment property but the purchase has not been funded by borrowing). In most

cases the property categorised as investment property has been inherited from Berkshire County Council or Newbury District Council upon the formation of West Berkshire Council in 1998. The valuation of the asset base decreased over the reporting period, primarily in respect of the commercial property portfolio.



4.7 In financial year 2022/23, the commercial property portfolio has seen a net decrease in value over the reporting period, driven by downturns on valuations for retail warehousing and office space. However, the commercial property portfolio provides annually, an approximate net income stream of £3.3 million (prior to financing costs including MRP), contributing to the cost of delivery core Council services. Further details showing the rates of return across the portfolio is held in sections 5.10 and 5.11 of this report. A high level summary of overall returns is detailed below:

Directly Owned Property: 'Commercial' and 'Investment Property', Combined	£'000
Valuation at 31 March 2022	72,556
Valuation at 31 March 2023	65,415
Loss on change in market value during 2022/23	-7,141
22/23 net income	-3,928
22/23 rate of return excluding MRP and interest	-4.4%
MRP costs 22/23	666
Interest costs 22/23	1,529
Outturn, net of MRP and interest	-1,733
22/23 rate of return, after MRP and interest	-7.5%

4.8 The Council monitors the Treasury management performance through a number of adopted indicators, compliance against these indicators is detailed in section 7 of this report. The Section 151 Officer overall is satisfied that treasury management practices in year have operated in accordance with the approved performance management criteria.

5 Supporting Information

Introduction

- 5.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 5.2 The Council's treasury management strategy (known as the Investment & Borrowing Strategy), for 2022/23 was approved by Council on 3 March 2022. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Investment and Borrowing Strategy.

Background

- 5.3 **Economic background:** During 2022/23 inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, has resulted in UK interest rates having been volatile right across the curve, from Bank Rate through to 50-year gilt yields. CPI inflation picked up to what should be a peak reading of 11.1% in October 2022, although hopes for significant falls from this level are dependent on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. The expectation was the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%. Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%. At the time of writing this report Bank Rate is currently 4.5%.
- 5.4 **Local Context:** On 31st March 2023, the Council had net borrowing (i.e. gross external borrowing less net investments) of £169.2 million arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the CFR, while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below which is based on the Council's 2022/23 draft financial statements.

Balance Sheet Summary	31/03/2023
	Actual
	£m
General Fund CFR	279.5
Less: Other Debt Liabilities: Waste Private Finance Initiative	(10.7)
Loans CFR	268.8
External Borrowing	(189.9)
Internal Borrowing	78.9
Less: Usable Reserves	(47.2)
Less: Working Capital	(52.4)
Net Investments	(20.7)

Borrowing Position as at 31st March 2023

5.5 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. In keeping with these objectives no new borrowing was undertaken. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. At 31st March 2023 the Council held £189.3 million of loans, a decrease of £1.9 million from 31 March 2022 due to annuity payments made in the period. Outstanding loans on 31st March are summarised in the table below.

Borrowing position at 31 March 2023	31/03/2022	Net Movement	31/03/2023	31/03/2023	31/03/2023
	Balance		Balance	Weighted Average	Weighted Average
	£m	£m	£m	Rate	Maturity
				%	(years)
Public Works Loan Board	(191.0)	4.7	(186.3)	3.36	30.19
Community Bond	(0.8)	0.2	(0.6)	1.20	2.55
Local Authorities (Short-Term)		(3.0)	(3.0)	4.00	0.32
Total Borrowing	(191.8)	1.9	(189.9)	3.36	29.63

Other Debt Activity as at 31st March 2023

5.6 Although not classified as borrowing, the Council also has a Private Finance Initiative (PFI) liability in respect of the Padworth Waste Recycling Facility. This debt, which is included in the total borrowing shown on the Council's balance sheet, stood at £10.7 million as at 31.3.2023 compared to £11.5 million as at 31st March 2022. (Repayments of this debt are included in the monthly waste contract charges, which are paid from the revenue budget for waste management).

Investment Activity as at 31st March 2023

5.7 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year to date, the Council's investment balances vary due to timing differences between income and expenditure, as detailed in the table below.

Investment Summary	31/03/2022	Net	31/03/2023	31/03/2023	31/03/2023
	Balance	Movement	Balance	Income Return	Weighted Average Maturity
	£m	£m	£m	%	Days
Banks & Building Societies (Unsecured)	5.0	0.3	5.3	0.42	1
Government (Incl. Local Authorities)	18.0	(17.0)	1.0	1.75	19
Money Market Funds	14.8	(0.4)	14.4	2.18	1
Total Investments	37.8	(17.1)	20.7	1.71	2

5.8 Both the CIPFA TM Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return,

minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Non Treasury Investments as at 31st March 2023

5.9 The definition of investments in the CIPFA TM Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Investment Guidance issued by the Department for Levelling Up, Housing and Communities, in which the definition of investments is further broadened to also include all such assets held partially for financial return. At the 31 March 2023 the Council held £65.4 million of such investments in directly owned property categorised as follows:

- (a) Directly owned property (commercial property) £52.3 million. This is property that the Council has borrowed specifically to fund the purchase.

Names and address of property	Property type	Valuation at 31 March 2021 £'000	Valuation at 31 Dec 2022 £'000	Movement £'000
Dudley Port Petrol Filling Station, Tipton	Petrol Filling Station	3765	4,155	390
79 Bath Road, Chippenham	Retail Warehouse	11775	9,250	-2,525
Lloyds Bank, 104 Terminus Road, Eastbourne	Retail	1800	1,675	-125
Aldi/Iceland, Cleveland Gate Retail Park, Gainsborough	Retail Warehouse	6300	5,825	-475
303 High Street and 2 Waterside South, Lincoln	Retail	2950	2,900	-50
3&4 The Sector, Newbury Business Park	Office	18010	14,950	-3,060
Sainsbury's, High Street, North Allerton	Retail	7185	6,835	-350
Ruddington Fields Business Park, Mere Way, Nottingham	Office	7200	6,700	-500
Valuation per draft 2022/23 Statement of Accounts		58,985	52,290	-6,695

- (b) Directly owned property (investment property) £13.1 million. This is property that the Council holds as an investment property but the purchase has not been funded by borrowing. In most cases the property has been inherited from Berkshire County Council or Newbury District Council upon the formation of West Berkshire Council in 1998.

Names and address of property	Property type	Valuation at 31 March 2021 £'000	Valuation at 31 Dec 2022 £'000	Movement £'000
The Stone Building, The Wharf, Newbury	Café	31	25	-6
Rainbow Nursery, Priory Road, Hungerford	Children's Nursery	40	35	-5
Clappers Farm/Beech Hill Farm, Grazely	Tenanted Smallholding	1800	1,750	-50
Bloomfield Hatch Farm, Grazely	Tenanted Smallholding	1100	1,000	-100
Shaw Social Club, Almond Avenue, Shaw	Community Centre	70	70	0
Swings n Smiles, Lower Way, Thatcham	Children's Day Centre	400	375	-25
Units 1 to 7, Kennet Enterprise Centre, Hungerford	Industrial	565	520	-45
London Road Industrial Estate, Newbury	Industrial	9565	9,350	-215
Valuation per draft 2022/23 Statement of Accounts		13,571	13,125	-446

5.10 The estimated rate of return on these investments for 2022/23 is summarised in the tables below. The rate of return is based on the latest valuation of the properties at the 31st December 2022. The estimated net income for 2022/23 is based on the revenue outturn as at 31st March 2023.

(a) Directly owned property (commercial property):

Directly Owned Property: 'Commercial Property'	£'000
Valuation at 31 March 2022	58,985
Valuation at 31 March 2023	52,290
Loss on change in market value during 2022/23	-6,695
22/23 net income	-3,383
22/23 rate of return excluding MRP and interest	-5.6%
MRP costs 22/23	666
Interest costs 22/23	1,529
Outturn, net of MRP and interest	-1,188
22/23 rate of return, after MRP and interest	-9.3%

(b) Directly owned property (investment property):

Directly Owned Property: 'Investment Property'	£'000
Valuation at 31 March 2022	13,571
Valuation at 31 March 2023	13,125
Loss on change in market value during 2022/23	-446
22/23 net income	-545
22/23 rate of return excluding MRP and interest	0.7%

5.11 The rate of return shown in tables above does not include any change in value of the properties during the period. Due to the nature of direct investment in property there is additional risk (upside and downside) that the value of the investment may change. In respect of commercial property, this risk is carried alongside the risk of voids and no rental income being recovered adversely impacting on achievable rates of return. These risks have historically been managed through allocation of General Fund Reserve to Earmarked Reserves as part of annual budget setting processes. However, for financial year 2023/24 no such provision has been made due to pressure on the Council's overall reserve position. In financial year 2022/23, the commercial property portfolio has seen a net decrease in value over the reporting period, driven by downturns on valuations for retail warehousing and office space. The commercial property portfolio provides annually, an approximate net income stream of £3.3 million (prior to financing costs including MRP), contributing to the cost of delivery core Council services.

Proposals

There are no proposals made within this report, the report is to note only.

6 Other options considered

Not applicable.

7 Conclusion

7.1 The Council measures the financial performance of its treasury management activities the tables below show the overall performance of borrowing and investments over the reporting period:

Borrowing Performance	Actual Interest Cost 01/04/22- 31/03/23	Budgeted Interest Cost 01/04/22- 31/03/23	(Over)/Under	Actual Interest Rate @ 31/03/2023
	£'000	£'000	£'000	%
Short term borrowing	(12)	(9)	(3)	4.00
Public Works Loan Board	(6,366)	(6,198)	(168)	3.36
Community Bond	(9)	0	(9)	1.20
Total Borrowing	(6,387)	(6,207)	(180)	3.36
PFI Debt	(701)	(731)	30	6.10
Total Debt	(7,088)	(6,938)	(150)	

Investment Performance	Actual Interest Received 01/04/22- 31/03/23	Budgeted Interest Income 01/04/22- 31/03/23	Over/(Under)	Actual Interest Rate YTD
	£'000	£'000	£'000	%
Short-Term Investments	544	113	431	1.75
Cash and Cash Equivalents	379	5	374	1.96
Total Treasury Investments	923	118	805	0.00
Pre-paid pension contributions	144	0	144	2.55
Total Treasury Investments (inc. Pre-paid pension contributions)	1,068	118	950	

7.2 Compliance: The S151 Officer is required to report on compliance against the adopted CIPFA TM Code and the Council's approved Investment and Borrowing Strategy. The Council's performance against adopted benchmarks is as follows:

- (a) Compliance with the authorised limit and operational boundary for external debt. The Council is required to ensure that capital financing is reasonable and affordable in the long term. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. Within the operational boundary and authorised limit allowance was made to allow to debt financing of the planned capital programme, existing financing, PFI liabilities and anticipated further lease financing with the adoption of IFRS 16 Leases. The Council remained compliant with the operational boundary and authorised limit during the reporting period.

Debt limits	Maximum during period	31/03/2023	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied?
	£m	Actual	£m	£m	Yes/No
		£m			
Borrowing	(191.8)	(189.9)	(338.7)	(352.7)	Yes
PFI and Finance Leases	(11.5)	(10.7)	(12.0)	(14.4)	Yes
Total Debt	(203.3)	(200.6)	(350.7)	(367.1)	Yes

- (b) Compliance with approved Investment Counter Party Limits. The Council may invest its surplus funds with any of the counterparty types detailed in the approved Investment & Borrowing Strategy, subject to specified limits. During the reporting period the Council has not breached the approved counter party limits. Should a limit be breached it is reported to the Council's Treasury Management Group as part of monthly performance reporting.

Counterparty Limits		31/03/2023	2022/23	Complied?
	Maximum Invested	Actual Invested	Individual Counterparty Limit	Yes/No
	£m	£m	£m	
Debt Management Office (DMO)	39.5	1.0	Unlimited	Yes
UK Local Authorities (including Police, Fire Authorities and similar bodies)	10.0	0.0	8.0	Yes - Individual Limit per counterparty has not been exceeded
UK Building Societies (ranked 1-11 by asset size)	0.0	0.0	8.0	Yes
UK Building Societies (ranked 12-21 by asset size)	0.0	0.0	6.5	Yes
UK Building Societies (ranked 22-25 by asset size)	0.0	0.0	5.0	Yes
UK Banks and other financial institutions with Moody's short term rating P1 or equivalent	7.3	3.8	8.0	Yes
UK Banks and other financial institutions with Moody's short term rating P2 or equivalent	0.0	0.0	6.5	Yes
UK Banks and other financial institutions with Moody's short term rating P3 or equivalent	0.0	0.0	5.0	Yes
UK based money market funds rated AAAmf	23.0	14.4	8.0	Yes - Individual Limit per counterparty has not been exceeded
Registered Charities, Public Sector Bodies and Council owned companies, joint ventures	0.0	0.0	8.0	Yes

- 7.3 The Council measures and manages its exposures to treasury management risks using the Maturity Structure of Borrowing. This indicator is set to control the Council's exposure to refinancing risk.

Treasury Outturn Financial Year 2022/23

Maturity Structure	31/03/23 Actual	Upper Limit	Lower Limit	Complied?
Under 12 Months	2.63%	30%	0%	Yes
12 Months and within 24 Months	2.53%	30%	0%	Yes
24 Months and within 5 Years	6.96%	30%	0%	Yes
5 Years and within 10 Years	14.64%	30%	0%	Yes
10 Years and within 15 Years	15.39%	30%	0%	Yes
15 Years and within 20 Years	6.83%	30%	0%	Yes
20 Years and within 25 Years	7.31%	30%	0%	Yes
25 Years and within 30 Years	4.39%	30%	0%	Yes
30 Years and within 35 Years	3.86%	30%	0%	Yes
35 Years and within 40 Years	1.09%	30%	0%	Yes
40 Years and within 45 Years	12.86%	30%	0%	Yes
45 Years and within 50 Years	21.49%	30%	0%	No*

- 7.4 The actual maturity position for the 45 year to 50 year banding was complied with as at 31st March 2023, however it was breached earlier in the financial year due to the initial aging of debt during the financial year. The 45 – 50 year debt relates primarily to borrowing to finance the commercial property portfolio.
- 7.5 In conclusion the Section 151 Officer is satisfied that treasury management practices in year have operated in accordance with the approved performance management criteria.

8 Appendices

There are no appendices to this report.

Subject to Call-In:

Yes: No: X

- 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 Scrutiny Commission or associated Committees, Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

Officer details:

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Financial Statements 2022/23 Highlight Report and Going Concern Assessment

Committee considering report:	Governance Committee
Date of Committee:	26 June 2023
Portfolio Member:	Councillor Iain Cottingham
Date Portfolio Member agreed/sent report:	8 June 2023
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	GE4386

1 Purpose of the Report

This report is to inform members of the key highlights from the draft 2022/23 financial statements and summarise management’s assessment of the Council’s ability to function as a going concern; this determination supporting the preparation of the Statement of Accounts for 2022/23.

2 Recommendations

- 2.1 No recommendations are made within this report, members are requested to note:
- (a) The usable reserve position of £47.5 million, inclusive of a £7.2 million minimum General Fund level, based on the draft financial statements for 2022/23.
 - (b) The increase in the minimum accruals level for revenue, previously set at £5k and now increased to £10k to align with limits on capitalisation. Minimum level increase was approved by the Council’s s151 Officer.
 - (c) The going concern assessment, has concluded that the Council is a going concern as at the Balance Sheet date of 31 March 2023.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	The financial statements have been prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014 and published by the revised 31 st May deadline. The Balance Sheet shows an overall increase

	<p>in net assets compared to the previous reporting period. The reserves have been significantly depleted, however, the minimum General Fund level has been set to enable the Council to response to unforeseen / unbudgeted events. The minimum General Fund level plus a balanced budget having been set for 2023/24 indicates there is no imminent risk to the going concern assertion.</p> <p>Joseph Holmes, s151 Officer, 8.6.2023.</p>			
Human Resource:	Not applicable			
Legal:	<p>The Council is required to ensure the annual financial statements are properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</p>			
Risk Management:	<p>In accordance with the Code, the Council’s Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its liabilities in the normal course of business. The Council has set a minimum General Fund level of £7.2 million as part of the 2023/24 budget setting process.</p>			
Property:	Not applicable			
Policy:	Not applicable			
	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:	Joseph Holmes – executive Director for Resources, s151 Officer			

4 Executive Summary

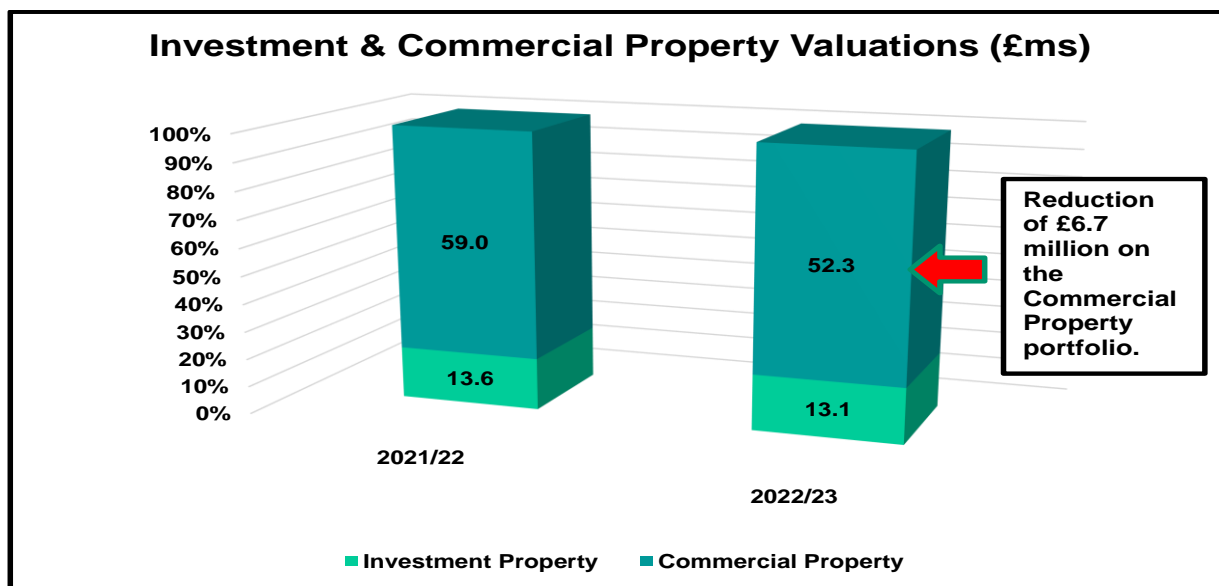
4.1 The financial statements are produced in compliance with the CIPFA/LASAAC code of practice on local authority accounting and the Local Audit and Accountability Act 2014. The draft 2022/23 financial statement were published in accordance with a revised publication timetable of 31st May. Approximately 30%, of Councils (51 districts and 43 Upper Tier), achieved publication of draft financial statement for 2022/23 by the May deadline.

- 4.2 At the time of writing this report the 2020/21 and 2021/22 accounts remain open and subject to external audit sign off. On this basis, the opening balances brought into financial year 2022/23 remain draft and the closing balances as at the Balance Sheet date of 31.3.2023, are therefore provisional. There has been a significant decline nationally in the number of local government accounts including an audit opinion published by the deadline set by central government. For financial year 2020/21, only 9% of local government bodies received audit opinions in time to publish audited 2020/21 financial statements by the 30th September deadline. For financial year 2021/22, 12% of audits were completed with 632 audits outstanding at the revised November deadline. Delays to local audits result in local authority finance teams lacking reliable, audited figures on which to base forthcoming budgets, central government departments do not sufficient oversight of local authority finances and local residents are denied assurance that public monies are being spent appropriately. Delays can be partially attributed to the disruption caused by Covid pandemic, however, post abolition of the Audit Commission and the introduction of private firms into the external audit framework, the percentage of audits completed by the national deadline fell from 97% in 2015/16 to 57% in 2018/19.
- 4.3 The Balance Sheet position as at 31.3.2023 demonstrates an increase in net assets to £280.9 million (£31.0 million as at 31.2.2022).

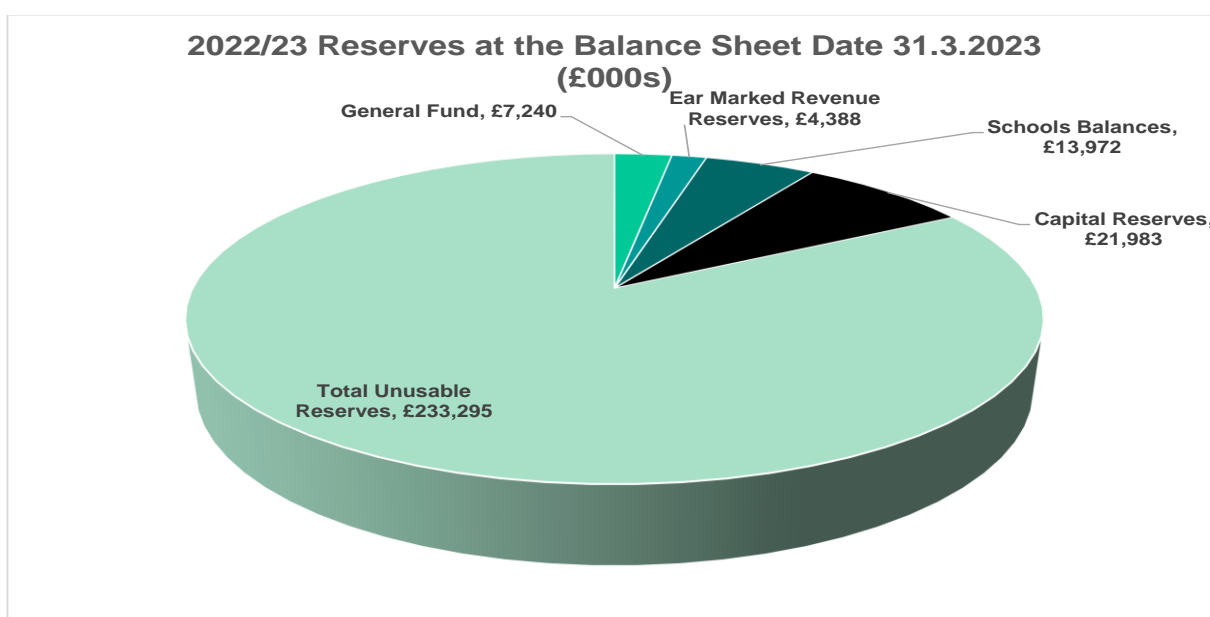
Assets £700.9 Million	Liabilities (£420.0) Million	Usable Reserves £47.6 Million	Unusable Reserves £233.3 Million
<ul style="list-style-type: none"> • Plant, Property & Equipment (PPE) & Intangible Assets • £573.2 Million • Investment Property • £65.4 Million • Current Assets (e.g. cash and cash equivalents) • £62.3 Million 	<ul style="list-style-type: none"> • Pension Fund Liability • £123.5 Million • Long Term Borrowing • £182.0 Million • Other Liabilities (e.g. creditors) • £114.5 Million 	<ul style="list-style-type: none"> • General Fund • £7.2 Million • Usable Earmarked Revenue Reserves • £18.4 Million • Usable Capital Reserves • £22.0 Million 	<ul style="list-style-type: none"> • Unusable Pension Liability • £123.5 Million • Other Unusable Reserves (e.g. Collection Fund and Dedicated Schools Grant) • (£356.8) Million

- 4.4 The improvement has been driven by a significant decrease in the pension liability (£123.5 million as at 31.3.2023 compared to £382.6 million as at 31.3.2022). The liability has decreased due to actuarial assumptions regarding discount rates (for future cash flows) being revised. The Council is advised of the liability by Barnett Waddington LLP. Within the accounts the Council’s total assets have decreased in value (£700.9 million as at 31.3.2023 compared to £712.3 million as at 31.3.2022), the main driver being a reduction in the valuation of the Council’s investment property portfolio, details included in appendix B. The commercial property portfolio which forms part of the overall investment property portfolio, has seen a net decrease in value over the reporting period, driven by downturns on valuations for retail warehousing and office space. The commercial property portfolio provides annually, an approximate net

income stream of £3.3 million (prior to financing costs including MRP), contributing to the cost of delivery core Council services.



4.5 As at the Balance Sheet date the Council holds usable reserves of £47.6 million (£77.3 million as at 31.3.2022), and unusable reserves of £233.3 million (£46.3 million deficit as at 31.3.2022). During the reporting period the Council deployed significant levels of earmarked revenue reserves in support of service delivery. The Council’s General Fund is at the minimum level of £7.2 million. During the financial year £19.4 million of Earmarked reserves were released to support the in year revenue budget and the proposed 2023/24 revenue budget. Earmarked revenue reserves of £4.3 million, focused on insurance and Public Health are now held. £14.0 million of schools reserves are consolidated into the Council’s Balance Sheet. Schools balances increased by £2.9 million over the reporting period, driven by an increase in balances for special schools. Nine primary schools reported deficit positions at the year end, an increase of three schools compared to 31.3.2022.



- 4.6 Currently a statutory override is in place for Dedicated Schools Grant (DSG) deficits. The override allows Local Authorities to transfer accumulated deficits from the General Fund to unusable reserves. A cumulative £4.8 million deficit on the DSG is currently held within the Council's unusable reserves. This deficit has increased by £1.7 million over the reporting period. The statutory override has been in place since the financial year beginning 1.4.2020 and has been extended to include the year ending 31.3.2026. Potential removal of the override does constitute a significant financial risk to the Council's General Fund. The Council is actively engaged in deficit recovery plans to move the Dedicated Schools Grant to a balanced position as at the year ending 31.3.2026. Adjustments for statutory overrides are held within unusable reserves. Unusable reserves are amounts set aside that the Council is unable to use to fund expenditure because they are unrealised or notional, i.e. they relate to accounting adjustments, primarily in respect of capital.
- 4.7 The significant reduction in revenue reserves, combined with a minimum General Fund level does place financial pressure on the Council. Robust cost management and focused delivery of planned revenue savings will be a key focus in financial year 2023/24. There remains a high degree of uncertainty regarding future funding levels for local government, the long awaited proposed Fair Funding review has not occurred. The Council projects its finances over the medium term to ensure it is in a sustainable position to deliver essential public services and finance the delivery of its corporate plans. The MTFS looks to a four year horizon; but delivery of the MTFS cannot occur through the Council alone. A significant proportion, 50%, of the Council's budget is delivered through partners in the private, public and voluntary sectors.
- 4.8 Due to strength of the overall Balance Sheet position and growth in net assets, it is concluded there is no impenitent risk to the going concern assertion. The longer term outlook is dominated by a range of factors; firstly, the macro-economic recovery from the Covid-19 pandemic and the impact that this has had, and will have on the UK economy including inflation and interest rates; secondly the impact on Government reform in Adult Social Care and other services such as planning policy which will alter financial planning assumptions, and thirdly, the long awaited fair funding review and proposed further business rates retention proposals for 2025-26 and beyond which should have a significant impact on the Council's finances and hopefully provide some longer term financial planning certainty.

5 Supporting Information

Introduction

- 5.1 Councils are required to annually produce a set of financial statements that comply with CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Accounts and Audit Regulations 2015. The statutory deadline for production and publication of the annual financial statements is 31st May.
- 5.2 Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the Council's appointed external auditors are required to report whether, in their opinion, the Council's financial statements:
- (a) Give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and

- (b) Have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
- 5.3 Further to the production of the annual financial statements, the Council is requested by the external auditors Grant Thornton to undertake a going concern assessment as at the Balance Sheet date 31 March 2023. The concept of 'going concern' assumes that a Council, its functions and services, will continue in operational existence for the foreseeable future. This key assumption underpins the financial statements prepared under the Local Authority Code of Accounting Practice, and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an Authority was in financial difficulty, the prospects are thus that alternative arrangements may be made by Central Government either for the continuation of the provision of services that the Council supplies, or for assistance with the recovery of a deficit over a period of greater than one financial year.
- 5.4 Where the 'going concern' concept is not appropriate relating to the preparation of the financial statements, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be fully realisable at their book values, and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact upon an Authority's financial statements.

Background

- 5.5 At the time of writing this report, the 2020/21 and 2021/22 accounts remain open subject to external audit sign off. On this basis, the opening balances brought into financial year 2022/23 remain draft and the closing balances as at the Balance Sheet date of 31.3.2023, are therefore provisional.
- 5.6 Local government audit provides transparency and accountability to both taxpayers and local elected representatives. It provides local authorities with accurate and reliable information with which to plan long term finances. From 2018/19, local authorities have appointed external auditors (private firms) either directly or indirectly through a national framework PSAA (Public Sector Audit Appointments). The Department for levelling Up, Housing & Communities (DLUHC), has also sought to compress the time allowable for production of financial statements with the aim of encouraging more rigorous financial reporting. There has been a significant decline nationally in the number of local government accounts including an audit opinion published by the deadline set by central government. For financial year 2020/21, only 9% of local government bodies received audit opinions in time to publish audited 2020/21 financial statements by the 30th September deadline. For financial year 2021/22, 12% of audits were completed with 632 audits outstanding at the revised November deadline.
- 5.7 In respect of producing and publishing draft financial statements, for financial year 2022/23, the timetable was significantly reduced to 31st May. Approximately 30%, of Councils (51 districts and 43 Upper Tier), achieved publication of draft financial statement for 2022/23 by the May deadline. The majority of Councils have publication notices stating the intention to publish within eight weeks of the deadline.

Draft Financial Statements 2022/23

- 5.1 In respect of statutory changes which impact on the preparation of the 2022/23 accounts, no new accounting standard have been adopted. In order to address the delays in issuing audit opinions by external auditors, CIPFA completed a consultation on the code of accounting practice, consulting on a number of temporary proposals to reduce audit scope. The Financial Reporting Advisory Board (FRAB), approved a deferral of the IFRS 16 leases implementation. Under IFRS 16, (with the exception of leases of low value items and short term leases), where the Council is lessee to a contract it will need to recognise on the Balance Sheet a right of use asset, and corresponding lease liability. This will increase the Council's Capital Financing Requirement (CFR) and the Council will be required to make a Minimum Revenue Provision. The deferment approved by FRAB will result in IFRS 16 leases not becoming mandatory for local authorities until 2024/25. However, as part of the 2023/24 statements preparation we will need to include an assessment of the impact of accounting standards issued, not yet adopted.
- 5.2 The year end position of the Dedicated Schools Grant (DSG), is underwritten by the local authority. Due to the volume of Education Authorities experiencing significant DSG deficits, action was taken to protect the General Fund position from the impact of accumulated deficits. A statutory override allowing local authorities to reverse any deficit impact on the General Fund out to unusable reserves was introduced for financial year 2020/21. There remains a huge demand led pressure on funding, particularly in respect of High Needs expenditure. In light of increasing deficit positions, the statutory override for the treatment of the DSG deficit has been extended to cover the period 1st April 2020 to 31st March 2026. The cumulated deficit held within unusable reserves at the Balance Sheet date of 31.3.2023 is £4.8 million. The DSG deficit position remains a future risk to the Council's General Fund without robust deficit recovery plans or additional funding from central government.
- 5.3 In closing the accounts for 2022/23, the minimum accruals limit on revenue was increased from £5k to £10k to align with capitalisation de minimis. The change in accounting treatment generated a one off benefit of £1.5 million to the General Fund.

Proposals

There are no proposals made within this report.

6 Other options considered

Not applicable, this report is to note only.

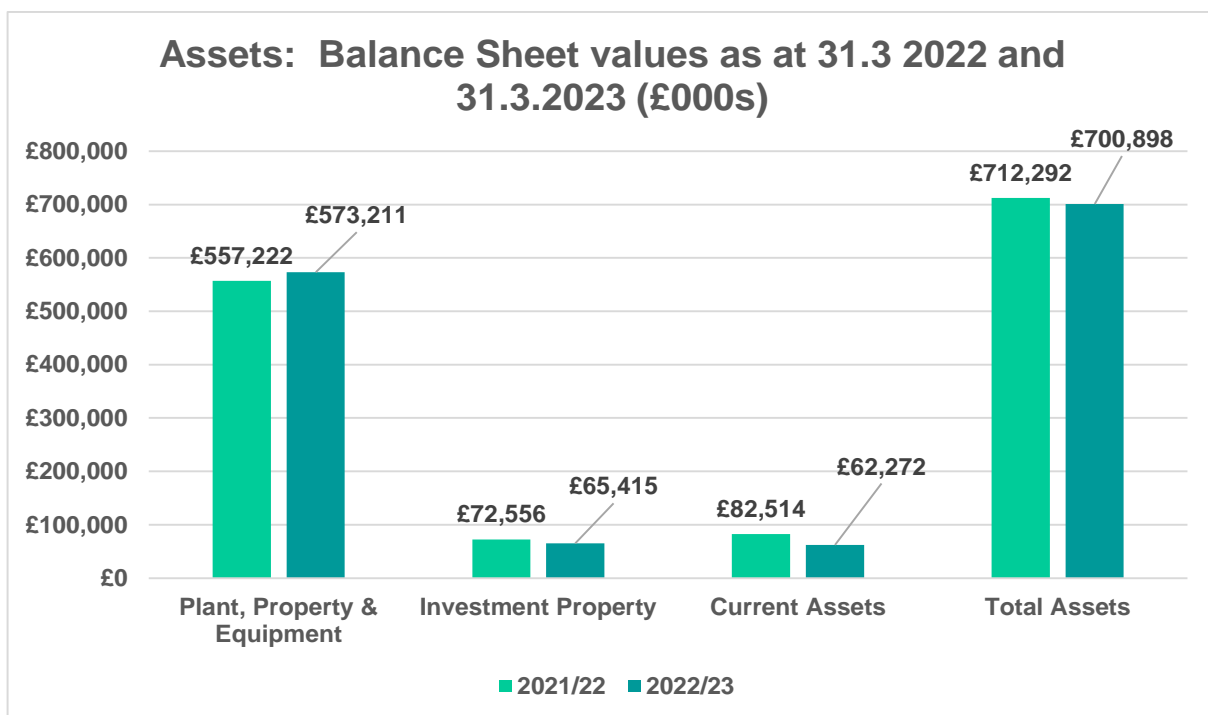
7 Conclusions

- 7.1 The financial statements are produced in compliance with the CIPFA/LASAAC code of practice on local authority accounting and the Local Audit and Accountability Act 2014. The 2022/23 were published by the 31st May deadline and remain draft and subject to change until the Council's appointed external auditor provides an audit opinion.

The draft Balance Sheet as at 31.3.2023:

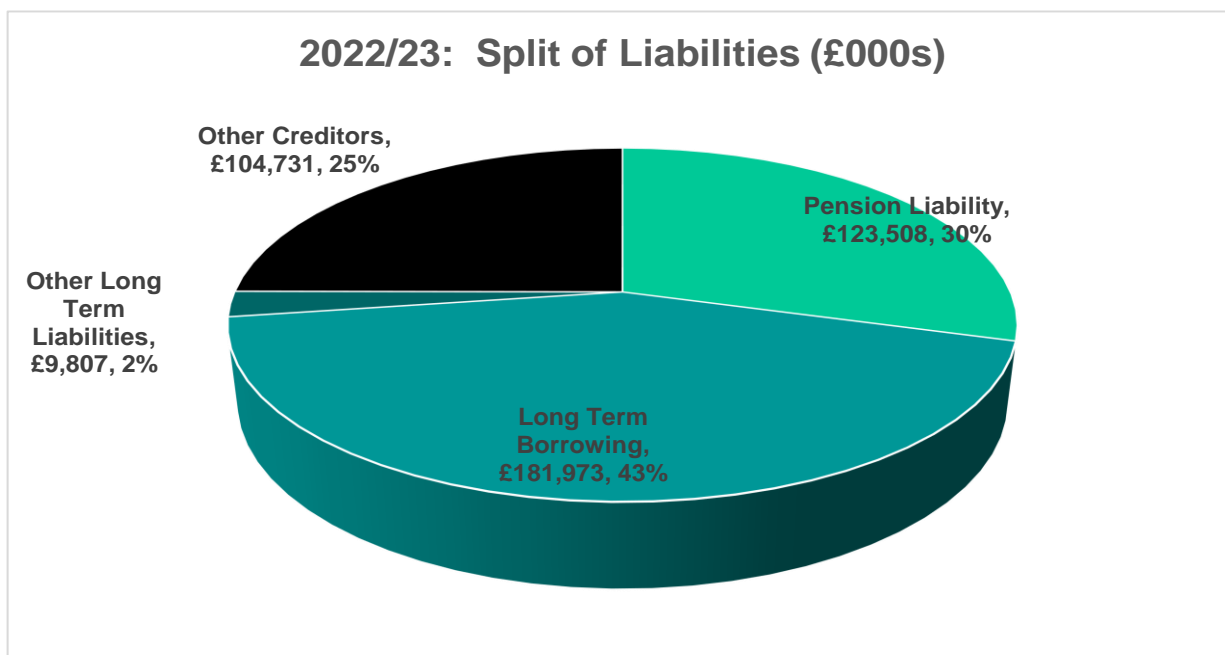
Assets £700.9 Million	Liabilities (£420.0) Million	Usable Reserves £47.6 Million	Unusable Reserves £233.3 Million
<ul style="list-style-type: none"> • Plant, Property & Equipment (PPE) & Intangible Assets • £573.2 Million • Investment Property • £65.4 Million • Current Assets (e.g. cash and cash equivalents) • £62.3 Million 	<ul style="list-style-type: none"> • Pension Fund Liability • £123.5 Million • Long Term Borrowing • £182.0 Million • Other Liabilities (e.g. creditors) • £114.5 Million 	<ul style="list-style-type: none"> • General Fund • £7.2 Million • Usable Earmarked Revenue Reserves • £18.4 Million • Usable Capital Reserves • £22.0 Million 	<ul style="list-style-type: none"> • Unusable Pension Liability • £123.5 Million • Other Unusable Reserves (e.g. Collection Fund and Dedicated Schools Grant) • (£356.8) Million

- 7.1 As at 31.3.2023, the Council's net assets summed £280.9 million (£31 million as 31.3.2022). A key factor in the increase in net assets between 2021 and 2022 is the reduction in the defined benefit pension liability, the total amount payable decreasing from £382.6 million (31.3.2022) to £123.5 million (31.3.2023).
- 7.2 The Council's total assets have decreased from £712.3 million (31.3.2022) to £700.9 million as at 31.3.2023. The decrease is primarily attributable to a decline in Investment property values from £72.6 million (31.3.2022), to £65.4 million as at 31.3.2023. The movement in Investment Property values is detailed in appendix B.
- 7.3 Year-end current assets (inclusive of cash balances held by the Council) decreased from £82.5 million (31.3.2022) to £62.3 million as at 31.3.2023. The key factors driving the overall decrease are year-on-year reductions in the level of external investments and cash balances held from £37.8 million (31.2.2022) to £20.7 million as at 31.3.2023. The Council operated a strategy during 2022/23 of financing capital through internal borrowing (i.e. cash balances) in order to reduce interest rate risk during a rising interest rate environment. The effect of capital expenditure in year can be noted in the increase in the value of operational plant, property and equipment as the Council continues to invest in its asset base through the annual capital programme.



7.4 The Council has utilised draft asset valuations provided by the external valuers as at 31.12.2022, due to delay in availability of March valuations. Once all March based valuations are received an exercise will be undertaken to review and identify any significant variations in preparation for the external audit.

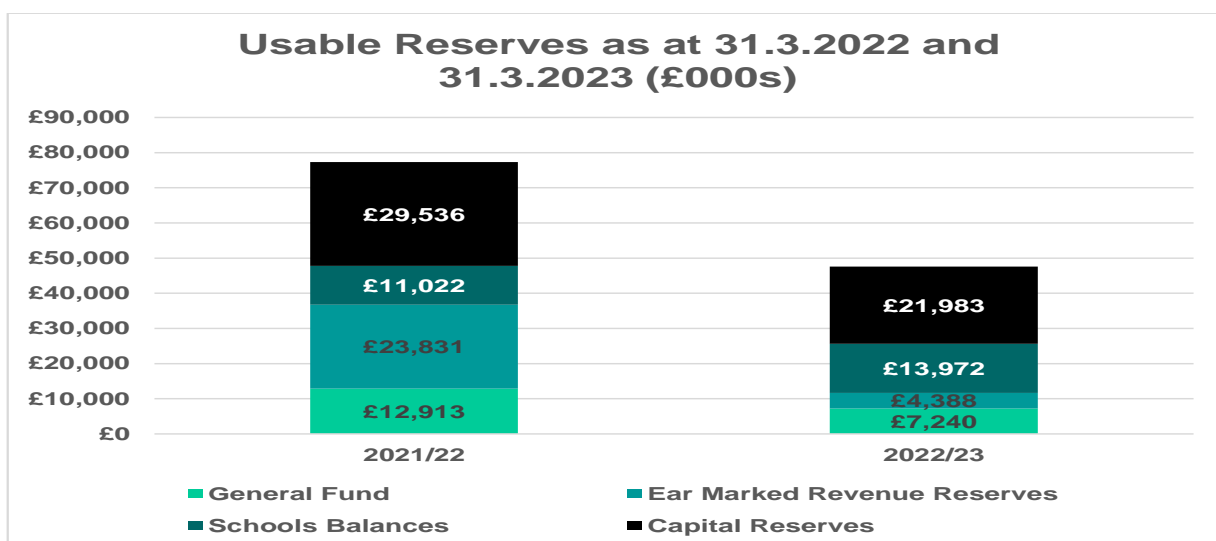
7.5 The Council had total liabilities as at 31.3.2023 of £420 million. 73% of the Council’s liabilities relates to the pension liability and long term borrowing undertaken in support of historic capital programmes.



7.6 The Balance Sheet position as at 31.3.2023 is a decrease in liabilities compared to £681.3 million as at 31.3.2022. The change has been driven by the reduction in the

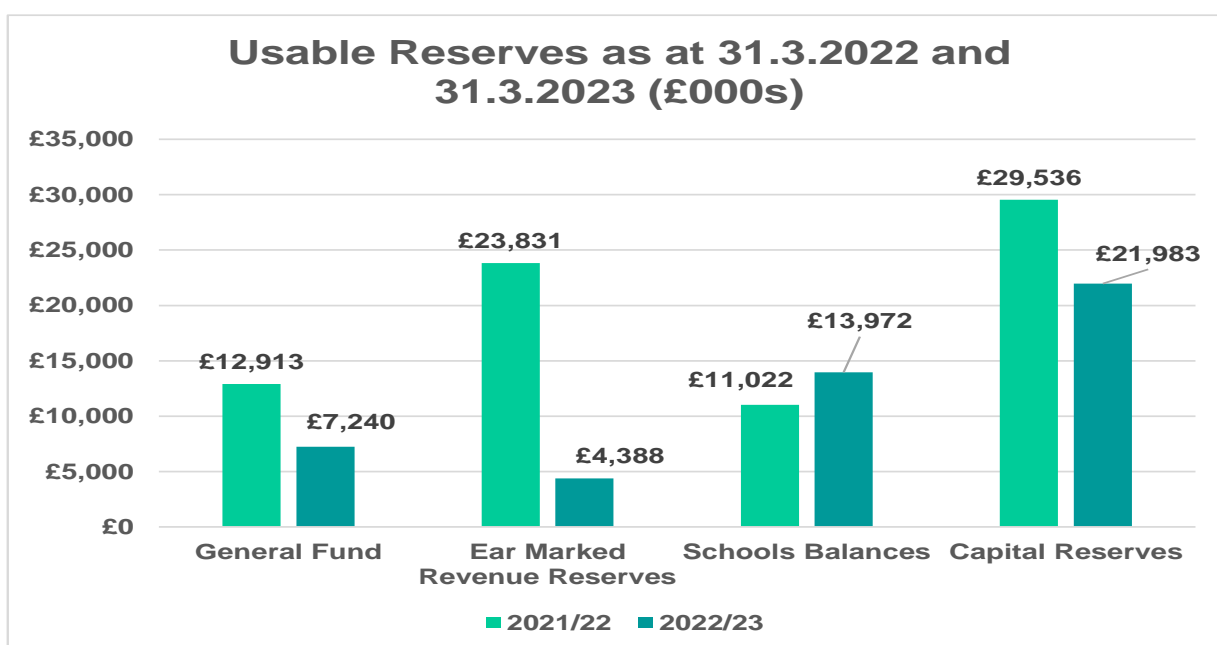
pension liability and reduction in long term borrowing. Due to the rising interest rate environment in 2022/23, no additional long-term borrowing was undertaken in support of the capital programme. The Council’s chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council’s long-term plans change being a secondary objective. In keeping with this objective, with high cost long-term rates it was considered to be more cost effective in the near term to use borrowed rolling temporary / short-term loans and internal resources to finance capital during the period.

- 7.7 The pension liability in the Balance Sheet is based on actuarial assumptions produced by Barnett Waddingham LLP. The liability assessment as at 31.3.2023 includes a number of variables, taking into account estimates of return on pension investments, assumed changes in inflation and mortality, and also the “discount rates” modelled on the defined benefit obligation. Such “discount rates” being a method used to discount future cash flows to their present value and which are determined by the actuary with reference to corporate bond yields (‘yield’ being a bond’s coupon [interest] rate, divided by its market price). The overall reduction in the net pension liability forecast is primarily reflective of a change in actuarial assumptions for discount rates. All else being equal, a higher discount rate will result in a lower value being placed on the defined benefit obligation and an improvement in the overall position.
- 7.8 During the reporting period the Council deployed significant levels of earmarked revenue reserves in support of service delivery. At the Balance Sheet date the Council held usable reserves of £47.6 million (£77.3 million as at 31.3.2022) and unusable reserves of £233.3 million (£46.3 million deficit as at 31.3.2022).
- 7.9 Usable reserves declined by £29.7 million over the reporting period. The reduction in usable reserves has been driven by, firstly pressure on the revenue budget and secondly deployment of usable capital reserves in support of the capital programme and transformation agenda. As at the Balance Sheet date the Council’s General Fund was at the minimum level of £7.2 million. During the financial year £19.4 million of Earmarked reserves were released to support the in year revenue budget and the proposed 2023/24 revenue budget. As at 31.3.2023, earmarked revenue reserves of £4.3 million, focused on insurance and Public Health are now held.



7.10 In respect of usable capital reserves, at the Balance Sheet date the Council held £1.5 million of unapplied capital receipts and £20.5 million of unapplied external funding (Community Infrastructure Levy, grants without conditions). Capital sums are held for financing of future capital projects and forecast to be deployed in financial year 2023/24. £1.4 million of capital receipts held are to be deployed in support of the Council's transformation agenda under the approved capital Strategy and the Flexible use of capital Receipts Policy.

7.11 As part of the production of the financial statements, school balances relating to all those schools under the control of the Education Authority are consolidated into the accounts. Over the reporting period schools balances increased from £11 million as at 31.3.2022 to £13.9 million as at 31.3.2023. The increase in balances relates primarily to special schools. Over the reporting period nine schools ended the financial year with deficit positions, an increase from six schools at the preceding reporting period.



7.12 Unusable reserves are amounts set aside that the Council is unable to use to fund expenditure because they are unrealised or notional, i.e. they are not cash backed and relate to accounting adjustments. In respect of unusable reserves of £233.3 million held as at 31.3.2023, the year on year move in reserves primarily relates to the decrease in the pension fund liability (£382.6 million at 31.3.2022 v £123.5 million at 31.3.2023), and a reduction in the Collection Fund deficit (£9.7 million at 31.3.2022 v £5.0 million surplus at 31.3.2023).

7.13 In conclusion, net assets have increased to £280.9 million compared to £31.0 million as at 31.3.2022. The improvement in the Balance Sheet is primarily the result of a significant reduction in the Pension Fund liability. Reserves overall (usable plus unusable) are positive compared to the prior reporting period, although usable reserves have been significantly depleted and the Council now holds minimal funds to respond to future significant unplanned / unbudgeted events.

8 Appendices

- 8.1 Appendix A – Directors Narrative Statement (extract from financial statements 2022/23)
- 8.2 Appendix B – Investment Property Revaluation Movements as at 31.3.2023.
- 8.3 Appendix C – Going Concern Assessment as at 31.3.2023

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 X

Officer details:

Name: Shannon Coleman-Slaughter
Job Title: Acting Head of Finance and Property
Tel No: 01635 503225
E-mail: shannon.colemanslaughter@westberks.gov.uk

Appendix A

Executive Directors Narrative Statement 2022/23

1. Overview

During 2022/23 inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, has presented a significant number of financial challenges for the Council in supporting residents and local businesses.

The Council's outturn position was a net expenditure figure of £149.3 million against an original budget of £143.8 million, generating an overspend position of £5.4 million. During the financial year £19.4 million of Earmarked reserves were released to support the in year revenue budget and the proposed 2023/24 revenue budget. As at the Balance Sheet date the Council's General Fund was at the section 151 minimum level of £7.2 million. After deployment of significant reserves in 2022/23, the Council now holds (including the General Fund), usable reserves of £47.6 million (£77.3 million as at 31.3.2022). Robust cost management and focused delivery of planned revenue savings will be a key in financial year 2023/24.

The Council continues to pride itself on ensuring services deliver high outcomes and offer value for money, sound and prudent financial management supports this objective. The Council projects its finances over the medium term to ensure it is in a sustainable position to deliver essential public services and finance the delivery of its corporate plans. The Medium Term Financial Strategy (MTFS), looks to a four year horizon; enough to provide some stability over an increasingly volatile financial future, but short term enough so that the first year represents the budget proposals for 2023-24, and for the next three years there are a variety of themes included which form the basis of the future savings areas. The MTFS also includes information on financing the capital strategy and how the scale and profile of this strategy has an impact on the overall financial position of the Council. Key planning themes in the MTFS include:

- That the fair funding review and business rate baseline reset does not occur until 2025-26 at the earliest (this has been

- confirmed by Government) and it is assumed that these do not take place during the life of the MTFS – this assumption will be revised in future years when Government plans are clearer
- Adult Social care (ASC) funding remains in the longer term with a nil impact on WBC from the proposed care reforms in future years
- New Homes Bonus is removed but replaced with a funding system that delivers equivalent levels of reward to 2023-24 in future years – Government are due to release information before the 2024-25 finance settlement
- The assumed permitted Council Tax increases remain at 2.99% and ASC Council Tax precept levels at 2% - any authority proposing an increase above these levels must hold a local referendum
- Inflation remains at 2% in the longer term – forecasts are that for 2024-25 inflation could be negative

The MTFS includes cost avoidance proposals of £5.8 million, £1.8 million of income generation, service transformation of £0.6 million, service reform of £0.8 million, disinvestment of £0.1 million and reserve usage of £1.8 million. The MTFS considers investment as well as savings. Investment set aside over the next four years amounts to £15 million. This includes a wide range of areas and remains in line with the Council Strategy ambitions – i.e. investment to achieve the Strategy, continue to build on our strengths and investment in infrastructure to deliver the Council Strategy and other supporting strategies.

Joseph Holmes

Executive Director for Resources, s151 Officer

Date: May 2023

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2. Council Performance Achievements

Performance for 2022/23 showed that delivery of our Core Business activities remained strong despite some challenges relating to staff retention and recruitment evident across all areas of work. Particularly strong performance was achieved in relation to: countryside and open spaces, timeliness of providing benefits, our culture, leisure and library services, economic development support for businesses, allocation of school places according to parents' preferences, waste management (including recycling) and the collection of business rates.

Improvement activity through the Council Strategy priorities for improvement continued to progress, with the majority of measures targeted for this year being achieved. Areas of achievement to note include: people who feel safe and had their concerns met after having used our Adult Social Care Services, successful outcomes from early response support for parents and children and number of young people (including with special needs) involved in work experience.

The Influencer measures indicated that the district continued to fare well. The high demand on our services remained elevated due to Covid-19 pressures. In some cases demand started to decrease compared to the previous periods, but the main social care demand measures are still increasing.

3. Financial Performance

The 2022/23 net revenue budget of £143.8 million was set in March 2022. The budget was built with a Council Tax requirement of £110.1 million, requiring a Council Tax increase of 1% and an Adult Social Care precept of 3%, effectively raising £1.1 million and £3.2 million respectively as additional local taxation. A balanced budget was achieved through planned utilisation of £4 million of reserves and a cost reduction programme of £5.3 million.

During 2022/23 inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, has resulted in UK interest rates having been volatile right across the curve, from Bank Rate through to 50-year gilt yields. CPI inflation picked up to what should be a peak reading of 11.1% in October 2022, although hopes for significant falls from this level are dependent on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. The expectation was the CPI

measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%. Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%. The economic environment during 2022/23 has presented a significant number of financial challenges for the Council in supporting residents and local businesses.

The Council's outturn position consisted of £135.3 million of expenditure on provision of direct services with a further £14.0 million of capital financing costs (i.e. the charge to revenue made in respect of funding for borrowing undertaken to finance the capital programme). In effect an overall outturn net expenditure figure of £149.3 million against an original budget of £143.8 million, generating an overspend position of £5.4 million.

During 2022/23 key inflationary pressures were realised across services with the main impacts felt within Adult Social Care where 73% of the service is commissioned from external providers. The Council took steps within the year to mitigate the impact of rising inflation through agreeing a 5.6% standard increase with external providers. The number of clients accessing long term support services also increased above forecast levels during the year placing, 1777 clients were in receipt of support packages at the yearend.

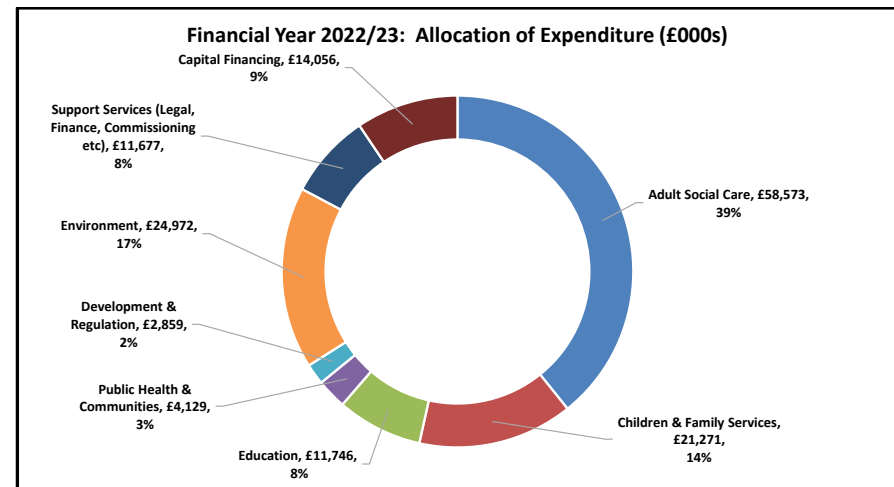


Chart 1: 2022/23 expenditure by Service

The 2022 Local Government Pay Award was agreed at £1.9k per employee which equated to an average 5% increase, creating an

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additional unbudgeted pressure of approximately £1.8 million. 41% of the Council net budget relates to employee pay. The Council is a heavily people placed organisation with approximately 600 corporate employees and 1700 across the wider Council estate (including schools).

The Council still continues to feel the impacts of the Covid pandemic. From an income perspective, car parking / season ticket income has significantly reduced compared to pre Covid pandemic levels as the trend for online shopping has not abated and town centres continue to experience reduced footfall. Levels of Business Rates remain lower than pre pandemic levels. The Government has provided a number of section 31 reliefs to mitigate the impacts on Local Authorities.

Capital financing accounts for 9% of total revenue expenditure incurred. The Council is required to make prudent provision for capital financing costs under the Prudential Code (updated in 2021). Capital financing is a combination of direct financing costs (i.e. repayment of long term debt) and indirect costs (i.e. Minimum Revenue Provision which is effectively a charge to the revenue budget for repaying external debt). During 2022/23 £39.5 million of capital expenditure was incurred on approved projects across the district in support of the Council Strategy.

However, capital is financed a year in arrears, therefore cost associated with delivery of the 2022/23 capital programme will be incurred in financial year 2023/24. Capital financing incurred in 2022/23 relates to expenditure incurred in historic financial years. Recent economic instability has been reflected in significant increases to Local Government borrowing from the PWLB (Public Works and Loans Board), with rates for a 25 year annuity loan now on average at near 5% compared to a historic average of 2.5%. In a rising interest environment, the Council will face risks of increased cost on any new external borrowing undertaken to support delivery of planned capital works, in addition to general cost inflationary pressures. The capital programme approved by Council Committee in March 2022 was set with the expectation to undertake £14.5 million of new long term borrowing alongside £8.1 million of short term borrowing during 2022/23. During the current financial year officers have sought to mitigate risk through a strategy of not undertaking long term borrowing in respect of PWLB financing and, instead focusing on supporting delivery of the capital programme through short term borrowing and cash balances. The strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, has reduced risk and kept interest costs low.

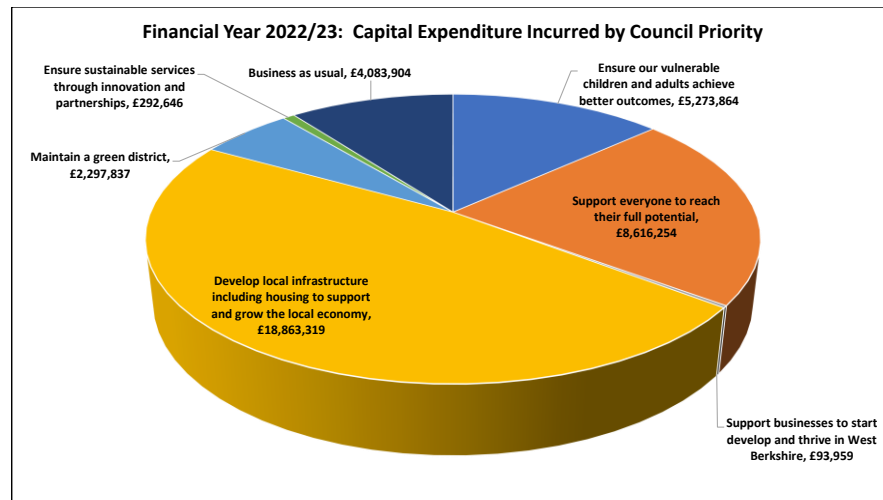


Chart 2: 2022/23 Expenditure by Council Priority

Financial Context – Balance Sheet Review

As at the Balance Sheet date the Council holds total assets of £700.9 million (£712.3 million as at 31.3.2022), liabilities of £420.0 million (£681.3 million as at 31.3.2022), usable reserves of £47.6 million (£77.3 million as at 31.3.2022), and unusable reserves of £233.3 million (£46.3 million as at 31.3.2022).

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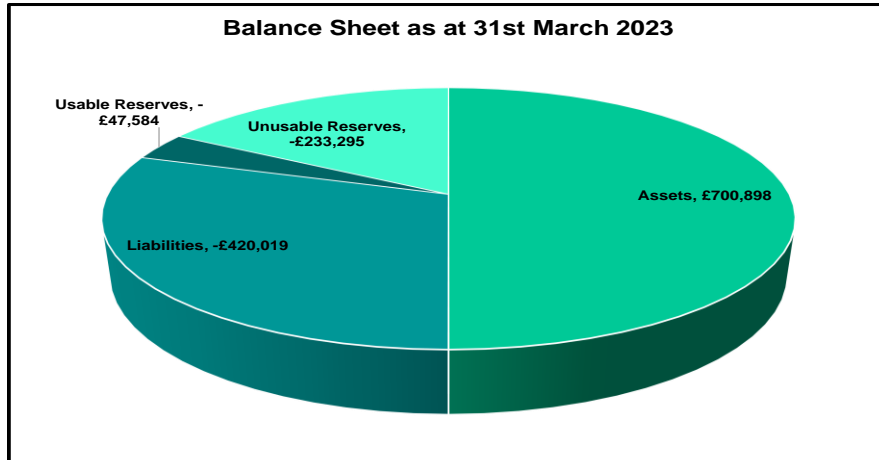


Chart 3: Balance Sheet Breakdown as at 31.3.2023

Assets £700.9 Million	Liabilities (£420.0) Million	Usable Reserves £47.6 Million	Unusable Reserves £233.3 Million
<ul style="list-style-type: none"> Plant, Property & Equipment (PPE) & Intangible Assets • £573.2 Million Investment Property • £65.4 Million Current Assets (e.g. cash and cash equivalents) • £62.3 Million 	<ul style="list-style-type: none"> Pension Fund Liability • £123.5 Million Long Term Borrowing • £182.0 Million Other Liabilities (e.g. creditors) • £114.5 Million 	<ul style="list-style-type: none"> General Fund • £7.2 Million Usable Earmarked Revenue Reserves • £18.4 Million Usable Capital Reserves • £22.0 Million 	<ul style="list-style-type: none"> Unusable Pension Liability • £123.5 Million Other Unusable Reserves (e.g. Collection Fund and Dedicated Schools Grant) • (£356.8) Million

Table 1: Summary Balance Sheet as at 31.3.2023

The Council's assets have reduced in value over the financial year, primarily in the value of investment property (£65.4 million as at 31.3.2023 and £72.6 million as at 31.3.2022). The Council's investment portfolio is split between general investment property of £13.1 million and a commercial property portfolio of £52.3 million.

The commercial property portfolio has seen a net decrease in value over the reporting period, driven by downturns on valuations for retail warehousing and office space. The commercial property portfolio provides annually, an approximate net income stream of £3.3 million (prior to financing costs including MRP), contributing to the cost of delivery core Council services.

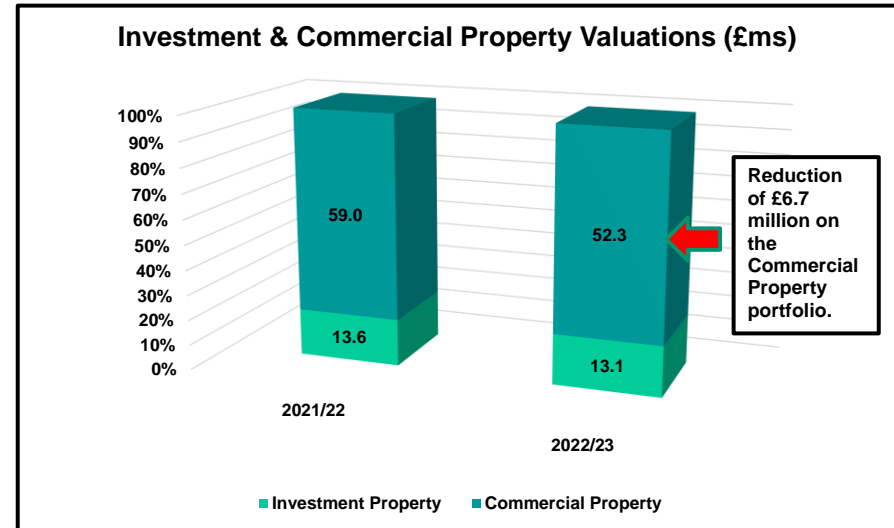


Chart 4: Investment and Commercial Property

Financial Statements 2022/23 Highlight Report and Going Concern Assessment

Names and address of property	Property type	Valuation at	Valuation
		31 March 2021	at 31 Dec 2022
		£'000	£'000
Dudley Port Petrol Filling Station, Tipton	Petrol Filling Station	3765	4,155
79 Bath Road, Chippenham	Retail Warehouse	11775	9,250
Lloyds Bank, 104 Terminus Road, Eastbourne	Retail	1800	1,675
Aldi/Iceland, Cleveland Gate Retail Park, Gainsborough	Retail Warehouse	6300	5,825
303 High Street and 2 Waterside South, Lincoln	Retail	2950	2,900
3&4 The Sector, Newbury Business Park	Office	18010	14,950
Sainsbury's, High Street, North Allerton	Retail	7185	6,835
Ruddington Fields Business Park, Mere Way, Nottingham	Office	7200	6,700
Valuation per draft 2022/23 Statement of Accounts		58,985	52,290

Directly Owned Property - Purchase not funded by borrowing ["Investment Property"]

Names and address of property	Property type	Valuation at	Valuation
		31 March 2021	at 31 Dec 2022
		£'000	£'000
The Stone Building, The Wharf, Newbury	Café	31	25
Rainbow Nursery, Priory Road, Hungerford	Children's Nursery	40	35
Clappers Farm/Beech Hill Farm, Grazely	Tenanted Smallholding	1800	1,750
Bloomfield Hatch Farm, Grazely	Tenanted Smallholding	1100	1,000
Shaw Social Club, Almond Avenue, Shaw	Community Centre	70	70
Swings n Smiles, Lower Way, Thatcham	Children's Day Centre	400	375
Units 1 to 7, Kennet Enterprise Centre, Hungerford	Industrial	565	520
London Road Industrial Estate, Newbury	Industrial	9565	9,350
Valuation per draft 2022/23 Statement of Accounts		13,571	13,125

Table 2: Valuations by Property

During the reporting period the Council deployed significant levels of earmarked revenue reserves in support of service delivery. At the Balance Sheet date the Council held usable reserves of £47.6 million (£77.3 million as at 31.3.2022) and unusable reserves of £233.3 million (£46.3 million as at 31.3.2022).

As at the Balance Sheet date the Council's General Fund was at the minimum level of £7.2 million. During the financial year £19.4 million of Earmarked reserves were released to support the in year revenue budget and the proposed 2023/24 revenue budget. Earmarked revenue reserves of £4.3 million, focused on insurance and Public Health are now held. The significant reduction in revenue reserves, combined with a minimum General Fund level does place financial pressure on the Council. Robust cost management and focused delivery of planned revenue savings will be a key focus in financial year 2023/24.

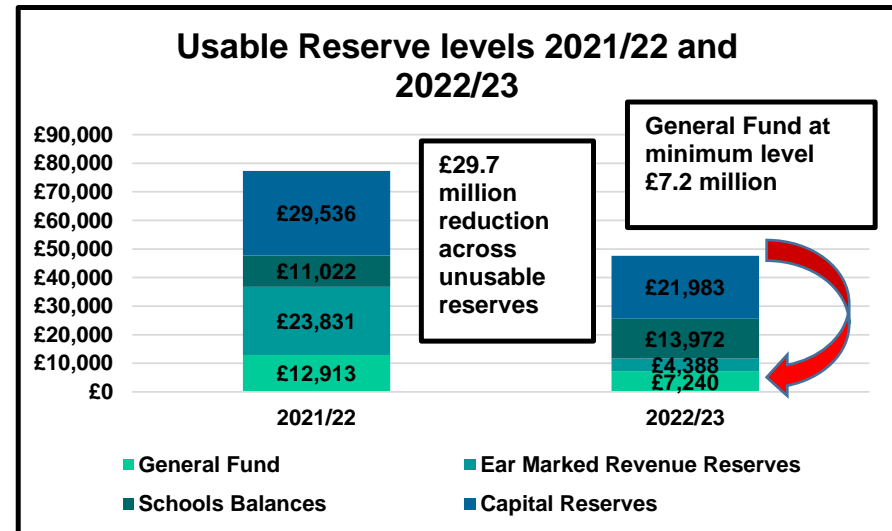


Chart 5: Usable and Unusable Reserves as at 31.3.2023

At the Balance Sheet date, £14.0 million of schools reserves are consolidated into the Council's balance Sheet. Schools balances increased £2.9 million over the reporting period, driven by an increase in balances for special schools. Nine primary schools reported deficit positions at the year end, an increase of three schools compared to 31.3.2022.

Usable capital reserves: At the Balance Sheet date the Council held £1.5 million of unapplied capital receipts and £20.5 million of unapplied external funding (Community Infrastructure Levy, grants without conditions). Capital sums are held for financing of future capital projects and forecast to be deployed in financial year 2023/24. £1.4 million of capital receipts held are to be deployed in support of the Council's transformation agenda under the approved capital Strategy and the Flexible use of capital Receipts Policy.

In respect of unusable reserves of £233.3 million, the year on year move in reserves primarily relates to the decrease in the pension fund liability (£382.6 million at 31.3.2022 v £123.5 million at 31.3.2023), and a reduction in the Collection Fund deficit (£9.7 million at 31.3.2022 v £5.0 million surplus at 31.3.2023). Unusable reserves are amounts set aside that the Council is unable to use to fund expenditure because they are

Financial Statements 2022/23 Highlight Report and Going Concern Assessment

unrealised or notional, i.e. they are not cash backed and relate to accounting adjustments.

Currently a statutory override is in place for Dedicated Schools Grant (DSG) deficits. The override allows Local Authorities to transfer accumulated deficits from the General Fund to unusable reserves. A cumulative £4.8 million deficit on the DSG is currently held within the Council's unusable reserves. This deficit has increased by £1.7 million over the reporting period. The statutory override has been in place since the financial year beginning 1.4.2020 and has been extended to include the year ending 31.3.2026. Potential removal of the override does constitute a significant financial risk to the Council's General Fund. The Council is actively engaged in deficit recovery plans to move the Dedicated Schools Grant to a balanced position as at the year ending 31.3.2026.

Future Challenges, Medium Term Financial Planning (MTFS)

There remains a high degree of uncertainty regarding future funding levels for local government, the long awaited proposed Fair Funding review has not occurred, Local Authorities currently plan on an annual basis. The Council prepares a detailed four year Medium-Term Financial Strategy, which models risks and assists in identifying the corrective actions required to mitigate those risks. The Council remains aware of the need to balance budgets in forthcoming financial years but is mindful of future funding uncertainties in addition to the wider impacts of current fiscal instability and legacy impacts of the Covid-19 pandemic upon service delivery.

The Council projects its finances over the medium term to ensure it is in a sustainable position to deliver essential public services and finance the delivery of its corporate plans. The MTFS looks to a four year horizon; enough to provide some stability over an increasingly volatile financial future, but short term enough so that the first year represents the budget proposals for 2023/24, and for the next three years there are a variety of themes included which form the basis of the future savings areas. The MTFS also includes information on financing the capital strategy and how the scale and profile of this strategy has an impact on the overall financial position of the Council.

The delivery of the MTFS cannot occur through the Council alone. A significant proportion, 50%, of the Council's budget is delivered through partners in the private, public and voluntary sectors. The Council's proposals for future financial stability will involve all of these partners including where there are proposals to invest in infrastructure, deliver core services and transform how the Council delivers its services in the future.

The longer term outlook is dominated by a range of factors; firstly, the macro-economic recovery from the Covid-19 pandemic and the impact that this has had, and will have on the UK economy including inflation and interest rates; secondly the impact on Government reform in Adult Social Care and other services such as planning policy which will alter financial planning assumptions, and thirdly, the long awaited fair funding review and proposed further business rates retention proposals for 2025-26 and beyond which should have a significant impact on the Council's finances and hopefully provide some longer term financial planning certainty. Key planning themes in the MTFS include:

- That the fair funding review and business rate baseline reset does not occur until 2025-26 at the earliest (this has been confirmed by Government) and it is assumed that these do not take place during the life of the MTFS – this assumption will be revised in future years when Government plans are clearer
- Adult Social care (ASC) funding remains in the longer term with a nil impact on WBC from the proposed care reforms in future years
- New Homes Bonus is removed but replaced with a funding system that delivers equivalent levels of reward to 2023-24 in future years – Government are due to release information before the 2024-25 finance settlement
- The assumed permitted Council Tax increases remain at 2.99% and ASC Council Tax precept levels at 2% - any authority proposing an increase above these levels must hold a local referendum
- Inflation remains at 2% in the longer term – forecasts are that for 2024-25 inflation could be negative

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The MTFS includes cost avoidance proposals of £5.8 million, £1.8 million of income generation, service transformation of £0.6 million, service reform of £0.8 million, disinvestment of £0.1 million and reserve usage of £1.8 million. There is a gap between proposals at present and the total savings requirement in the MTFS, but this highlights that proposals are being considered in advance of their requirement to ensure greater medium term financial planning. At present there is a requirement of £10.8 million of which at least £3.7 million has been identified in proposals for future budgets.

The MTFS considers investment as well as savings. Investment set aside over the next four years amounts to £15 million. This includes a wide range of areas and remains in line with the Council Strategy ambitions – i.e. investment to achieve the Strategy, continue to build on our strengths and investment in infrastructure to deliver the Council Strategy and other supporting strategies.

Appendix B

Investment Property Revaluation Movements as at 31.3.2023

Directly Owned Property - Purchase funded via borrowing ["Commercial Property"]

Names and address of property	Property type	Valuation at 31 March 2021 £'000	Valuation at 31 Dec 2022 £'000	Movement £'000
Dudley Port Petrol Filling Station, Tipton	Petrol Filling Station	3765	4,155	390
79 Bath Road, Chippenham	Retail Warehouse	11775	9,250	-2,525
Lloyds Bank, 104 Terminus Road, Eastbourne	Retail	1800	1,675	-125
Aldi/Iceland, Cleveland Gate Retail Park, Gainsborough	Retail Warehouse	6300	5,825	-475
303 High Street and 2 Waterside South, Lincoln	Retail	2950	2,900	-50
3&4 The Sector, Newbury Business Park	Office	18010	14,950	-3,060
Sainsbury's, High Street, North Allerton	Retail	7185	6,835	-350
Ruddington Fields Business Park, Mere Way, Nottingham	Office	7200	6,700	-500
Valuation per draft 2022/23 Statement of Accounts		58,985	52,290	-6,695

Directly Owned Property - Purchase not funded by borrowing ["Investment Property"]

Names and address of property	Property type	Valuation at 31 March 2021 £'000	Valuation at 31 Dec 2022 £'000	Movement £'000
The Stone Building, The Wharf, Newbury	Café	31	25	-6
Rainbow Nursery, Priory Road, Hungerford	Children's Nursery	40	35	-5
Clappers Farm/Beech Hill Farm, Grazely	Tenanted Smallholding	1800	1,750	-50
Bloomfield Hatch Farm, Grazely	Tenanted Smallholding	1100	1,000	-100
Shaw Social Club, Almond Avenue, Shaw	Community Centre	70	70	0
Swings n Smiles, Lower Way, Thatcham	Children's Day Centre	400	375	-25
Units 1 to 7, Kennet Enterprise Centre, Hungerford	Industrial	565	520	-45
London Road Industrial Estate, Newbury	Industrial	9565	9,350	-215
Valuation per draft 2022/23 Statement of Accounts		13,571	13,125	-446

Total Investment Property Valuations / Movement

72,556	65,415	-7,141
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Appendix C

Going Concern Assessment as at the Balance Sheet Date 31.3.2023

The Council is required by request from the appointed external auditor to complete a going concern assessment as at the Balance Sheet date 31.3.2023. Paragraphs 4 and 6 of ISA (UK) 570 states the following:

4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of financial statements, as discussed in paragraph 2, the preparation of the financial statements requires management to assess the entity's ability to continue as a going concern even if the financial framework does not include an explicit requirement to do so;

6. The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a 'going concern'.

The concept of 'going concern' assumes that a Council, its functions and services, will continue in operational existence for the foreseeable future. This key assumption underpins the financial statements prepared under the Local Authority Code of Accounting Practice, and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an Authority was in financial difficulty, the prospects are thus that alternative arrangements may be made by Central Government either for the continuation of the provision of services that the Council supplies, or for assistance with the recovery of a deficit over a period of greater than one financial year.

Where the 'going concern' concept is not appropriate relating to the preparation of the financial statements, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be fully realisable at their book values, and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact upon an Authority's financial statements.

In order to complete the assessment the following critical areas were reviewed:

- (a) The Council's current financial position;
- (b) The Council's projected financial position;

- (c) The Council's Balance Sheet;
- (d) The Council's projected cash flow;
- (e) The Council's governance arrangements;
- (f) The regulatory and control environment applicable to the Council as a local authority.

Going Concern Assessment as at 31.3.2023

Financial Position at Outturn

The Council's outturn position consisted of £135.3 million of expenditure on provision of direct services with a further £14.0 million of capital financing costs. In effect an overall outturn net expenditure figure of £149.3 million against an original budget of £143.8 million, generating an overspend position of £5.4 million. During the reporting period the Council deployed significant levels of earmarked revenue reserves in support of service delivery. At the Balance Sheet date the Council held usable reserves of £47.6 million (£77.3 million as at 31.3.2022), inclusive of a £7.2 million minimum General Fund position. Within the Council's unusable reserves there is a £4.7 million liability relating to the Dedicated Schools Grant. Currently under a statutory override the deficit does not impact on the Council's General Fund, the statutory override has been extended to 31.3.2026.

Forecast Financial Position

The Council has set a balanced budget for financial year 2023/24. The budget was set with a Council Tax requirement of £117.5 million, requiring a Council Tax increase of 2.99% and an Adult Social Care precept of 2%. The Council Tax increases raising £3.3 million, and the precept raising a further £2.2 million, and an increased tax base raising a further £1.8 million. With a 4.99% Council tax increase, the budget is balanced, after using £1.8m of reserves. The minimum General Fund level has been set at £7.2 million.

The Medium Term Financial Strategy (MTFS) which looks at finances in the longer term, includes cost avoidance proposals of £5.8 million, £1.8 million of income generation, service transformation of £0.6 million, service reform of £0.8 million, disinvestment of £0.1 million and reserve usage of £1.8 million. There is a gap between proposals at present and the total savings requirement in the MTFS, but this highlights that proposals are being considered in advance of their requirement to ensure greater medium term financial planning. At present there is a requirement of £10.8 million of which at least £3.7 million has been identified in proposals for future budgets. The MTFS considers investment as well as savings. Investment set aside over the next four years amounts to £15 million.

There remains a high degree of uncertainty regarding future funding levels for local government, the long awaited proposed Fair Funding review has not occurred. Inflationary pressures presenting in financial year 2022/23 continue to be felt into 2023/24, with CPI at 10.1% in March 2023. UK interest rates having been volatile right across the curve, from Bank Rate through to 50-year gilt yields, impacting on the Council's cost of capital financing. The Council has in place an approved ten year capital programme of £393.7 million, of which £186.2 million is proposed to be funded from Council debt i.e. borrowing. At the time of budget setting Public Works and Loan Board (PWLB) rates for a 25 annuity was

approximately 4.3%, in a raising interest rate environment, a future increase will put delivery of the programme at risk.

In conclusion, the economic environment, paired with the minimum General Fund position as at 31.3.2023 will require robust cost management and focused delivery of planned revenue savings as key in financial year 2023/24.

Balance Sheet as at 31.3.2023

As at the Balance Sheet date the Council holds total assets of £700.9 million (£712.3 million as at 31.3.2022), liabilities of £420.0 million (£681.3 million as at 31.3.2022), usable reserves of £47.6 million (£77.3 million as at 31.3.2022), and unusable reserves of £233.3 million (£46.3 million deficit as at 31.3.2022).

Balance Sheet as at 31.3.2023

Net Assets as at 31.3.2023

Assets held at the Balance Sheet date	£
Plant, property and equipment	£570,531,037
Intangible assets	£2,679,971
Investment property	£65,414,975
Current assets (e.g. cash and cash equivalents)	£62,272,330
Total Assets	£700,898,314
Liabilities at the Balance Sheet date	£
Pension Fund Liability	-£123,508,000
Long Term Borrowing	-£181,973,211
Other liabilities	-£114,538,123
Total Liabilities	-£420,019,334
Net Assets (Assets plus Liabilities)	£280,878,980

Reserves as at 31.3.2023

Usable Reserves	£
General Fund	-£7,240,202
Ear Marked Revenue Reserves	-£4,388,223
Schools Balances	-£13,971,989
Capital Reserves	-£21,983,126
Total Usable Reserves	-£47,583,540
Unusable Reserves	£
Pension Liability (deficit)	£123,508,000
Collection Fund	-£5,064,742
Dedicated Schools Grant (deficit)	£4,760,995
Accumulated Absence (deficit)	£4,552,302
Capital Reserves (inc Revaluation)	-£361,051,995
Total Unusable Reserves	-£233,295,441
Net Reserves (Usable plus Unusable)	-£280,878,980

The Council's total assets have decreased from £712.3 million (31.3.2022) to £700.9 million as at 31.3.2023. The decrease primarily attributable to a decline in Investment Property values from £72.6 million (31.3.2022), to £65.4 million as at 31.3.2023.

Year-end current assets (inclusive of cash balances held by the Council) decreased from £82.5 million (31.3.2022) to £62.3 million as at 31.3.2023. The key factors driving the overall decrease are year-on-year reductions in the level of external investments and cash balances held from £37.8 million (31.2.2022) to £20.7 million as at 31.3.2023.

The Balance Sheet position as at 31.3.2023 demonstrates a decrease in liabilities compared to £681.3 million as at 31.3.2022. The change has been driven by the reduction in the pension liability and reduction in long term borrowing.

During the reporting period the Council deployed significant levels of earmarked revenue reserves in support of service delivery. At the Balance Sheet date the Council held usable reserves of £47.6 million (£77.3 million as at 31.3.2022) and unusable reserves of £233.3 million (£46.3 million deficit as at 31.3.2022).

In respect of reserves, usable reserves declined by £29.7 million over the reporting period. The reduction in usable reserves has been driven by, firstly pressure on the revenue budget and secondly deployment of usable capital reserves in support of the capital programme and transformation agenda. As at the Balance Sheet date the Council's General Fund was at the minimum level of £7.2 million. As at 31.3.2023, earmarked revenue reserves of £4.3 million, focused on insurance and Public Health are now held. In respect of unusable reserves of £233.3 million held as at 31.3.2023, the year on year move in reserves primarily relates to the decrease in the pension fund liability (£382.6 million at 31.3.2022 v £123.5 million at 31.3.2023), and a reduction in the Collection Fund deficit (£9.7 million at 31.3.2022 v £5.0 million surplus at 31.3.2023). The surplus on the Collection Fund is anticipated to be a financial benefit to the Council in future financial years.

In conclusion, net assets have increased to £280.9 million compared to £31.0 million as at 31.3.2022. The improvement in the Balance Sheet is primarily the result of a significant reduction in the Pension Fund liability. Reserves overall (usable plus unusable) are positive compared to the prior reporting period, although usable reserves have been significantly depleted and the Council now holds minimal funds to respond to future significant unplanned / unbudgeted events.

Projected Cash Flow

The Council maintains and updates short-term and long-term cash flow projections to support service delivery. The Council maintains long-term borrowing commitments to support the capital programme and the Property Investment Strategy. Borrowing is predominately undertaken from PWLB.

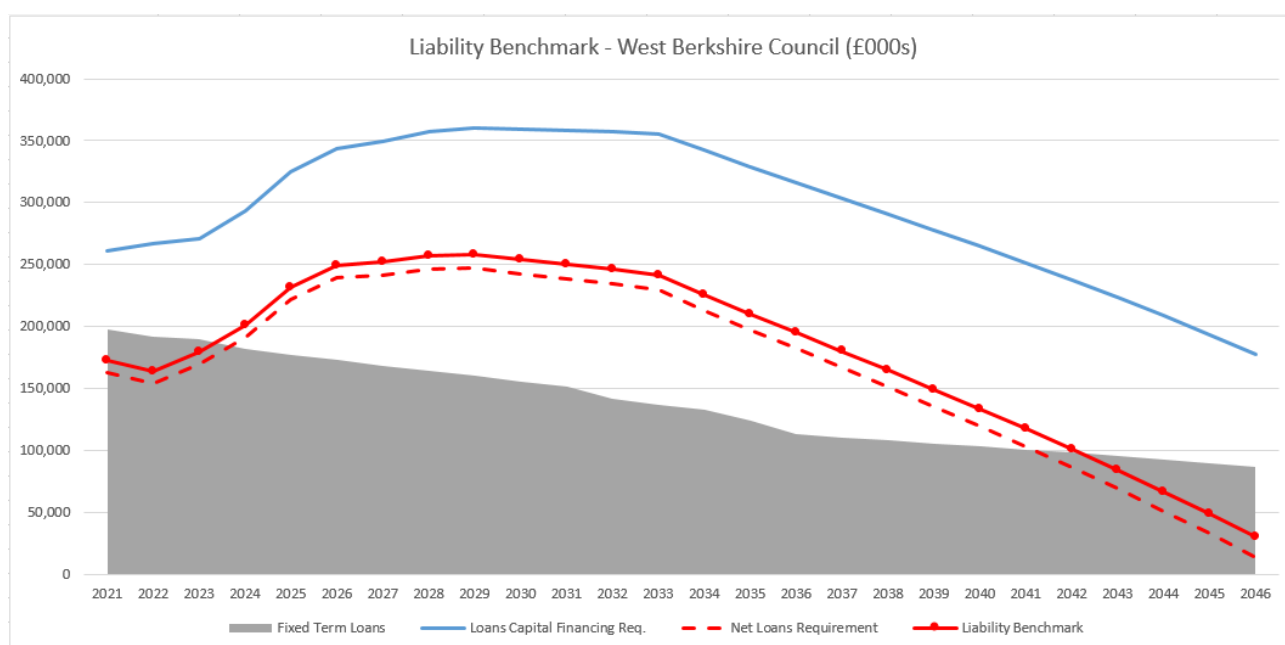
As at the Balance Sheet date the Council held £20.6 million of cash, cash equivalents and longer term external investments compared to £37.8 million as at 31.2.2022. Currently due to the risking interest rate environment a strategy of not undertaking long term borrowing in respect of PWLB financing and, instead focusing on supporting delivery of the capital programme through short term borrowing and cash balances has been implemented. The strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, has reduced risk and keep interest costs low.

In respect of longer term planning, during 2022/23 the Council adopted the Liability Benchmark. Based on the 2022/23 capital outturn the Council expected to undertake additional borrowing of £9.5 million in 2023/24 with a further £44.0 million in 2024/25 based on the approved 23/24 capital programme.

Capital Financing requirement	31.3.2023	31.3.2024	31.3.2025
	Actual	Forecast	Forecast
	£000s	£000s	£000s
Capital Financing requirement	279,472	301,877	331,740
Less other debt liabilities	-10,670	-9,807	-8,892
Loans Capital Financing Req.	268,802	292,071	322,849
Less: Existing External Borrowing	-189,891	-181,973	-177,242
Internal Borrowing	78,911	110,098	145,607
Less: Balance Sheet Resources	-99,581	-100,581	-101,581
Investments / (New Borrowing)	20,670	-9,516	-44,026

It should be noted that the Balance Sheet resources assumption are based on draft 2022/23 accounts, taking into consideration the current balances of usable reserves (£45.2 million) and working capital (debtors and creditors of £54.6 million). The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Liability Benchmark	31.3.2023	31.3.2024	31.3.2025
	Actual	Forecast	Forecast
	£000	£000	£000
Loans Capital Financing Req.	268,802	292,071	322,849
Less: Balance Sheet Resources	-99,581	-100,581	-101,581
Net Loans Requirement	169,221	191,489	221,267
Plus liquidity allowance	10,000	10,000	10,000
Liability Benchmark	179,221	201,489	231,267



Based on the Council’s CFR and the liability benchmark, the Council is long term borrower. Based on the capital outturn position, the Council, currently is in an over borrowed position. However, as set out in the Investment and Borrowing Strategy for 2023/24 (as approved by Council in March 2023), the Council is currently utilising cash flows to maintain an internally

borrowed position, resulting in the external borrowing levels reducing against the Liability Benchmark.

Borrowing v Benchmark	31.3.2023	31.3.2024	31.3.2025
	Actual	Forecast	Forecast
	£000	£000	£000
Existing External Borrowing	189,891	181,973	177,242
Liability Benchmark	179,221	201,489	231,267

Governance Arrangements

The Council has approved and adopted a code of corporate governance in its Annual Governance Statement, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The governance framework comprises the systems and processes, and culture and values established by the Council. The framework is directed and controlled, with a wide range of service activities delivered to the Authority’s community. The framework enables the Council to monitor the achievement of its strategic objectives, and to consider whether these objectives have led to the delivery of appropriate, financially cost-effective services.

The system of internal control is a significant part of that framework, and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based upon an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within West Berkshire Council who have responsibility for the development and maintenance of the wider governance environment.

The governance framework was in place at the Council for the year ending 31 March 2023, and at the beginning of the financial year commencing 1 April 2022. The detailed review process is outlined in the Annual Governance Statement pages within the Council’s 2022/23 Statement of Accounts. This framework was deemed fit-for-purpose in respect of 2022/23, and will continue to be reviewed as part of the control framework for 2023/24.

Regulatory and Control Framework

The Council operates within a highly legislated and controlled environment. The Council is required to set a balanced budget each financial year, taking into account the robustness of budget estimates and the adequacy of financial reserves. In addition to the legal framework established and Central Government control, other factors must be taken into account, these including the oversight role undertaken by external audit and the statutory requirements for compliance with best practice and guidance issued by CIPFA and other relevant bodies.

Conclusion

The assessment of the overall strength of the Council's financial position, is that currently there is not an imminent risk to the going concern assertion. Longer term robust cost management and focused delivery of planned revenue savings will be key.

Internal Audit Plan 2023-2026

Committee considering report:	Governance Committee
Date of Committee:	26 June 2023
Portfolio Member:	Councillor Jeff Brooks
Date Portfolio Member agreed report:	14 June 2023
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	GE4347

1 Purpose of the Report

The Public Sector Internal Audit Standards (PSIAS) require the Council's Audit Plan and Internal Audit Charter to be approved by those charged with governance within the Council. The purpose of this report is to set out a risk based plan of work for Internal Audit (IA) that will provide assurance to the Governance Committee on the operation of the Council's governance, risk management and internal control frameworks, and support the Committee's review of the Council's Annual Governance Statement.

2 Recommendation

That the Governance Committee discuss and approve the Proposed Audit Plan and Audit Charter.

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 controls and making recommendations to provide mitigation and improve service delivery processes.

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:	Directorate management teams and Corporate Board.			

4 Executive Summary

- 4.1 The PSIAS require the Council’s Audit Plan and Internal Audit Charter to be approved by the Governance Committee. The purpose of this report is to set out a risk based plan of work for Internal Audit (IA) that will provide assurance to the Governance Committee on the operation of the Council’s governance, risk management and internal control frameworks, and support the Committee’s review of the Council’s Annual Governance Statement.
- 4.2 The objectives for IA are set out in West Berkshire Council’s Internal Audit Charter (Appendix A). This document is reviewed and refreshed each year where appropriate. There were only minor amendments made this year to reflect the name change of the Governance Committee.
- 4.3 The Internal Audit Reporting Protocol (Appendix B) sets out how the team will communicate with its clients. There were no amendments needed to be made this year.
- 4.4 The proposed work programme for IA for the period 2023-2026 is attached at Appendix C. The plan analyses the different areas of the Council’s activity that IA have assessed as needing to be audited.
- 4.5 The plan over the three year period shows the level of resource is sufficient to meet the planned programme of work. The number of planned days in the first year has been reduced to reflect an ongoing vacancy in the Audit team.
- 4.6 Good practice as stated in CIPFA’s Fighting Fraud and Corruption Locally requires an Annual Anti-Fraud Work Plan to be prepared which links to the Audit Plan, a draft plan is attached as Appendix D.
- 4.7 The PSIAS require the Audit Manager to identify areas for improvement for the Internal Audit function each year, these are set out in Appendix E.
- 4.8 In order for an informed decision to be made regarding the proposed work programme, the detailed report sets out the role of IA together with supporting information as to how the plan is compiled.

5 Supporting Information

Introduction

- 5.1 The key purpose of this report is to set out a risk based plan of work for Internal Audit (IA) that will provide assurance to the Governance Committee on the operation of the Council’s governance, risk management and internal control frameworks, as well as support the Committee’s review of the Annual Governance Statement.

5.2 The purpose is also to present the Audit Charter for review and approval.

Background

5.3 The work of IA is regulated by the Public Sector Internal Audit Standards (PSIAS) which set out the following:-

- (1) Definition of Internal Auditing;
- (2) Code of Ethics;
- (3) International Standards for the professional practice of internal auditing.

5.4 The objectives for IA are set out in West Berkshire Council's Internal Audit Charter (Appendix A). This document is reviewed and refreshed each year where appropriate. The only changes this year have been to reflect the amended name of the Governance Committee.

5.5 The main outcomes from the work of IA are:

- (1) Audit reports produced at the conclusion of each audit, for the relevant Head of Service/Service Director and Executive Director.
- (2) Monitoring reports on progress with implementation of agreed audit recommendations.
- (3) An annual assurance report and interim update reports for Corporate Board and the Governance Committee on the outcomes of IA work.

These reporting requirements are formally set out in the Internal Audit Reporting Protocol (Appendix B).

5.6 The work programme for IA for the period 2023-2026 is attached at Appendix C. The plan analyses the different areas of the Council's activity that IA have assessed as needing to be audited. The Plan is broken down by Corporate Audits, then by Head of Service/Service Director. The information for each audit covers:-

- (1) The key risks involved in that area;
- (2) The level of risk associated with the subject, as assessed by IA;
- (3) The type of audit, setting out any direct links with the Council Strategy and Corporate Risk Register;
- (4) Date last reviewed;
- (5) An initial estimate of the number of days that will be required to complete the audit, and the year in which the audit is planned.

5.7 The process of putting the plan together is extensive in terms of the documents and people who are consulted. The following identifies the key drivers:-

- (1) The views of stakeholders i.e. Executive Directors, Heads of Service/Service Directors, Corporate Board, Operations Board, are key to identifying priorities for the team;
- (2) The Council Strategy is reviewed to ensure that audit resources are used to support the delivery of Council objectives;

- (3) The Council's risk registers are reviewed to highlight areas where assurance is required for controls that are in place to significantly reduce levels of risk to the Council;
 - (4) Results of previous audit, inspection and scrutiny work, by internal teams and external agencies (including the annual reports from External Audit) are considered.
- 5.8 The work programme is based on levels of risk. The risk registers are used to inform the level of risk where appropriate and this is supplemented by an audit view of risk. This takes account of:-
- (1) Results of risk self-assessments;
 - (2) Complexity/scale of system and processes / volume and value of transactions;
 - (3) Fraud and corruption – e.g. the risk of fraud or corruption occurring;
 - (4) Inherent risk – e.g. degree of change/instability/confidentiality of information;
 - (5) IA knowledge of the control environment based on previous audit work.
- 5.9 The work of IA forms the basis of the opinion given by the Audit Manager on the Council's governance, risk management and internal control framework. The work of IA is regulated by the PSIAS; these set out the standards and methods that should be applied in carrying out audit work. At an operational level there is an Audit Manual which sets out in detail how work is to be undertaken, recorded, quality controlled and managed.
- 5.10 There are a number of key elements to the audit process that ensure the output is fit for purpose:-
- (1) Consultation takes place at various stages of each audit with the service under review (terms of reference, rough and formal draft and final reports and action plans are all discussed and agreed with the service under review);
 - (2) Audits are followed up, where appropriate, to ensure that agreed actions are implemented (method and approach to follow up work varies depending on the nature of the issues identified in the original audit);
 - (3) All audit work is supervised/reviewed and signed off at key stages of the process, this is to ensure the scoping is appropriate and to check the accuracy, completeness and quality of the work undertaken (as per the Audit Manual standards);
 - (4) An external review of the IA team is required every five years to ensure the team complies with the professional practices of Internal Audit as stated in the PSIAS.
- 5.11 The work produced by IA is designed to identify and provide remedial action for weaknesses in the governance, risk management and internal control frameworks. Weaknesses that are identified are categorised according to their severity (fundamental, significant, moderate and minor).

- 5.12 Taken together, the above provides a sound basis for the Audit Manager to provide an annual opinion on the Council's governance, risk management and internal control frameworks.
- 5.13 The Audit Team consists of five staff; the Audit Manager, a Principal Auditor and three Senior Auditors. One of the senior posts has been vacant since June 2022, we have had two unsuccessful attempts to recruit. After considering a strategy for a way forward, we have recently advertised again for the senior post using a wider advertising route, we also advertised for an Auditor level post as we may need to appoint someone at a lower level and train them. The number of applications this time around has increased, with promising applicants at both levels and we are currently arranging interviews.
- 5.14 The Audit Team has a performance target to achieve at least 80% of the agreed work programme for the year. In-year updates are provided to senior officers and Committee, with a detailed year end analysis of work undertaken compared with planned which is included in the Internal Audit Annual Report.

Audit Work Plans for 2023/24

- 5.15 Appendix C sets out the proposed work plan for Internal Audit. The plan over the three year period shows the level of resource is in line with the number of days in the planned programme of work. There is a smaller number of days in the first year due to the ongoing vacancy.
- 5.16 Good practice as stated in CIPFA's Fighting Fraud and Corruption Locally requires an Annual Anti-Fraud Work Plan to be prepared which links to the Audit Plan. A draft Fraud Plan is attached at Appendix D.
- 5.17 The PSIAS require IA to have a Quality Assurance and Improvement Programme. Section 5.10 of this report sets out the overarching approach to quality assurance. An ongoing self-assessment has identified two areas for improvement, which are set out in an Improvement Plan at Appendix E.

Proposals

- (a) That the Governance Committee approve the planned work programme for IA, and the Audit Charter.

6 Other options considered

None, the Public Sector Internal Audit Standards (PSIAS) require the Council's Audit Plan and Audit Charter to be approved by the Governance Committee.

7 Conclusion

This report sets out the proposed work for IA over the next three years. In order for an informed decision to be made regarding the work programme, this report sets out the role of IA together with supporting information as to how the plan is compiled.

8 Appendices

- 8.1 Appendix A – Internal Audit Charter;

8.2 Appendix B - Internal Audit Reporting Protocol;

8.3 Appendix C - Internal Audit Plan 2023 – 2026;

8.4 Appendix D - Anti-Fraud Work Plan 2023/24;

8.5 Appendix E - Improvement Plan 2023/24.

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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AUDIT CHARTER

1 Definition and Purpose of Internal Audit

- 1.1 The Public Sector Internal Audit Standards (PSIAS) provide the following definition of Internal Audit.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

- 1.2 Compliance with the PSIAS is mandatory for Internal Audit in local government. Internal Audit within a local authority is a statutory function as outlined in the Accounts and Audit Regulations 2015, which require each local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices.
- 1.3 The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

2 Scope of Internal Audit Work

- 2.1 The scope of Internal Audit activities encompasses, but is not limited to, objective examination of evidence for the purpose of providing independent assessments to the Governance Committee and management, on the adequacy and effectiveness of governance, risk management and control processes for the Council. Internal Audit assessments cover the following:-
- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
 - The level of compliance with procedures, policies, regulations and legislation.
 - The results of operations and programmes are consistent with established goals and objectives.
 - Operations and programmes have been established to enable compliance with policies, procedures, laws and regulations.
 - A review of the value for money processes, systems and units within the Authority.
 - Information and the means used to identify, measure, analyse and classify and report such information are reliable and have integrity.
 - Resources and assets are acquired economically, used efficiently, and appropriately protected.

- 2.2 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.
- 2.3 The existence of an Internal Audit function does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in an efficient, secure and well ordered manner within the Council.

3 Other Types of Audit Work

- 3.1 Internal Audit is responsible for developing and promoting the requirements of an Anti-Fraud and Corruption Strategy, and as such have ownership of the Council's Anti-Fraud and Corruption Policy. The Internal Audit team provide training to both members and officers to promote awareness of fraud and the Council's Anti-Fraud Policy.
- 3.2 As required under the Council's Ant-Fraud and Corruption Policy, Financial Rules of Procedure and HR Disciplinary Procedures, Internal Audit should be notified of any suspected cases of fraud/corruption. Internal Audit will be responsible for carrying out any investigations into such cases as deemed appropriate after consultation with the Council's S151 Officer (Executive Director - Resources) and Monitoring Officer (Service Director - Strategic Support).
- 3.3 Internal Audit may carry out work of an advisory nature (consultancy work), where their expertise in control and risk mitigation has been requested by a service/client. The nature and scope of such work is intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility for the overall design and implementation. Examples include counsel, advice, facilitation and training.

4 Core Principles and Professional Practices of Internal Auditing

- 4.1 The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively:-
- Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives, and risks of the organisation.
 - Is appropriately positioned and adequately resourced.

- Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance.
 - Is insightful, proactive, and future-focused.
 - Promotes organisational improvement.
- 4.2 Internal auditors in UK public sector organisations must conform to the Code of Ethics set out in the PSIAS. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.
- 4.3 Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.
- 4.4 The Internal Audit team will govern itself by ensuring adherence to the requirements of the PSIAS. The Audit team will regularly confirm compliance with the standards in reports to senior management and the Governance Committee, and include a statement to this effect in each audit engagement report issued.

5 Authority

- 5.1 Internal Audit reports to the Service Director, Strategy and Governance. However, Internal Audit is also accountable to the Governance Committee (the "Board" in PSIAS terms) for the delivery of assurance in relation to the Council's system of internal control.
- 5.2 The Audit Manager is the designated Chief Audit Executive in PSIAS terms. The Audit Manager reports functionally to the Governance Committee and has a direct reporting line to the Service Director, Strategy and Governance who is the Council's Monitoring Officer and is a full member of the Council's senior management team, Corporate Board.
- 5.3 To establish, maintain, and assure that the Council's Internal Audit Team has sufficient authority to fulfil its duties the Governance Committee will:-
- a) Approve the Internal Audit Charter;
 - b) Approve the risk-based internal audit plan and level of resources;
 - c) Receive communications from the Audit Manager on the Internal Audit team's performance compared to the plan and any other related matters;
 - d) Make appropriate inquiries of management and the Audit Manager to determine whether there is inappropriate scope or resource limitations relating to audit work.

- 5.4 The Audit Manager will have direct access to the Governance Committee Chairman and the Chief Executive.
- 5.5 The Governance Committee authorises the Internal Audit team to:-
- a) Have full, free and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any audit, subject to accountability for confidentiality and safeguarding of records and information.
 - b) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
 - c) Obtain assistance from the necessary personnel of the Council, as well as other specialised services from within or outside of the Council in order to complete the audit engagement.

6 Independence and Objectivity

- 6.1 Internal Audit as a function will remain independent of the Authority's operational activities, and its auditors will undertake no operational duties. Accordingly internal auditors will not implement internal controls, develop procedures, initiate or approve transactions external to Internal Audit, or engage in any other activity that may impair their judgement. This will allow auditors to perform duties in a manner which facilitates impartial and effective professional judgements and avoids conflict of interest.
- 6.2 The scope of Internal Audit allows for unrestricted coverage of the Authority's activities and access to all staff, records and assets deemed necessary in the course of the audit.
- 6.3 Accountability for the response to advice and recommendations made by Internal Audit lies with the management of the Authority. Management can accept and implement advice and recommendations provided or formally reject them. Internal Audit is not responsible for the implementation of recommendations or advice provided.
- 6.4 The Audit Manager will ensure that the Internal Audit team remains free from all conditions that threaten the ability of the internal auditors to carry out their responsibilities in an unbiased manner. The Audit Manager will confirm to the Governance Committee at least annually the organisational independence of the Internal Audit team.
- 6.5 The Audit Manager will disclose to the Governance Committee any interference and related implications in determining the scope of internal audit work, carrying out the audit or reporting the results.

7 Reporting

- 7.1 All audit assignments will be the subject of a formal report written by the appropriate auditor. The majority of reports will include an 'opinion' on the adequacy of controls in the area that has been audited (exceptions being Compliance Checks and Advisory Reviews).
- 7.2 A follow-up review will be undertaken where the overall opinion of a report is 'Weak' or 'Very Weak'. Where a 'Satisfactory' opinion is given then a follow up may be carried out if felt necessary, by either management or Internal Audit. The follow up will ascertain whether actions stated by management in response to the audit report have been implemented in order to provide assurance that the control framework is now effective, or flag up concerns where it is considered this is not the case.
- 7.3 Internal Audit will prepare quarterly reports for senior management and the Governance Committee regarding:-
- a) The Internal Audit team's purpose, authority and responsibility;
 - b) The Internal Audit team's plan and performance relative to the plan;
 - c) The Internal Audit team's conformance with the PSIAS;
 - d) Significant risk exposures and control issues, including fraud risks, governance issues and other issues requiring attention;
 - e) Results of audit work;
 - f) Resource requirements;
 - g) Any response from management which is considered unacceptable compared with the associated risk.

8 Quality Assurance and Improvement of the Internal Audit Service

- 8.1 The Internal Audit team will maintain a quality assurance and improvement programme that covers all aspects of Internal Audit work. The programme will include an evaluation of the Internal Audit Team's conformance with the PSIAS. The programme will also assess the efficiency and effectiveness of the Internal Audit Team and identify opportunities for improvement.
- 8.2 The Audit Manager will communicate to senior management and the Governance Committee on the quality assurance and improvement programme. This will include the results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent Assessor from outside the Council.

9 Resourcing of the Internal Audit Team

- 9.1 The Audit Manager is responsible for ensuring that the audit team is adequately resourced in order to be able to provide an informed annual opinion on the council's Internal Control framework.
- 9.2 Where the Audit Manager has concerns over the level of audit resource this is formally flagged up with senior officers and members as part of submission of the draft Audit Plan for approval and progress monitoring reports.

(Reviewed and updated April 2023)

Internal Audit Reporting Protocol

1 Purpose and Scope

- 1.1 This document outlines the way Internal Audit will initiate, and report on work for the Council. This protocol relates only to Council Services, a separate protocol exists for Schools.
- 1.2 In terms of this protocol there are two main types of audit work that will involve different approaches to reporting. These are:
 - Routine planned audits to provide assurance
 - Advisory work carried out at the request of the client
- 1.3 Two tables are attached which set out the recipients for the above types of audit work.
- 1.4 The lead auditor for each audit as well as the Audit Manager are both responsible for managing the audit in compliance with the “Public Sector Internal Audit Standards”. Responsibility for the content of the resulting audit report will remain with the relevant lead auditor and the Audit Manager.

2 Initiating Internal Audit work

- 2.1 Prior to commencing an audit, contact will be made with the relevant Service Director/Head of Service informing them of the intention to commence the audit and ask for feedback on the timing, any observations they would like to make to inform scoping of the audit.
- 2.2 Terms of reference will be issued for planned audit reviews that set out the scope of the work to be carried out and confirm the reporting arrangements. These will be issued in draft/consulted on prior to the audit work commencing.

3 Reporting the results of Internal Audit work

- 3.1 The reporting process for planned assurance work has three key stages:-

Rough Draft Report;
Draft Report;
Final Report.
- 3.2 The rough draft will be issued to the relevant service manager(s) to check the factual accuracy, and to obtain their initial observations on the findings and recommendations.
- 3.3 The formal draft will be issued once the service manager is satisfied with the accuracy of the report. The circulation of the formal draft report will ensure that all relevant people have had an opportunity to comment on the content of the report, prior to it being finalised.

Internal Audit Reporting Protocol

- 3.4 We treat the relevant Service Director/Head of Service/Unit Manager as the main client, and as such we require a response from them as to whether the recommendations are agreed or otherwise before a report is finalised. Where a recommendation is not agreed, we require the client's reasoning for this, and this detail is included in the Action Plan (attached at the back of the report) for future reference.
- 3.5 Where, during an audit, a serious problem is discovered which requires immediate attention, it may be necessary to issue an interim report. The Audit Manager will contact the Service Director/Head of Service to discuss any such issues prior to an interim report being issued. At a minimum any issues of concern will be raised at the point of identification.
- 3.6 If the Audit Manager considers that an issue could be a significant risk to the Council that needs flagging up, this will be immediately notified to the S151 Officer and Monitoring Officer. These officers will then consider the need for further escalation/whether an urgent meeting of the Governance Committee is required so members are notified of the issue promptly.
- 3.7 Some audit sections carry out a 'closure meeting/discussion at the end of the 'testing' stage of each audit to give initial feedback and to highlight the areas of weakness identified that will be included in the report. We do not do this, we use the 'rough draft report' as the basis of the initial discussion with managers, as this has been created after a thorough review process it ensures that the feedback is comprehensive and points are not missed.
- 3.8 The Terms of Reference for the audit give an indication of the timescales for issuing the rough draft report. This is for guidance only as there are numerous factors that can impact on us being able to meet these targets. We have however set out our internal targets for trying to produce a rough draft report, for corporate reviews this is six months after the audit has commenced, and for a school audit this is six weeks after the on-site visit.

4 Follow Up of Audit Recommendations

- 4.1 A follow up process is required in order to be able to give management/members assurance that the agreed action plans have been implemented. All audits with weak or very weak opinions will be followed up. Audits with a satisfactory opinion may be followed up if, in the opinion of Internal Audit or management, the weaknesses identified during the audit warrant a follow up.
- 4.2 A follow-up review is usually instigated six months after the audit report was finalised, the timescale for completion will vary as it is dependent on the number of recommendations made and level of further testing required.

Internal Audit Reporting Protocol

5 Reporting to the Governance Committee

- 5.1 On a quarterly basis the Audit Manager will provide the Committee with a report that summarises the results of audits and follow up audits completed during the period.
- 5.2 Where a follow up is categorised as unsatisfactory a summary of the progress/issues outstanding will be provided by Internal Audit. In addition, the Service Director/Head of Service will normally be asked to attend the Governance Committee to outline the reasons for the failure to implement the agreed action plan and to provide plans on how they intend to improve the situation. Members of the Committee may request Internal Audit to carry out a second stage Follow-up if they require further assurance that progress has been made with taking action on the outstanding points.

6. Role of Portfolio Holders in the audit process

- 6.1 Portfolio Holders are copied in on the proposed Terms of Reference for each engagement together with being copied in on the final version of the report.
- 6.2 The role of the Portfolio Holder in the audit process is to:
- Feed in any issues of concern at the start of the audit so that these can be considered by the auditor in scoping the review.
 - Support the relevant Service Director/Head of Service in considering weaknesses identified in the audit report together with the recommended actions.
 - Support the Service Director/Head of Service in implementing agreed action plans.
- 6.3 In order that portfolio holders can support their service when considering audit findings, and are fully informed of audit issues in a timely manner, Heads of Service/Service Directors should share/discuss draft report Findings with them. In order to ensure that this requirement is being followed Internal Audit will prompt managers of the need to do this when issuing draft reports.

(Reviewed April 2023)

1) Audit Assurance Reviews

Client	Terms of reference	Rough Draft Report	Formal Draft Report	Final Report	Follow-up details
S151 Officer (Executive Director - Resources)	All cases		Other services - where there are fundamental weaknesses identified	All cases	All cases
Service Director for Strategy and Governance (Line Management for Internal Audit/Monitoring Officer)	All cases		All cases for the SD's service areas Other services - where there are fundamental weaknesses identified	All cases	All cases
Service / Unit Manager	All cases	All cases	All cases	All cases	All cases
Service Lead	All cases	Only where serious issues relating to the service, i.e. fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written	All cases		
Head of Service/Service Director	All cases	Only where serious issues relating to the service, i.e. fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written	All cases	All cases	All cases
Executive Director	All cases		Where there are fundamental weaknesses in the service	All cases	All cases
Chief Executive	Only where the C/Ex has requested the work		Only where the C/Ex has requested the work or if there are significant issues that need to be highlighted - The Audit Manager will decide on the necessity to issue a report at this level.	Cases where there are significant issues that need to be highlighted.	Cases where there are significant issues that need to be highlighted.
Service Portfolio Holder	All cases		Head of Service/Service Director will be advised by Audit to share/discuss any less than satisfactory opinions with their portfolio holder at the draft report stage.	All cases	All cases

Client	Terms of reference	Rough Draft Report	Formal Draft Report	Final Report	Follow-up details
Portfolio Holder for Internal Audit	Depending on the preference of the portfolio holder.			Depending on the preference of the portfolio holder.	Depending on the preference of the portfolio holder.

2) Advisory/VFM Reviews

(The approach will be agreed with the client prior to commencing a review, and will be noted in the terms of reference to provide clarity of how the findings are to be reported). Advisory reviews may arise from the need for advice on key controls in systems where the service concerned is already aware that improvement is needed or where the systems are being changed by the service area, (eg a new ICT system is being implemented).

Client	Terms of Reference	Rough Draft Report	Formal Draft Report	Final Report
Line Manager	All cases	All cases	All cases	All cases
Service Lead	All cases		All cases	All cases
Service Director/Head of Service	All cases		All cases	All cases
Executive Director	All cases		Cases where there are significant issues that need to be highlighted.	All cases
S151 Officer	All cases		All cases for his Directorate Cases where there are significant issues that need to be highlighted.	All cases
Service Director – Strategy and Governance	All cases		All cases for her Dept. Cases where there are significant issues that need to be highlighted.	All cases

Further escalation of the advisory / VFM reviews to include reporting to the Chief Executive and the relevant Portfolio Member will depend upon the significance of issues / number of weaknesses identified and will be determined by the relevant auditor in consultation with the Audit Manager. Due to the nature of the work, an overall opinion will not be given for an advisory/VFM review. However, some of these reviews may warrant a follow-up audit, depending on the significance of the findings, where this is the case a progress categorisation will be given.

INTERNAL AUDIT PLAN OF WORK 2023/24 to 2025/26

Key risks to be covered

Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
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AUDIT PLAN RATIONALE

- 1) Frequency of review is based on the overall risk rating and when the previous review was carried out.
- 2) Level of audit resource is dependent on complexity of the area to be reviewed and the level of assurance required for the risks identified.
- 3) Risk assessment factors taken into account when determining the risk category:- degree of instability/complexity of system/sensitivity of information/likelihood of fraud or corruption/previous audit control opinion.

AUDIT TYPE - KEY

- SR Strategic Risk (where a direct link to Council Strategy Key Themes for Improvement)
- CR Corporate Wide Risk
- OR Operational Risk
- AFW Anti Fraud Work
- KFS Key Financial System
- ACW Anti Corruption Work
- VFM Value for Money
- ADV Advisory
- EST Establishment Audit (Audit Programme of work for specific type of establishments e.g. schools, residential care homes)
- CRR - Used where the item appears on the Corporate Risk Register

METHOD OF REVIEW - KEY

- FR Full Risk Based Audit
- SR Short Focussed Review
- DA Data Analytics Review

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Corporate Audits											
Audit No.											
1	Mileage Claims - Compliance with Council procedures	a) Inaccurate/inappropriate claims resulting in theft/fraud	Medium		AFW	2013-14		15			15
2	Income collection - spot checks	a) Theft/Fraud	low		AFW	2014-15				15	15
3	Commercialisation Projects	a) Legality of operations not fully explored or validated b) Governance arrangements have not been clearly defined/established to monitor achievement of stated aims and objectives	High		CR	2019-20				15	15
4	Compilation and Monitoring of the Capital Programme	a) Capital Programme not linked to corporate priorities b) Programme progress/costs not effectively managed resulting in overspends and delayed or poor outcomes c) Ineffective project management - budgets exceeded/deadlines exceeded/outcome does not meet client needs	Medium		CR	2022-23					0
5	Customer Engagement Strategy	a) The Council has not set out how it intends to improve engagement with its customers (external and internal) b) Plans to achieve the improvement in engagement are not clearly defined, measured and/or reported c) Customer satisfaction are not adequately taken into account/services do not meet customer needs or expectations	Medium		SR	NEW		15			15
6	IR35	a) Non compliance with legislation b) Inaccurate calculations could result in financial penalties and interest being incurred	Medium		OR	2022-23				12	12
7	Governance - Delivery of Projects (revised PPM Arrangements)	a) Council Strategy Projects are not delivered b) Projects are not delivered in a timely and cost effective manner	High		SR	Advisory review in 2022-23	FR		20		20
8	Risk Management	a) Non compliance with Legal requirements b) Ineffective framework for AGS reporting c) Ineffective framework for overseeing the Council's governance rules i.e. the Constitution	Medium		CR	2020-21				15	15
9	NFI Investigation work	a) fraud by employees/residents	High		AFW	2022-23	N/A	25	25	25	75
10	GDPR	a) Non compliance with Data Protection Act b) Information not stored securely c) Personal information issued/sent to incorrect parties b) data could be amended/destroyed/sensitive data made public	Medium	CRR	CR	2018-19				15	15
11	Telecommunications	a) Inappropriate use of equipment/ineffective monitoring of personal calls resulting in unnecessary expenditure being incurred possibility of Fraud/abuse b) There isn't a consistent approach when determining who can be allocated telecoms equipment, therefore assessing the need for Telecoms equipment	Low		AFW	2017-18					0
12	Procurement cards	Ineffective monitoring of card usage resulting in inappropriate expenditure being incurred	Medium		AFW/SR	2019-20			15		15
13	Grant Allocation/monitoring	a) Grants not awarded appropriately b) Grant allocations are not accurately recorded/effectively monitored	Low		CR	2006-07	SR		12		12
14	Archiving Council Records	a) Ineffective service provision b) Storage requirements not reviewed c) Unnecessary costs incurred	Low		OR	2014-15					0
15	Transformation/Digitalisation Agenda	a) Self service options are not being fully considered/progressed b) Opportunities for efficiency savings/customer experience improvement are not being maximised c) Data security is not fully considered/tested as part of implementation.	High		SR	2019-20			20		20

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
16	West Berkshire Lottery	a) The scheme does not achieve the anticipated benefits b) Reputational risk if the scheme is not effectively and appropriately managed c) Ineffective planning/utilisation of funds raised.	Medium		AFW/OR	New	SR	12			12
17	Effectiveness of the Governance and Ethics Committee	a) The Committee does not operate in accordance with good practice (CIPFA Guidance) b) The Committee does not have adequate scope and responsibility to effectively oversee the Council's governance framework. c) The Committee is not provided with sufficient and timely information to be able to make informed decisions	Medium		CR	2019-20					0
18	Use of Social Media	a) The Council is unaware of its social presence and is unreactive/provides ad-hoc and inconsistent responses. b) Reputational Damage, unfavourable or confidential information released. C) Poor corporate image portrayed by employees/members.	High		CR	New	SR	12			12
19	Business Continuity	a) Council has not clearly defined its approach to dealing with an emergency b) Service delivery impacted c) Recovery timeframes increased d) Residents may suffer financial	High	CRR	CR	2022-23					0
20	Community Municipal Investment Bond	a) The scheme does not achieve the anticipated benefits b) Reputational risk if the scheme is not effectively and appropriately managed c) Ineffective planning/utilisation of funds raised	Medium		CR	New		12			
	total							91	92	97	280

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Resources Directorate											
Head of Finance and Property											
1	Compliance with CIPFA's Financial Management Code	a) Poor/inaccurate financial planning resulting in S14 notice, b) Government Intervention c) Qualified Accounts	Medium		CR	New	SR	10			10
2	General Ledger	a) Inaccurate information for management decisions b) Budgets exceeded c) Qualified accounts	Medium		KFS	2022-23					0
3	Fixed Asset Register	a) Non compliance with accounting standards b) Qualified Accounts	High		ADV	2020-21			15		15
4	IFRS 16 (Accounting for Leases)	a) Non-compliance with accounting standards b) Qualified Accounts	Medium		OR	NEW			12		12
5	Budget Monitoring	a) Inaccurate Information b) poor decision making	High		CR	2021-22				15	15
6	MTFS (to incorporate Business Rates estimating and profiling)	a) Council's financial targets are not realised b) Budget pressures c) Increases in Council Tax	Medium		SR	2022-23					0
7	Treasury Management	a) Inappropriate cash flow decisions - income not maximised b) Legislation/Internal policies not complied with	Medium		KFS	2021-22					0
8	Bank Reconciliation (cover Chaps payments)	a) Inappropriate transactions processed through the bank b) Inaccurate year end accounts c) Qualified opinion from External Auditors	Medium		OR	2017-18			12		12
9	VAT	a) Non compliance with Revenues & Customs requirements - financial penalties	Medium		OR	2013-14	SR	12			12
10	Insurance (claims management)	a) Inappropriate assessment of uninsured losses b) Inaccurate claims record for management information c) Poor management information/Ineffective claims management	Medium		CR	2015-16	FR	15			15
11	Building Maintenance	a) Ineffective maintenance programme, b) Non compliance with legislation (internal, H&S, EU tendering policies)	Medium		OR	2021-22					0
12	Asset Management Strategy/Plans	a) Non compliance with legislation, b) Ineffective management of asset portfolio	High		CR	2016-17			15		15
13	Asset Project Management (Property Team)	a) Failure to deliver major projects on budget, timely manner, to meet need of clients, b) Non compliance with legislation	Medium		CR	2015-16				15	15
14	Commercial Rents (excluding property investment portfolio)	a) Non compliance with legislation, b) Loss of income/increased void periods, c) Misappropriation of leases	Medium		OR	2022-23					0
15	Facilities Management	a) Ineffective contract management which could result in lack of compliance with regulations b) Poor response to requests for service, resulting in staff Health and Safety issues.	Medium		OR	Partial coverage 2021-22			12		12
16	Health and Safety	a) Non compliance with H&S Legislation - legal action/penalties	Low		CR	2012-13				10	10
17	Accounts Payable	a) Inappropriate/fraudulent payments b) budgets exceeded	High		KFS	2021-22				15	15
18	Accounts Receivable	a) Council's cash flow affected b) Income not maximised c) Ineffective debt management	High		KFS	2022-23					0
19	Car Loans & Car Leasing	a) Inaccurate payroll deductions b) Non compliance with Inland Revenue requirements	Low		OR	2013-14			10		10

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
20	Income Collection/Recording Processes	a) Inaccurate processing of income - affecting cash flow decisions b) Fraud/theft c) Accounts could be qualified	Medium		AFW	2016-17				15	15
21	National Non-domestic Rates	a) Non compliance with legislation/local schemes for exemptions b) Income generation/collection not maximised c) Qualified accounts	High		KFS	2018-19	FR	15			15
22	Council Tax	a) Non compliance with legislation/local schemes for reductions b) Income generation/collection not maximised c) Accounts qualified	High		KFS	2019-20	SR - as part of follow-up	8			8
23	Council Tax Reduction Scheme	a) Non compliance with legislation/local schemes for reductions b) Income generation/collection not maximised	Medium		AFW	2019-20					0
24	Housing Benefits (to include Council Tax Hardship Fund)	a) Non compliance with legislation b) Inaccurate/inappropriate payments made c) Accounts qualified d) Non compliance with Hardship Fund Grant rules/local scheme rules e) Grants inappropriately awarded/accounted for	Medium		OR	2014-15	SR	15			15
	Total							50	76	70	196

Service Director - Strategy and Governance			Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
1	Recruitment and Retention	a) Delays in appointing staff - disruption to service delivery b) Non compliance with employment legislation c) DBS failure	High	SRR	AFW/SR	2012-13			15			15
2	Absence Management	a) Council's sickness policy not being adhered to b) Inaccurate information for performance management	Low		CR	2011-12				12		12
3	Workforce Strategy	a) Long term vision not clearly defined b) Outcomes not defined/measurable c) Strategy is not achieved and therefore impact on the Council achieving its workforce aims and objectives	High		SR	2022-23						0
4	Staff Performance Management Framework	a) Staff potential not maximised/not focussed on achieving Council plan outcomes b) Council Behaviours Framework not being adhered to/managed effectively b) Poor performance not identified/not managed effectively	Medium		SR	New				15		15
5	Staff Training and Development (Corporate and Professional Training - across whole Council)	a) Failure to develop staff in accordance with good practice b) Failure to inform new employees of legislation, key corporate policies and procedures they need to be aware of adhere to c) VFM/cost effectiveness not taken into account within services when making spending decisions	Medium		SR	2014-15			15			15
6	Payroll	a) Ghost employees set up b) Inaccurate payments made c) Inaccurate deductions made	High		KFS	2020-21			15			15
7	Apprenticeship Levy/Use of the Apprenticeship Service	a) Non compliance with legislation b) Budgets do not reflect the increase in costs c) Payment calculations are not correct d) Apprenticeship levy paid is not used therefore funds are lost	Low		SR	2017-18					10	10
8	Disclosure and Barring Service	a) Vulnerable adults/children could be put at risk due to the Council Scheme not meeting the requirements of the national guidance and/or local processes have not been established to ensure that backgrounds check are undertaken/recorded and updated	Medium		SR	2021-22						0
9	Legal Services	a) Framework of systems and procedures not effective to manage deliver/quality of service provision b) Use of external expertise is not effectively managed/increased cost c) Quality standards not adhered to	Low		OR	2010-11					10	10
10	Service Planning/targets and performance management	a) Service delivery expectations and targets not clearly defined and/or not measured and reported. B) Potential for intervention if services do not meet legal obligations/quality thresholds c) Reputational risk of poor service delivery/not achieving value for money	Medium		SR	2021-22						0
11	Equality Impact Assessments	a) Non compliance with national guidance b) Unaware of impact of changes in policy/decisions on local community c) lack of transparency/accountability d) Judicial review overturns decisions	Low		SR	2013-14					10	10
12	Members expenses	a) Inappropriate payments, b) Over payments on budgets, c) Non compliance with legislation/policies	Medium		OR/AFW	2020-21						0
13	Complaints / Code of Conduct	a) Ineffective policies and processes in place, b) Non compliance with policies/processes c) Customer dissatisfaction with Council Services d) Reputational damage	Low		SR	2012-13				12		12
14	Freedom of Information	a) Non compliance with legislation b) No Standard approach for dealing with requests c) Adequate records not maintained of requests/responses	Low		SR	2014-15					12	12
15	Management of the Internet/Intranet	a) Ineffective processes and procedures, b) Inappropriate information published - version control c) Poor search engine resulting in ineffective searches for information	Medium		SR	2011-12	SR		12			12
16	Electoral Services	a) Non compliance with legislation, b) Inappropriate entries on register, b) Incorrect payments/expenditure/charges	Medium		OR	2021-22						0

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
17	Land Charges	a) Non compliance with legislation b) Income collection processes are not effective	Low		OR/AFW	2007-08					0
18	Project Management Oversight - Role of Programme Group/Board (ICT investment)	a) Systems do not meet business/user needs b) Escalation of costs/time to implement c) Poor customer service experience	High		ADV	2021-22					0
19	Post Implementation Reviews Oversight	a) Systems do not meet business/user needs b) Escalation of costs/time to implement	High		SR	2013-14			15		15
	total							57	54	42	153

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Head of I.C.T.											
1	I.T. Strategy	a) Does not meet changing needs of the organisation b) Progress not measured/monitored -	Medium		SR	2007-08	SR	10			10
2	Change Control Management	a) Inappropriate changes b) Changes do not meet the needs of users c) Changes not operationally effective	Medium		OR	2016-17			15		15
3	System Security - Corporate Systems access	a) Non compliance with Data Protection Act b) Unauthorised access to data b) data could be amended/destroyed/sensitive data made public	High		SR	2021-22				15	15
4	System Security - firewalls/traffic management/anti-virus software	a) Systems and data could be inappropriately accessed - data destroyed or manipulated b) Ransomware attack - no access to systems/data	High	CRR	SR	Partial 2011-12	FR	15			15
5	ICT Asset Security	a) More staff working from home - increased risk of loss of assets b) Asset records may not accurately record all assets/assets may not be accounted for c) Assets may not be stored securely	Medium	CRR	SR	2011-12	FR	15			15
6	Ensure continuous service (Disaster Recovery for I.T. Service)	a) Contingency plan not in place/not effective - service delivery affected	Medium		SR	2011-12			15		15
7	PSN Compliance Certificate	a) Non compliance with Government I.T. Security requirements b) Not able to access government data/share data with other government bodies	Low		SR	2010-11				10	10
8	Manage problems and incidents (help desk)	a) Interruptions to service delivery b) Staff performance adversely affected	Medium		OR	2012-13			15		15
9	Printing Service	a) Inefficient operations b) Delivery targets not met	Low		OR	2014-15					0
Total								40	45	25	110

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Head of Commissioning											
1	Brokerage/Care Commissioning Placement Processes	a) Value for money not obtained when choosing external providers b) Care provision not formalised/not monitored - escalation of costs/ care standards not met	High		OR	2017-18	FR	20			20
2	Contract Letting/Monitoring - Care Packages	a) Value for money not obtained when choosing external providers b) Care provision not formalised/not monitored - escalation of costs/ care standards not met b) Non compliance with EU legislation	High		OR	partial coverage in 2017-18			20		20
3	Contract letting - Other than Care Packages	a) Non-compliance with Contract rules of Procedure (Remedies Directive) c) Value for money not obtained b) Non compliance with EU legislation	Medium		ACW/VFM	2014-15	FR	15			15
4	Contract monitoring - Other than Care Packages	a) Non-compliance with Contract rules of Procedure b) Contract spec not met c) Contract costs exceeded	Medium		CR	2019-20				20	20
5	Implementation of Social Value Policy	a) ineffective roll out of the policy so contracts are awarded without taking into account social value benefits b) Non compliance with Public Services (Social Value) Act 2012 and Council Policy.			SR	New				15	15
Total								35	20	35	90

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
People Directorate											
Service Director Adult Social Care											
1	Better Care Fund	a) Ineffective governance/communication between parties b) Effectiveness of arrangement not monitored - objectives not achieved/budgets exceeded.	Medium		CR	2019-20				20	20
2	Assessment of Needs/Purchase of Care - (MH/LD)	a) Legislation is not adhered to b) Inappropriate care packages c) Budgets could be overspent	Medium		OR	2008-9	FR	15			15
3	Assessment of need /Purchase of Care - Respite	a) Legislation is not adhered to b) Inappropriate care packages c) Budgets could be overspent	Low		OR	2012-13			15		15
4	Carers' Assessments/payments	a) Care Act is not adhered to b) Assessments not undertaken timely/ care plans not put in place c) Carers initial needs not met which could result in increased demand on services/budgets	Medium		OR/AFW	2021-22					0
5	Resource Centres (3)	Establishment reviews - key risks - budgetary control/appropriateness of expenditure	Low		EST	2022-23				8	8
6	Residential Homes - Elderly (3)	Establishment review - key risks - budgetary control/appropriateness of expenditure	Medium		EST	2011-12	FR	10		10	20
7	Assessment of needs/Purchase of care - Home Care	a) Legislation is not adhered to b) Inappropriate care packages c) Ineffective contract management/budgets could be overspent	Medium		OR	2022-23					0
8	Assessment/Purchase of Care - Residential/Nursing	a) Legislation is not adhered to b) Inappropriate care packages c) Budgets could be overspent	Medium		OR	2017-18			15		15
9	Shared Lives - Placements and Payments	a) Scheme not effectively managed b) Incorrect/inappropriate payments, c) Overspends on budget	Medium		OR/AFW	2021-22					0
10	O/T - Equipment - pooled budget	a) Ineffective governance/communication between parties b) Effectiveness of arrangement not monitored - objectives not achieved/budgets exceeded	Low		OR	2011-12				10	10
11	Personal Budgets (Direct Payments/Use of payment cards)	a) Legislation/internal procedures not adhered to b) Inappropriate care packages c) Budgets could be overspent	High		OR/AFW	2022-23					0
12	Client Financial Assessments	a) Non compliance with legislation/Council's policy b) Inaccurate charges calculated c) Ineffective income collection/recovery procedures	Medium		OR	2017-18	FR	15			15
13	Residents Property (Appointeeship/Deputyship)	a) Misappropriation of client property b) Inaccurate records of level/type of property held c) Non compliance with legislation	Medium		OR/AFW	2022-23					0
14	Liberty Protection Safeguards	a) Legislation not adhered to b) Assessments inaccurate c) Supervision / review of contractors performing assessments inadequate	High	CRR	OR	2020-21				15	15
total								40	30	63	133

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Head of Education											
1	Secondary Schools (3)	Review of key risks - budgetary control, income collection, control of assets, school governance			EST	One audit per year		10	10	10	30
2	Primary Schools (60)	Review of key risks - budgetary control, income collection, control of assets, school governance			EST	Annual Programme		70	70	70	210
3	Nursery Schools (2)	Review of key risks - budgetary control, income collection, control of assets, school governance			EST	2022-23		7			7
4	Special Schools (2)	Review of key risks - budgetary control, income collection, control of assets, school governance			EST	2022-23			8		8
5	i-College	Review key risks: Budgetary control, governance, appropriateness of expenditure, income collection procedures			EST	2020-21					0
6	Family Hubs	a) Centres have not been set up in accordance with government guidelines b) governance arrangements between the Centre and key stakeholders have not been established c) Financial administration processes have not been clearly defined/established	Medium		OR	New	FR	15			15
7	Formula funding / DSG	a) Non compliance with legislation, b) Ineffective budget builds	Medium		OR	2009-10			15		15
8	School Census	a) Submission of incorrect returns b) Inaccurate funding	low		OR	2012-13				12	12
9	Family Support Packages for Disabled Children (to include short breaks)	a) Non compliance with legislation b) Inappropriate packages c) Overspends on budgets	Medium		OR	2015-16			15		15
10	School Admissions Policy	a) Non compliance with legislation b) Unsuitable school offers c) Invalid admissions data	Low		OR	2009-10			12		12
11	Home to School Transport Entitlement	a) Non compliance with statutory duty (to promote the use of sustainable travel and transport/make transport arrangements for all eligible children b) Mis-allocation of free transport c) Lack of policy and/or inconsistency in allocating spare transport provision to other pupils	Low		OR	2008-09	FR	15			15
12	Nursery Provision - early years grant	Review key risks: Compliance with legislation, accurate completion of grant claims	Medium		OR	2020-21				15	15
13	Special Education Needs and Disability (SEND)	a) Not meeting requirements of the new legislation/guidance b) Expenditure may not be effectively monitored	High	CRR	OR	2022-23					0
14	School Library and Museum Services (Joint arrangement)	a) Contract not effectively monitored b) Service not meeting client needs c) Value for money not obtained	Low		OR	2015-16					0
15	Adult Education	a) Non compliance with legislation, b) Non achievement of targets and standards, c) Overspends on budgets	Low		OR	Partially covered in 2018-19				10	10
16	Castlegate	Review of key risks: Budgetary control, control of assets & cash, appropriate expenditure.	Low		OR	2018-19				8	8
17	Assessment of Need/Purchase of care - Residential	a) Non compliance with legislation, b) Inappropriate packages, c) Overspends on budgets	Medium		OR	2008-09			15		15
18	Assessment of needs/Purchasing Care - Respite	a) Legislation is not adhered to b) Inappropriate care packages c) Budgets could be overspent	Medium		OR	2015/16				15	15
19	Personal Budgets/Direct Payments	a) Legislation/internal procedures not adhered to b) Inappropriate care packages c) Budgets could be overspent	High		OR	2019-20	FR	15			15

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
20	Offsite Activities - review of external provision of service	a) Non compliance with legislation, b) Poor risk assessment c) Inappropriate activities undertaken	Low		OR	2005-06				10	10
	total							132	145	150	427

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Head of Children and Family Services											
1	Assessment & collection of client contributions	a) Non compliance with legislation, b) Incorrect assessments, c) Contributions not being requested	Low		OR	2022-23					0
2	Adoption - Recruitment, Placement and Allowances (Shared Service Arrangement)	a) Non compliance with legislation, b) Ineffective procedures to monitor the shared arrangement	Medium		OR	2021-22					0
3	Guardianship/Residence Orders	a) Non compliance with legislation, b) Incorrect/inappropriate payments, c) Overspends on budget	Medium		OR	2017/18				15	15
4	Payment of Carers (foster carers)	a) Non compliance with legislation, b) Incorrect/inappropriate payments, c) Overspends on budget	Medium		OR/AFW	2021-22					0
5	S17 - Payment of Support Costs/Allowances	a) Non compliance with legislation, b) Incorrect/inappropriate payments, c) Overspends on budget	Medium		OR	2015-16			15		15
6	Child Care Lawyers (joint arrangement with Berkshire Authorities)	a) Incorrect submission of charges to WB, b) Ineffective communication with Children's services, c) Cases wrongly undertaken by WB, d) Costs incorrectly calculated	Low		OR	2004-05	SR	12			12
7	Unaccompanied Children - Asylum Seekers	a) Non compliance with legislation, b) Asylum seekers/care leavers are not adequately supported, c) Inadequate financial controls re payment of allowances/fraud.	Medium		OR	2018-19				15	15
8	Social Worker Recruitment and Retention Package	a) The effectiveness of the package is not being reviewed to ensure that benefits are being realised as intended b) The package is not cost effective	Low		OR	2019-20					0
9	Turnaround Families Programme	a) Non compliance with requirements of the scheme b) Ineffective procedures to monitor and track outcomes c) Lack of evidence to validate grant payments claimed	Medium		OR	2020-21	N/A	12	12	12	36
total								24	27	42	93

	Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Service Director - Communities and Wellbeing										
1	Public Health Joint Agreement Governance	a) Non compliance with legislation b) Ineffective joint working arrangements resulting in poor budgetary control and/or service provision	Medium		OR	2015-16			15	15
2	Joint Needs Assessment/Health and Wellbeing Strategy	a) Non compliance with legislation b) Failure to deliver a programme of work to address the stated aims and goals	Medium		SR	2015/16		15		15
3	Commissioning/contract management	a) contracts are poorly managed, leading to poor performance and overspending against budgets. b) Lack of compliance with the Council's Contract Rules of Procedure and/or contracts fail to achieve value for money, leading to overspending and poor performance	Medium		SR	2015/16	FR	20		20
4	Leisure Centre Management	a) Non compliance with legislation, b) Ineffective contract monitoring and management c) Health and Safety risk for service users	Medium	CRR	OR	2017-18		20		20
5	Museums (1)	Review of key risks: Budgetary control, control of assets & cash, appropriate expenditure.	Low		OR/AFW	2016-17			8	8
6	Berkshire Archive Service	a) Non compliance with terms of the joint arrangement b) ineffective monitoring of quality of service provision and costs	Low		OR	2008-09			10	10
7	Libraries Purchasing/stock control	a) Budgets overspent b) Inaccurate financial information for management decisions c) Stock may be misappropriated d) Purchasing arrangements are not cost effective	Medium		OR	2014-15	SR	12		12
8	Libraries Income	a) Loss of stock is not reimbursed, resulting in additional expenditure b) Income collection not maximised	Medium		OR/AFW	2020-21				0
9	Shaw House	a) Facilities' use/income opportunities are not being maximised b) The facilities do not offer value for money c) Costs are not being effectively controlled	Low		OR/AFW	2016-17			12	12
10	Registrars Service	a) Ineffective budgetary control, b) Insufficient control of income, c) Insufficient control of assets, d) Inappropriate expenditure	Low		OR/AFW	2020-21				0
	total						32	35	45	112

		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Place Directorate											
Service Director Development and Regulation											
	Public Protection Partnership (From April 2022 - Bracknell and West Berkshire)										
1	Contract Management/Governance	a) Ineffective governance - Non compliance with terms of the joint arrangement b) ineffective monitoring of quality of service provision and costs	Medium		OR	2018-19			15		15
2	Health and Safety	a) Not meeting statutory obligations b) Poor service delivery/customer dissatisfaction	Low		OR	2002-03			8		8
3	Licensing	a) Not meeting statutory obligations b) Poor service delivery/customer dissatisfaction	Medium		OR	2020-21					0
4	Trading Standards	a) Not meeting statutory obligations b) Poor service delivery/customer dissatisfaction	Low		OR	2013-14			8		8
5	Civil Contingencies Joint Arrangement	a) Non compliance with Civil Contingencies Legislation b) Ineffective Governance of the Joint Arrangement			CR	2011-12	SR	12			12
6	Development Control	a) Planning Legislation is not adhered to b) Government targets are not met c) Corruption d) Income is not maximised	Medium		AFW/ACW	2013-14	FR	15			15
7	Building Control	a) Non compliance with Regulations b) ineffective monitoring of quality of service provision and costs	Medium		OR	2019-20				15	15
8	Enforcement	a) Planning Legislation is not adhered to b) Management information is not up-to-date/accurate	Low		OR	2010-11				10	10
9	Community Infrastructure Levy (CIL)	a) Planning Legislation/local schemes are not adhered to b) Policy targets are not met c) Corruption d) Income is not maximised	High		OR	2019-20			15		15
10	S106 Obligations	a) Planning Legislation is not adhered to b) Council's Planning Policy is not followed c) Ineffective monitoring of planning obligations	Medium		OR	2019-20				15	15
11	Common Housing Register	a) Legislation is not adhered to b) Housing not offered to those in greatest need c) Register not effectively administered	Medium		OR/AFW	2021-22					0
12	Homelessness Prevention/Management	a) Legislation not adhered to b) Accommodation is not obtained promptly/cost effectively c) Housing debts not appropriately managed	High		OR	2011-12	FR	15			15
13	Purchase and utilisation of Council Properties	a) Purchase and use of Council's own properties for Housing needs is not monitored/reviewed to ensure business case objectives have been met b) Value for money is not being achieved	Medium		OR	2020-21					0
14	Renovation Grants/Disabled Facility Grants	a) Grants not awarded in accordance with legislation/Council procedures b) Inappropriate payments made c) Records not up-to-date/accurate	Medium		OR	2015-16			15		15
15	Economic Development	a) Lack of strategic direction b) Plans/targets not clearly set out to meet objectives c) Poor communication across the district d) Grants not effectively managed	Medium		SR	New			15		15
	Total							42	76	40	158

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		Key risks to be covered	Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Service Director - Environment											
1	Environment Strategy/Delivery Plan	a) The Council may not achieve its environment/green aims and objectives if it has not set out a strategy and associated plan on how to achieve them b) Governance arrangements have not been clearly defined/established to manage achievement of stated aims and objectives c) Performance measures are not SMART and/or not set for all objectives to help ensure the objectives are achieved	High	SRR	SR	2022-23					0
2	Structural Maintenance / Engineering	a) Non compliance with legislation, b) Ineffective maintenance programme	Low		OR	2012-13			12		12
3	Major Road Repairs (Projects)	a) Projects/schemes targets not met, b) Non compliance with internal policies, plans	Low		OR	Not audited	SR	12			12
4	Traffic Management	a) Projects/schemes targets not met, b) Non compliance with internal policies, plans	Low		OR	2013-14				12	12
5	Highway Term Contract (excluding major road projects/including Street lighting)	a) Non compliance with H&S legislation, b) Poor performance is not identified/rectified c) Costs are not monitored/VFM is not achieved	High		OR	2019-20			20		20
6	Home to School Transport / CRB checks	a) Ineffective contract management resulting in poor quality of service/vfm not achieved/health and safety issues due to inappropriate drivers or vehicles being used b) Ineffective utilisation of transport capacity/route planning	Medium		OR	2022-23					0
7	Street Works/Traffic Regulation Orders/Section 38 Charges	a) Legislation not adhered to b) Income not maximised c) Misappropriation of funds	Low		OR/AFW/ACW	2022-23					0
8	Concessionary Fares / Bus Passes	a) Fraud/theft, b) Non compliance with regulations	Medium		OR/AFW	2020-21					0
9	Parking	a) Non compliance with legislation, b) Loss of income c) Fraud/theft	High		OR/AFW	2021-22				15	15
10	Fleet Management	a) inefficient or inappropriate use of vehicles b) Ineffective contract management c) health and safety issues re roadworthiness of vehicles	Medium		OR	2016-17	SR	12			12
11	Public Transport	a) Ineffective contract management resulting in poor quality of service/vfm not achieved/health and safety issues due to inappropriate drivers or vehicles being used) Income collection procedures are not robust resulting in fraud/loss of income	Medium		OR/AFW	2017-18			15		15
12	Waste Management and disposal PFI	a) Ineffective contract management resulting in increased costs/service quality issues b) Recycling initiatives not being met	High		SR	2021-22					0
13	Grounds Maintenance/Tree Maintenance contract	a) Contract specification is not met b) Inappropriate/inaccurate payments could be made	High		OR	2020-21				15	15
14	Management of Parks and Commons - Partnership Arrangement	a) Non compliance with terms of the joint arrangement/ineffective monitoring of service provision	Low		OR	New			10		10
15	Sports Pitch Hire	a) Income levels not maximised b) Income records inadequate c) Income is lost/stolen	Low		AFW	2020-21(risk assessment)					0
16	Public Rights of Way	a) Non compliance with legislation regarding plans for improvement and maintenance of rights of way b) Not having a robust challenge for insurance claims relating to public rights of way	Low		OR	New				10	10
	total							24	57	52	133

Key risks to be covered

		Risk Assessment Category	Appears on Corporate Risk Register	Audit Type	Date last audited	Method of Review	2023-24	2024-25	2025-26	TOTAL Est. Days 2023-2026
Other audit work (non service specific)										
1	Preparation of the audit plan/school visit						15	15	15	45
2	Monitoring the audit plan/school visit programme						10	10	10	30
3	Assurance Mapping						20	2	2	24
4	Annual Grant Sign off Work						15	15	15	45
5	F&G Group/Reports for Governance Committee						12	12	12	36
6	Audit Follow-ups						20	20	20	60
7	Audit Advice						15	15	15	45
8	School advice						10	10	10	30
9	SFVS Monitoring						10	10	10	30
10	External Professional Liaison						5	5	5	15
11	Fraud and related training courses						5	5	5	15
	Total						137	119	119	375
	Contingencies						45	45	45	135
	Total						45	45	45	135
	Planned Audit Days						762	821	825	2408
	Actual Staff Days Available						730	830	830	2390

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Anti-Fraud Work Plan

(Drawn together from entries in the Audit Plan for 2023/24)

<u>Audit Name</u>	<u>Work Focus</u>
National Fraud Initiative (NFI) Investigation Work	Review of data matches to assess whether fraudulent.
Mileage/Expenses Claims	Assess compliance with Council Policy/Procedures, and to identify any issues with erroneous or fraudulent claims.
The People's Lottery	Check that the scheme is effectively managed in accordance with the contractual arrangements, in order to reduce risk of reputational damage and funds being misappropriated.
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.
Personal Budgets (Direct Payments/Use of payment cards) (Education Service)	Personal Budgets may be used inappropriately/fraudulent documentation could be provided for expenditure incurred.
Council Tax Hardship Fund	Check that grant applications have been appropriately checked/vetted and that grants have been awarded accurately/appropriately.
Development Control (Planning Applications)	Check that internal procedures meet key elements of Planning Application Legislation, and are sufficiently robust to reduce the risk of corruption/fraud in the planning application process. We will also carry out compliance checks to ensure applications are processed in accordance with the defined procedures.

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Internal Audit Improvement Plan (2023/24)

<u>Area for Improvement</u>	<u>Action Taken/Required</u>	<u>Measure/Timeframe</u>
1) Review the audit report opinion categories	We have used the same opinion categories for a long time. A review of good practice guidance and examples showed a range of approaches/wording that we could use. Also, a benchmarking exercise showed there was a shift towards other councils using categories for assurance levels, rather than of control levels. We also noted that most also use less categories than our current approach which has 5.	End of 2023/24.
2) Assess the scope of each audit to see if the use of some form of data analytics would be the preferred approach and/or a useful addition.	Identified as an area for improvement last year. We made some progress with assessing where data analytics may be helpful/support an audit. This gave us a list of potential audits, but there were only three where there was a clear benefit in using data analytics to cover the focus of the risk assurance we had planned. Each of the audits was postponed until this year, we therefore plan to cover the work this year.	Ongoing, but with the aim of undertaking data analytics for the three audits identified for 2023/24.

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Review/Update to the Anti-Fraud Policy and Related Policies

Committee considering report:	Governance Committee
Date of Committee:	26 June 2023
Portfolio Member:	Councillor Jeff Brooks
Date Portfolio Member agreed report:	15 June 2023
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	GE4410

1 Purpose of the Report

- 1.1 The Council’s policies covering Anti-Fraud and Corruption, Anti-Money Laundering and the Bribery Act were last reviewed/published in 2019, they are required to be reviewed every three years to ensure they reflect the most recent local government guidance and relevant legislation.
- 1.2 The Terms of Reference for the Governance Committee state the Committee’s role is to have oversight of fraud risk and how it is being managed, this therefore includes review of the Council’s policies and procedures covering the management of fraud.

2 Recommendations

Governance Committee to discuss and approve the content of the revised policies.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None
Human Resource:	None
Legal:	None
Risk Management:	For the policies to be effective, the Council’s approach to risk management needs to continue to develop and strengthen awareness of and response to fraud risks.

Review/Update to the Anti-Fraud Policy and Related Policies

Property:	None			
Policy:	The proposed changes to the policies bring them in line with current legislation and good practice.			
	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:	Governance and Finance Group			

4 Executive Summary

- 4.1 The Council’s policies covering Anti-Fraud and Corruption, Anti-Money Laundering and the Bribery Act were last reviewed/published in 2019, they are required to be reviewed/updated every three years to ensure they reflect the most recent local government guidance, and relevant legislation.
- 4.2 At this refresh of the three policies there were only minor changes made:-
 - a) Anti-Fraud and Corruption Policy – minor change made to add in the need to protect individuals and the community from becoming victims of crime, also roles and responsibilities section has been expanded to include more detail regarding carrying out fraud investigations;
 - b) Anti-Money Laundering Policy - procedure/guidance notes give additional clarification of applicability, also acknowledge the amended regulations in 2019 and 2022, although they did not require any changes to the procedure details;
 - c) The Bribery Act - includes an additional note concerning responsibility for internal investigations into allegations of bribery.
- 4.3 Internal Audit have hosted annual training sessions, available to all staff, to promote awareness of the policies, and fraud risk awareness in particular. Training has also been provided to Members.

5 Supporting Information

Introduction/Background

- 5.1 A small number of changes have been made to the policies, to ensure they reflect the most recent local government guidance and relevant legislation. The changes are summarised below:
- 5.2 The Anti-Fraud and Corruption Policy (Appendix A) includes minor changes to the Framework at paragraph 3.3, to align with the current key guidance: ‘Fighting Fraud and Corruption Locally 2020’. This includes acknowledgement of the need to protect individuals from becoming victims of crime and protect against the harm that fraud can do to the community.

- 5.3 There are also changes to table 5, Roles and Responsibilities, to clarify roles particularly with respect to carrying out and overseeing internal investigations. It also places responsibility upon senior officers including service managers to consider how services can protect against serious and organised crime, protect individuals from becoming victims of crime and protect against the harm that fraud can do to the community, and to implement processes accordingly to mitigate the risks.
- 5.4 The Anti-Money Laundering Policy and procedure/guidance notes (Appendix B) give additional clarification of applicability at paragraph 1.3, and of relevant business at paragraph 17.2. The document also acknowledges the amended regulations 2019 and 2022, which did not require any changes to the procedure details.
- 5.5 The Bribery Act Policy (Appendix C) includes an additional note concerning responsibility for internal investigations into allegations of bribery at paragraph 5.5, referencing the Anti-Fraud and Corruption Policy. The relevant legislation remains unchanged.

6 Proposals

- 6.1 Committee review and approve the revised policies and procedures.
- 6.2 We note that the awareness and effectiveness of the policies also requires ongoing internal promotion of fraud risk awareness as part of the Council's approach to risk management. Internal Audit have also hosted annual fraud awareness training for staff and Members.

7 Other options considered

Not applicable, the revised policies need to be discussed/approved.

8 Conclusion

- 8.1 The Council's Anti-Fraud, Anti-Money Laundering and Bribery Act policies and procedures have been revised with minor changes to bring them up to date.

9 Appendices

- 9.1 Appendix A – Anti-Fraud Policy and Procedure
- 9.2 Appendix B – Anti-Money Laundering Policy and Procedure
- 9.3 Appendix C – Bribery Act Policy and Procedure

Background Papers:

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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Anti Fraud and Corruption Policy

Document Control

Document Ref:		Date Created:	14 th June 2023
Version:	1.2	Date Modified:	
Revision due			
Author:	Julie Gillhespey, Internal Audit Manager	Sign & Date:	
Owning Service	Strategy & Governance (Internal Audit)		
Equality Impact Assessment: (EIA)	Date undertaken:		
	Issues (if any):		
Governance Committee	Sign & Date:	To be updated	

Change History

Version	Date	Description	Change ID
0.1	June 2019	Initial draft.	
0.2	Sept 2019	Amendments from Finance and Governance Group	JB
1.0	Nov 2019	Approved by G&E Committee	JB
1.1	Nov 2022	Revisions – 3 year review . Update for Fighting Fraud & Corruption Locally 2020. Review ed and Agreed w ith no further changes by Finance & Governance Group Dec 2022.	JB
1.2	June 2023	Revisions made after discussion at Corporate Board	JG

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1. Purpose

- 1.1 The purpose of this policy is to explain how the Council aims to ensure the proper use and protection of public funds and assets.
- 1.2 West Berkshire Council has a zero tolerance stance to all forms of fraud, corruption and theft, both from within the Council and from external sources. We recognise fraud can:
- a. Undermine the standards of public service that the Council is attempting to achieve;
 - b. Reduce the level of resources and services available for the residents of West Berkshire; and
 - c. Result in major consequences which reduce public confidence in the Council.
- 1.3 This Policy/Guidance has been approved by the Finance and Governance Group and Governance Committee.

2. Applicability

- 2.1 This Policy applies to:
- a. All non-school based employees working for the Council, including those working from home or at non-Council locations.
 - b. Other persons including Elected Members, Consultants, Agency staff and Contractors working for the Council, external organisations working with the Council, whilst engaged on Council business.
- 2.2 It is the responsibility of each employee and other person mentioned in Section 2.1 to familiarise themselves with and adhere to this Policy.
- 2.3 Adherence to this Policy is a condition of working for the Council or using its assets.

3. Policy

- 3.1 The Council will create and promote an 'anti-fraud' culture which highlights the Council's zero tolerance to fraud, bribery, corruption and theft.
- 3.2 The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including disciplinary action, dismissal and/or prosecution. The required ethical standards are included in both our Members Code of Conduct and Employees Code of Conduct, in addition to the Council's Constitution, including Financial and Contract Rules.
- 3.3 The Policy is based upon five key pillars: **Govern, Acknowledge, Prevent, Pursue, and Protect**, and adheres to "Fighting Fraud and Corruption Locally 2020", which is supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre, CIFAS and the LGA:

Govern	
Develop and maintain a culture in which fraud and corruption are unacceptable	Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

Acknowledge: Acknowledging and understanding fraud risks	
Committing Support	The Council's commitment to tackling the threat of fraud is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. We will not, however, tolerate malicious or vexatious allegations.
Assessing Risks	We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities. In addition, Internal Audit will carry out work in these high risk areas to assist management in detecting existing and new types of fraudulent activity.
Robust Response	We will strengthen measures and controls which mitigate fraud risk . Internal Audit will work with management to ensure new and existing systems and policy initiatives are adequately protected against fraud.

Prevent: Preventing and Detecting more fraud	
Better use of Information Technology	We will review opportunities to make greater use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud.
Continuous improvement in Systems of Control	Where fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, Executive Directors/Service Directors/Heads of Service will ensure that appropriate improvements in systems of control are implemented in order to prevent re-occurrence.
Anti-Fraud Culture	We will promote and develop a strong counter fraud culture , raise awareness , provide training and provide information on all aspects of our counter fraud work. This will include publicising the results of all proactive work, fraud investigations, successful sanctions and any recovery of losses due to fraud.

Pursue: Being stronger in punishing fraud and recovering losses	
Fraud Recovery	A crucial element of our response to tackling fraud is recovering any monies lost through fraud . This is an important part of our strategy and will be rigorously pursued, where possible.
Punishing Fraudsters	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action, where appropriate.

Enforcement	Appropriately trained investigators will investigate any fraud detected through the planned proactive work; cases of suspected fraud referred from internal or external stakeholders, or received via the whistleblowing procedure. We will also work with relevant internal and external partners / external agencies / organisations.
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Protect: Recognising the harm that fraud can cause in the community. Protecting itself and its residents from fraud.	
Protect those at risk	We will work to implement services which protect against serious and organised crime, protect individuals from becoming victims of crime and protect against the harm that fraud can do to the community. For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.

4. Implementation

This Policy will be supported and implemented by carrying out the roles and responsibilities set out below.

5. Roles and Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
s151 Officer	To ensure the Council has adopted and implemented an appropriate Anti-Fraud and Corruption Policy/ Strategy and that the Council has an adequately resourced an effective Internal Audit service to deliver counter fraud activity which is appropriate to our needs.
Monitoring Officer	Statutory responsibility to ensure that the Council operates within the law. Overall responsibility for the Members Code of Conduct. Maintenance and operation of the Whistleblowing Procedure. Ensures that the counter fraud team (Internal Audit) are independent of process and produces reports to relevant committees that are scrutinised by members.
Governance and Finance Group	To monitor the adequacy and effectiveness of the arrangements in place for combating fraud and corruption (Monitoring Officer, S151 Officer and Audit Manager are part of this group).
Members	To comply with the Members Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption, bribery, money laundering, and theft, and to report any genuine concerns accordingly. The Governance Committee is responsible for reviewing and approving the Council's Anti-Fraud and Corruption, Anti-Money Laundering and Bribery Act policies and procedures.

	<p>To receive a report at least once a year on the counter fraud activity which includes proactive and reactive work.</p> <p>The Governance Committee is responsible for enforcing and dealing with complaints against Councillors insofar as they relate to breaches of the Code of Conduct.</p>
External Audit	<p>Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption, bribery and theft.</p> <p>It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern.</p>
Internal Audit	<p>Responsible for developing and promoting the requirements of an Anti-Fraud and Corruption Strategy.</p> <p>All officers will notify the Audit Manager of any allegations of theft/fraud/corruption/financial irregularity they are made aware of. The Audit Manager, in consultation with Legal Services will determine if the allegation is more of a general complaint/member code of conduct complaint rather than an issue that should be treated as a fraud investigation. The Audit Manager will maintain a log of allegations reported, the agreed action for nature of the issue (e.g. whether it will be dealt with under the corporate complaints process or treated as a fraud investigation) and the outcome. The Audit Manager will report a summary of the log to the Governance Committee.</p> <p>Undertaking all fraud investigations, and monitoring other cases reported as potential fraud but where it has been deemed to be more of a complaint (general/members code of conduct).</p> <p>To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.</p> <p>To undertake reviews of system controls including financial controls.</p>
Executive Directors, Service Directors/Heads of Service, Service Managers	<p>To promote staff awareness, and ensure that all suspected or reported irregularities are immediately referred as per the Council's Whistleblowing Policy/Procedure.</p> <p>To ensure that there are controls and mechanisms in place within their service areas to assess the risk of fraud, corruption, bribery and theft, and to reduce these risks by implementing strong internal controls.</p> <p>To consider how services can protect against serious and organised crime, protect individuals from becoming victims of crime and protect against the harm that fraud can do to the community. To implement processes accordingly to mitigate the risks.</p> <p>Responsible for ensuring that employees are aware of the Council's HR policies and procedures, and the Financial and Contract Rules.</p>

Money Laundering Reporting Officer (MLRO)	Responsible for anti-money laundering measures within the Council. Responsible for receiving disclosure reports and for reporting, where relevant, to the National Crime Agency (NCA).
Staff, as set out in previous sections 2.1.1 and 2.1.2	To comply with Council policies and procedures, including the Financial and Contract Rules, Gifts and Hospitality Procedure, and codes of conduct associated with professional and personal conduct and conflict of interest. To be aware of the possibility of fraud, corruption, bribery and theft. To remain vigilant, and to report any genuine concerns to management, the Internal Audit Manager, or via the whistleblowing procedure.
Public, Service Users, Partners, Suppliers, Contractors and Consultants	To report any genuine concerns / suspicions in accordance with the council's whistleblowing procedure.

6. Counter Fraud Service (Internal Audit)

A counter fraud service is established which:

- a. Ensures that the resources dedicated are sufficient and those involved are trained to deliver a counter fraud service which is appropriate to our needs;
- b. Proactively deters, prevents and detects fraud, bribery, corruption and theft;
- c. Investigates suspected or detected fraud, bribery, corruption and theft;
- d. Enables the Council to apply appropriate sanctions and recover all losses. In addition wherever possible, the council seeks to recover all proven financial losses through court action or by invoicing an individual;
- e. Provides recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity;
- f. Creates an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, no malicious or vexatious allegations or those motivated by personal gain will be tolerated, and, if proven, we may take disciplinary or legal action; and
- g. Works with our partners and other investigative bodies to strengthen and continuously improve our arrangements to prevent fraud and corruption.

7. Acknowledgement and Assessment of Risk

- 7.1 As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered when preparing risk assessments in support of achieving strategic priorities, business plans, projects and programmes objectives and outcomes. In making this assessment it is important to consider the risk of fraud occurring rather than the actual incidence of fraud having occurred in the past. Once the fraud risk has been evaluated, appropriate action should be taken to mitigate those risks on an ongoing basis.

7.2 Any changes in operations or the business environment must also be assessed to ensure any impacts, which might increase the risk or otherwise change the risk of fraud, bribery, corruption, theft or money laundering, are properly taken into account.

8. Culture and Corporate Governance

8.1 Good corporate governance procedures are a strong safeguard against fraud and corruption. Adequate supervision, recruitment and selection, scrutiny and healthy scepticism should not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

8.2 Whilst all stakeholders in scope have a part to play in reducing the risk of fraud and corruption, WBC's Members, Directors and Management are ideally positioned to influence the ethical tone of the organisation and play a critical role in fostering a culture of high ethical standards and integrity.

9. Whistleblowing Procedure

9.1 Individuals who are concerned about malpractice in the Council can use the Whistleblowing Procedure where they believe that one or more of the following is either happening, has taken place, or is likely to happen in the future:

- a. A criminal offence
- b. A breach of a legal obligation
- c. A miscarriage of justice
- d. A danger to the health and safety of any individual
- e. Damage to the environment
- f. A deliberate attempt to conceal any of the above

9.2 Workers (including agency employees, contractors, volunteers and elected members) making whistleblowing disclosures are protected from dismissal or other detrimental action if they reasonably believe that it is in the public interest.

10. Failure to comply with the Anti-Fraud and Corruption Policy

10.1 This document provides staff and others with essential information regarding the Council's approach to anti-fraud and corruption, and sets out conditions to be followed. It is the responsibility of all to whom this Policy document applies to adhere to these conditions. Failure to do so may result in:

- a. Withdrawal of access to relevant services
- b. Informal disciplinary processes
- c. Formal disciplinary action
- d. Complaint and action under the Members Code of Conduct.

10.2 Additionally, if a criminal offence is suspected (for example under the Fraud Act 2006), the Council may contact the police or other appropriate enforcement authority to investigate whether a criminal offence has been committed.

10.3 This policy will be reviewed to respond to any changes and at least every three years.

Glossary

Fraud

Fraud is defined by the Fraud Act 2006 as follows:

A person is guilty of fraud if he/she is in breach of any of the following:

Fraud by false representation: that is if a person:

- a) Dishonestly makes a false representation; and
- b) Intends, by making the representation:
 - i. To make a gain for him/herself or another; or
 - ii. To cause loss to another or to expose another to the risk of loss.

Fraud by failing to disclose information; that is if a person:

- a) Dishonestly fails to disclose to another person information which s/he is under a legal duty to disclose; and
- b) Intends, by failing to disclose the information:
 - i. To make a gain for him/herself or another; or
 - ii. To cause loss to another or to expose another to the risk of loss.

Fraud by abuse of position; that is if a person:

- a) Occupies a position in which he/she is expected to safeguard, or not to act against the financial interests of another person;
- b) Dishonestly abuses that position; and
- c) Intends, by means of the abuse of that position to:
 - i. To make a gain for him/herself or another; or
 - ii. To cause loss to another or to expose another to the risk of loss.

In addition, the Fraud Act deals with offences relating to the possession of articles for use in fraud, making or supplying articles for use in frauds, participation by a sole trader in fraudulent business, and obtaining services dishonestly, personally or for another.

Corruption

Corruption is the deliberate misuse of your position for direct or indirect personal gain. It includes offering, giving, requesting or accepting a bribe or reward, which influences your actions or the actions of someone else. The Bribery Act 2010 makes it possible for officers to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe.

The Act also created the Corporate Offence of “Failing to prevent bribery on behalf of a commercial organisation”.

To protect itself against the corporate offence, the Act also requires organisations to have “adequate procedures in place to prevent bribery”. This strategy, the WBC Codes of Conduct and the Council’s Whistleblowing procedure are designed to meet that requirement.

Bribery

The Bribery Act 2010 came into force in the UK on 1st July 2011. It amends and reforms the UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally. Staff need to be aware of their obligations under this Act, which sets out the criminality of accepting and giving of bribes. This applies to both individual staff and the Council corporately.

The Bribery Act creates the following four offences:

Active bribery: promising or giving a financial or other advantage;

Passive bribery: agreeing to receive or accepting a financial or other advantage;

Bribery of foreign public officials; and

The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

The penalty under the Bribery Act is an unlimited fine and/or imprisonment up to a maximum of 10 years. These responsibilities are set out within the council's Anti-Bribery Policy.

Theft

Theft is the physical misappropriation of cash or other tangible assets. A person is guilty of "theft" if s/he dishonestly takes property belonging to another, with the intention of permanently depriving the other of it (i.e. treating as their own property to dispose of, regardless of the other's rights).

Money Laundering

Money Laundering is most often known as the process by which criminals attempt to 'recycle' the proceeds of criminal activities in order to conceal its origin and ownership whilst retaining use of the funds. It also refers to the concealment, use or transfer of any 'criminal property' or 'terrorist property'.

Any service that receives money from an external person or body is potentially vulnerable to money laundering. The need for vigilance is vital and any suspicion concerning the appropriateness of a transaction should be reported and advice sought from the Money Laundering Reporting Officer (MLRO). Details of the MLRO can be found within the Council's Anti Money Laundering Policy.

The Council recognises its responsibilities under the Money Laundering Regulations 2017 (amended 2019 and 2022) and the Proceeds of Crime Act 2002. These responsibilities are set out within the Council's Anti Money Laundering Policy.

Other Relevant Documentation

Further information on relevant Council policy and practice, and relevant publications can be found in the following documents:

The Constitution, includes Contract and Financial Rules

Officer Code of Conduct

Disciplinary Code

Whistleblowing Procedure

Anti-Bribery Policy

Anti-Money Laundering Policy

Recruitment Procedures

Internal Audit Plan/Charter

The Local Government Transparency Code (at Gov.uk)

National Fraud Initiative (NFI) (at Gov.uk)

Fighting Fraud and Corruption Locally (at Gov.uk, and the Chartered Institute of Public Finance & Accountancy).

Appendix 1 – Types of Fraud / Examples (FFCL 2020) A new list for 2020

Social care fraud: personal budgets and direct payments	overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims
Schools	most issues that were raised in the FFCL workshops were also raised as issues for schools, i.e. payroll, procurement, cyber-crime. This area did not feature in FFCL 2016
Right to buy	fraudulent applications under the right to buy/acquire
Money laundering	exposure to suspect transactions ; risks attached to local authorities becoming more commercial.
Commissioning of services	including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion
Tenancy	fraudulent applications for housing or successions of tenancy, and subletting of the property
Procurement	tendering issues, split contracts, double invoicing
Payroll	false employees, overtime claims, expenses
Identity fraud	false identity/fictitious persons applying for services/payments
Council tax	discounts and exemptions, council tax support
Blue Badge	use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
Grants	work not carried out, funds diverted, ineligibility not declared
Business rates	fraudulent applications for exemptions and reliefs, unlisted properties
Insurance fraud	false claims including slips and trips
Disabled facility grants	fraudulent applications for adaptations to homes aimed at the disabled
Concessionary travel schemes	use of concession by ineligible person, including freedom passes
No recourse to public funds	fraudulent claims of eligibility
New responsibilities	areas that have transferred to local authority responsibility
Local Enterprise Partnerships	partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants
Immigration	including sham marriages. False entitlement to services and payments
Cyber-dependent crime and cyber-enabled fraud	enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments

Appendix 2 – Key Fraud Indicators

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. However, the following are indicators that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

Unusual employee behaviour: Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long hours, job dissatisfaction / unhappy employee, secretiveness or undue defensiveness.

Financial irregularities: Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.

Poor procurement practice: Too close a relationship with suppliers/contractors; suppliers / contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.

Disorganisation: Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.

Inadequate supervision: Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.

Lax corporate culture: Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.

Poor work practices: Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopied or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.

Appendix 3 – Fighting Fraud and Corruption Locally 2020 – FFCL checklist

A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.

The following checklist is recommended, to measure the council's local counter fraud and corruption culture and response:

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation.
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
 - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
 - register of interests
 - register of gifts and hospitality
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.
- There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.

- Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
- Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
- There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.
- All allegations of fraud and corruption are risk assessed.
- The fraud and corruption response plan covers all areas of counter fraud work:
 - prevention
 - detection
 - investigation
 - sanctions
 - redress
- The fraud response plan is linked to the audit plan and is communicated to senior management and members.
- Asset recovery and civil recovery is considered in all cases.
- There is a zero tolerance approach to fraud and corruption which is always reported to committee.
- There is a programme of proactive counter fraud work which covers risks identified in assessment.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.
- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics where possible.
- The counter fraud team has registered with the [\[CIFAS\]](#) Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.
- There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.
- The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.
- The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:
 - surveillance
 - computer forensics
 - asset recovery
 - financial investigations

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Anti Money Laundering Policy and Procedure

Document Control

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1. Purpose

- 1.1 The purpose of this Policy is to explain how the Council aims to minimise the risk that the Council's services will be used in money laundering, and to protect employees from the risk of prosecution in the event that they become aware of money laundering activity during the course of their work.
- 1.2 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This policy and supporting guidance have been written to support the Council to meet the requirements in a way which is proportionate to the very low risk to the Council of contravening the legislation.
- 1.3 Although local authorities are not directly covered by the requirements of the UK's Money Laundering Regulations, guidance from the Chartered Institute of Public Finance and Accountancy ("CIPFA") indicates that they should comply with the underlying spirit of the legislation and regulations.
- 1.4 Whilst the majority of money laundering activity in the UK falls outside of the public sector, vigilance by employees of the Council can help identify those who are or may be perpetrating crimes relating to the financing of terrorism and money laundering. In addition, the Council undertakes certain activities which may be defined as 'relevant business' within the legislation and for which obligations are created, as set out in the guidance to this Policy. Both the Policy and the guidance sit alongside and are consistent with the Council's Anti-Fraud and Corruption Policy and the Whistleblowing Policy and Procedure.
- 1.5 This Policy and Guidance has been approved by both the Finance and Governance Group, and the Governance Committee.

2. Applicability

- 2.1 This Policy applies to:
 - a. All non-school based employees working for the Council, including those working from home or at non-Council locations.
 - b. Other persons including Elected Members, Consultants, Agency staff and Contractors working for the Council, external organisations working with the Council, whilst engaged on Council business.
- 2.2 It is the responsibility of each employee and other person mentioned in Section 2.1 to familiarise themselves with and adhere to this Policy.
- 2.3 Adherence to this Policy is a condition of working for the Council or using its assets.

3. Policy

- 3.1 There is a statutory duty on the organisation and on individuals to disclose suspicions of money laundering that may arise during the course of normal business. It is the Policy of the Council to prevent, wherever possible, the Council and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. It is every member of staff's responsibility to be vigilant.

- 3.2 The Council will ensure that:
- a. Money Laundering Reporting Officer (MLRO) is appointed to receive disclosures from employees of money laundering activity;
 - b. A procedure is implemented to enable the reporting of suspicions of money laundering (refer to section 14 in the Guidance and Procedures part of this document);
 - c. Client identification procedures are maintained in certain circumstances when undertaking relevant business;
 - d. Appropriate record keeping procedures are maintained;
 - e. Staff are made aware of the requirements and obligations under the relevant legislation; and
 - f. Training is provided to those most likely to encounter money laundering.

4. Implementation

This Policy is supported and implemented by the procedures and guidance which form part of this document.

5. Roles and Responsibilities

- 5.1 The overall responsibility for anti-money laundering within WBC rests with the Executive Director (Resources).
- 5.2 WBC has nominated the following officers to be responsible for anti-money laundering measures within the organisation:

Money Laundering Reporting Officer (MLRO):

Joseph Holmes, Executive Director (Resources) and s151 Officer (01635) 503540

Deputy MLROs:

Melanie Ellis/Shannon Coleman Slaughter – Acting Heads of Finance and Property (01635) 519142/503225

Sarah Clarke, Service Director, Strategy & Governance, and Monitoring Officer (01635) 519596

- 5.3 All managers are directly responsible for implementing this Policy and any sub policies and procedures within their service areas, and for the adherence of their staff and others (2.1).
- 5.4 All personnel detailed at 2.1 have an individual responsibility to adhere to this Policy and any relevant Standards and/or Procedures.
- 5.5 Any member of staff who has any concerns whatsoever regarding a financial transaction, should contact the MLRO in the first instance.

6. Failure to comply with the Anti Money Laundering Policy and Procedure

- 6.1 This document provides staff and others with essential information regarding anti-money laundering requirements, and sets out conditions to be followed. It is the responsibility of all to whom this Policy document applies to adhere to these conditions. Failure to do so may result in:

- a. withdrawal of access to relevant services
- b. informal disciplinary processes
- c. formal disciplinary action
- d. Complaint and action under the Members Code of Conduct.

6.2 Additionally if a criminal offence is suspected (for example, Tipping Off under the Proceeds of Crime Act 2002), the Council may contact the police or other appropriate enforcement authority to investigate whether a criminal offence has been committed.

7. Review

7.1 This policy and procedure will be reviewed to respond to any changes and at least every three years.

7.2 The Governance Committee will be required to review and approve any revisions to the Anti Money Laundering Policy.

DETAILED GUIDANCE AND PROCEDURES

8. What is money laundering?

- 8.1 Money laundering is the term used for a number of offences involving proceeds of crime or terrorist funds. The term goes beyond the transformation of the proceeds of crime into apparently legitimate money or assets; it also covers a range of activities, which do not necessarily need to involve money.
- 8.2 It includes all forms of using, possessing or transferring criminal property or terrorist property (as well as facilitating the use or possession) regardless of how it was obtained.
- 8.3 “Criminal property” is widely defined as a person’s benefit from criminal conduct. It includes all property, in the UK or abroad, including money, and also includes an interest in land or a right in relation to property other than land. It can also refer to a reduction in a liability. It does not matter how small the value of the benefit is.
- 8.4 “Terrorist property” means money or other property that is likely to be used for the purposes of terrorism, proceeds of the commission of acts of terrorism, and acts carried out for the purposes of terrorism.
- 8.5 Money laundering activity can include a single act (for example, possessing the proceeds of one’s own crime), complex and sophisticated schemes involving multiple parties, multiple methods of handling and transferring criminal property, or concealing criminal property or entering into arrangements to assist others to conceal criminal property.
- 8.6 The broad definition of money laundering means that potentially anybody (and therefore any Council officer, irrespective of what sort of Council business they are undertaking) could contravene the money laundering offences if they become aware of, or suspect the existence of criminal or terrorist property, and continue to be involved in the matter without reporting their concerns.

9. What is the law?

- 9.1 The UK’s money laundering regulations were amended with effect from September 2022 the 2002 Proceeds of Crime Act is the primary legislation and defines the offences that constitute money laundering:
- a. Concealing, disguising, converting, transferring criminal property or removing it from the UK (Section 327 of the Proceeds of Crime Act 2002); or
 - b. Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328);
 - c. Acquiring, using or possessing criminal property (section 329); or
 - d. Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorism Act 2000).
- 9.2 These are the primary money laundering offences and thus prohibited acts under the legislation. There are also two secondary offences: **failure to disclose** any of the primary offences and **tipping off**. Tipping off is where someone informs a person or people who are, or are suspected of being, involved in money laundering, in such a way as to reduce the likelihood of their being investigated, or prejudicing an investigation.

- 9.3 Potentially any member of staff could be implicated by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it.
- 9.4 All the money laundering offences may be committed by an organisation or by the individuals working for it. Whilst it is considered most unlikely that a member of staff would commit one of the three principle offences, the failure to disclose a suspicion is a serious offence in itself, and there are only very limited grounds in law for not reporting a suspicion. Whilst stressing the importance of reporting your suspicions, you should understand that failure to do so is only an offence if your suspicion relates, in the event, to an actual crime.

10. What are the penalties?

The consequences for officers of committing an offence are potentially very serious, including up to 14 years' imprisonment and/or an unlimited fine.

11. How do I know whether money laundering is taking place?

There is no clear definition of what constitutes suspicion – common sense will be needed. Although you do not need to have actual evidence that money laundering is taking place, mere speculation or gossip is unlikely to be sufficient to give rise to knowledge or suspicion that it is. However, if you deliberately disregard the obvious, this will not absolve you of your responsibilities under the legislation.

12. Risks and indications of money laundering activity:

- 12.1 It is impossible to give a definitive list of ways in which to spot money laundering or how to decide whether to make a report to the MLRO. The following are types of risk factors which may, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

General:

- a. A new client;
- b. A secretive client: e.g., refuses to provide requested information without a reasonable explanation;
- c. Concerns about the honesty, integrity, identity or location of a client;
- d. Illogical third party transactions: unnecessary routing or receipt of funds from third parties or through third party accounts;
- e. Involvement of an unconnected third party without logical reason or explanation;
- f. Payment of a substantial or unusual sum in cash;
- g. Overpayments by a client, particularly where a refund is requested by cheque or bank transfer, which could be an attempt to launder cash proceeds of criminal activity into the legitimate banking sector;
- h. Absence of an obvious legitimate source of funds or assets – a client could have been offered a bribe or kick-back to make a transaction or to pay for services, using somebody else's criminal proceeds;

- i. Movement of funds overseas, particularly to a higher risk country or tax haven;
- j. Where, without reasonable explanation, the size, nature and frequency of transactions or instructions (or the size, location or type of a client) is out of line with normal expectations;
- k. A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational e.g. rent or rates being paid on a property which becomes unoccupied; services being offered at below market rates;
- l. The cancellation or reversal of an earlier transaction, particularly where a refund is requested by cheque or bank transfer;
- m. Requests for release of client account details other than in the normal course of business;
- n. Companies and trusts: extensive use of corporate structures and trusts in circumstances where the client's needs are inconsistent with the use of such structures;
- o. Poor business records or internal accounting controls;
- p. A previous transaction for the same client, which has been, or should have been, reported to the MLRO.

Property Matters:

- a. Unusual property investment transactions if there is no apparent investment purpose or rationale;
- b. Instructions to receive and pay out money where there is no linked substantive property transaction involved (surrogate banking);
- c. Funds received for property deposits or prior to completion from an unexpected source or where instructions are given for settlement funds to be paid to an unexpected destination.

12.2 Facts that tend to suggest that something odd is happening may be sufficient for a reasonable suspicion of money laundering to arise.

13. Examples of money laundering activity:

Consider the following hypothetical scenarios:

13.1 An application for a license is received and in the course of assessing the application, the licensing officer has reason to become suspicious that the premises or service is likely to be used for acquiring or transferring criminal property.

13.2 A social worker is assessing a service user's finances to calculate how much he should pay towards the cost of care, and then goes on to arrange for services to be provided and charged for. In the course of this process the social worker becomes aware of, or suspects the existence of criminal property.

13.3 A care service provider is new to the market and offering services at what appears to be excellent value. In the course of undertaking procurement due diligence, it becomes apparent that the care staff may not all have the right to work in the UK. This service provider may be a front end for a variety of criminal activity, including people trafficking or modern slavery, and criminals may be obtaining the benefit of free or cheap labour.

13.4 In these scenarios the officers concerned may commit an offence under section 328 of POCA by "being concerned in an arrangement" which s/he

knows/suspects “facilitates the acquisition, retention use or control of criminal property” if they do not report their concerns. Any lawyer involved could also be guilty of an offence if they assist in the transaction.

14. What should I do if I suspect a case of money laundering?

- 14.1 First please ensure you are aware of the Tipping Off offences (see section 16). Where you know or suspect that money laundering activity is taking or has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO or Deputy MLRO named in section 5.2. Should you not do so, then you may be liable to prosecution.
- 14.2 If you are in any doubt as to whether or not to file a report with the MLRO then you should err on the side of caution and do so. Remember, failure to report may render you liable to prosecution (for which the maximum penalty is an unlimited fine, five years’ imprisonment, or both).
- 14.3 You must still report your concerns, even if you believe someone else has already reported their suspicions of the same money laundering activity. Such reports to the MLRO will be protected in that they will be exempt from disclosures requested under the Freedom of Information Act.
- 14.4 Your report to the MLRO must include as much detail as possible including:
- a. Full details of the people involved e.g. name, date of birth, address, company names, directorships, phone numbers, etc;
 - b. Full details of the nature of their and your own involvement;
 - c. If you are concerned that continuing the transaction would amount to a prohibited act under sections 327 to 329 of the 2002 Act, then your report must include all relevant details, as consent will be needed from the National Crime Agency (NCA) via the MLRO for the transaction to proceed.
 - d. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline;
 - e. The types of money laundering activity involved. if possible, cite the section number(s) under which the report is being made e.g. a principal money laundering offence under the 2002 Act (or 2000 Act), or general reporting requirement under section 330 of the 2002 Act (or section 21A of the 2000 Act), or both;
 - f. The dates of such activities, including whether the transactions have happened, are ongoing or are imminent;
 - g. Where they took place;
 - h. How they were undertaken;
 - i. The (likely) amount of money/assets involved;
 - j. Why, exactly, you are suspicious along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable the MLRO to prepare a report to the National Crime Agency (NCA) if appropriate. You should also enclose copies of any relevant supporting documentation.
- 14.5 Once you have reported the matter to the MLRO you must follow any directions given to you. You must not make any further enquiries into the matter yourself.

All members of staff will be required to co-operate with the MLRO and other authorities during any subsequent investigation.

- 14.6 There are various defences against non-disclosure, including: where you have a reasonable excuse for non-disclosure (e.g. a lawyer may be able to claim legal professional privilege for not disclosing the information); where you did not know or suspect that money (or other criminal property) was being laundered and had not been provided with appropriate training by the Council.
- 14.7 Given the low risk to the Council of money laundering activity, this Guidance Note will provide sufficient training for most members of staff, although further guidance may be issued from time to time and targeted training provided to those staff more directly affected by the legislation.

15. What will the MLRO do?

- 15.1 Upon receipt of a disclosure report, the MLRO must note the date of receipt on the report, acknowledge receipt and advise the discloser of the timescale within which they can expect a response.
- The MLRO will consider the report and any other available internal information they think relevant e.g.
- a. reviewing other transaction patterns and volumes;
 - b. the length of any business relationship involved;
 - c. the number of any one-off transactions and linked one-off transactions;
 - d. any identification evidence held.
- 15.2 The MLRO will undertake such other reasonable inquiries deemed appropriate in order to ensure that all available information is taken into account in deciding whether a report to the National Crime Agency (NCA) is required. Such enquiries should be made in such a way as to avoid any appearance of tipping off those involved. The MLRO may also need to discuss the report with you.
- 15.3 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
- a. there is actual or suspected money laundering taking place; or
 - b. there are reasonable grounds to know or suspect that is the case; and
 - c. whether they need to seek consent from the NCA for a particular transaction to proceed.
- 15.4 There are a small number of exemptions for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information) however, if in any doubt, always disclose.
- 15.5 Where the MLRO concludes that there are no grounds to suspect money laundering, or suspects money laundering but has a good reason for non-disclosure, then this must be noted on the report accordingly and consent given in writing for any ongoing or imminent transactions to proceed. The MLRO should consult with the Chief Executive before reaching a non-disclosure decision. Consent can then be given for a transaction to continue, where applicable.
- 15.6 In cases where legal professional privilege may apply, the MLRO must liaise with the Chief Executive to decide whether there is a reasonable reason for not reporting the matter to NCA.
- 15.7 Where consent is required from NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until NCA has

specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

- 15.8 All disclosure reports referred to the MLRO and reports subsequently made to NCA must be retained by the MLRO in a confidential file kept securely for that purpose, for a minimum of five years.

16. Tipping Off Offences

- 16.1 Where you suspect money laundering and report it to the MLRO, you must not mention this to others afterwards: you may commit a further offence of “tipping off” (section 333 of the 2002 Act) if, knowing a disclosure has been made, you say or do anything which is likely to prejudice any investigation that might be conducted. It is important not to disclose that an investigation into allegations that an offence has been committed is being contemplated, or is being carried out. If and when clearance is given by the MLRO and/or the NCA, you should proceed as if nothing has happened.
- 16.2 You must not make any reference on a file to a report having been made to the MLRO because, should the client exercise their right to see the file under Data Protection or FOI Acts, such a note will obviously “tip them off” and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

17. Specific obligations when conducting ‘relevant business’

- 17.1 Money laundering may occur in a wide variety of personal and business transactions, and all Council staff should remain vigilant to the presence of criminal property, and should report their suspicions as set out in this procedure. However, there is also a class of activities known as ‘**relevant business**’, and for these activities, some specific and additional obligations are created.
- 17.2 *‘Relevant business’ would usually refer to the accountancy and audit services carried out by the financial service functions within the Council and the financial, company and property transactions undertaken by Legal Services, where conducted ‘by way of business’.*
- Relevant business does not include:*
- *public authorities serving members of the public free of charge, or for a fee to cover the cost of providing the service only*
 - *public authorities that provide these services as part of their statutory duties and charge a fee*
- 17.3 Under the 2017 (amended 2019) Regulations, the Council is responsible for ensuring that those of its staff who are most likely to be exposed to money laundering (‘relevant’ employees) can make themselves fully aware of the law and, where necessary, are suitably trained. Areas of the Council’s business that could be deemed to be ‘relevant’ are required to obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken, and report suspicions to the MLRO.
- 17.4 Relevant business is defined with reference to the nature of the activities undertaken rather than referring to organisations as a whole. There is the possibility that some of the Council’s business could be classed as “relevant” for the purposes of the legislation:

- a. the provision, by way of business, of advice about the tax affairs of another person by a body corporate,
- b. the provision, by way of business, of accountancy services by a body corporate,
- c. the provision, by way of business, of audit services,
- d. the provision, by way of business, of legal services by a body corporate which involves participation in a financial or real property transaction (whether by assisting in the planning or execution of any such transaction or otherwise by acting for, or on behalf of, a client in any such transaction),
- e. the provision, by way of business, of services in relation to the formation, operation or management of a company or a trust,
- f. the activity of dealing in goods of any description, by way of business, whenever a transaction involves accepting a total cash payment of 15,000 euros (approximately £13,400 as at September 2019) or more.
- g. the activity of dealing in and managing investments 'by way of business'.

18. What do I do if I am involved in an activity deemed to be 'relevant business'?

18.1 The 2017 Regulations impose specific obligations on those carrying out **relevant business**, requiring them to:

- a. obtain sufficient knowledge to ascertain the true identity of clients, by maintaining client identification procedures;
- b. ensure evidence of identity obtained and details of transactions undertaken are held for at least 5 years.

18.2 Where the Council is carrying out relevant business (e.g. financial and certain legal services) and:

- a. forms an ongoing business relationship with a client; or
- b. undertakes a one-off transaction involving payment by, or to, the client of 15,000Euro (approximately £13,400) or more; or
- c. undertakes a series of linked one-off transactions involving total payment by or to the client(s) of 15,000 Euro (approximately £13,400) or more; or
- d. it is known or suspected that a one-off transaction (or a series of them) involves money laundering;

then the Client Identification Procedure (Customer Due Diligence – see section 19) should be followed before any business is undertaken with that client.

19. Client Identification Procedure (Customer Due Diligence) when undertaking relevant business

19.1 Satisfactory evidence of identity establishes, to the satisfaction of the person receiving it, that the client is who they claim to be. The Council's Client Identification Procedure requires basic identity checks for **existing clients** as follows:

- a. internal clients: signed, written instructions on Council headed notepaper or an email on the internal email system at the outset of the business relationship;
- b. external clients: signed, written instructions on the organisation in question's headed paper at the outset of the business relationship.

- 19.2 The reason for this low level procedure (simplified due diligence) is because the Council's risk of exposure to money laundering is assessed as low, so the procedure is considered appropriate to this perceived risk. The risk assessment takes account of regulations that restrict the extent to which services can be provided and the organisations with which the Council can contract.
- 19.3 Customer due diligence should be carried out over the lifetime of the business relationship, proportionate to the risk, and based on the officers' knowledge of the client and regular scrutiny of the transactions involved.
- 19.4 The Client Identification Procedure should enable us to have confidence in accepting instructions from a known client. If, however, you are undertaking work for a **new client**, then you may also wish to seek additional evidence, for example:
- a. check the organisation's website to confirm the identity of personnel, its business address and any other details;
 - b. meet the client at their business address;
 - c. confirm that the organisation is included in the telephone directory;
 - d. ask the key contact officer to provide evidence of personal identity and position within the organisation, for example: passport, photo ID card, driving licence;
 - e. signed, written confirmation from the Service Director/Head of Service or Chair of the relevant organisation that such person works for the organisation.
 - f. where there is a beneficial owner who is not the client, the Council should take reasonable measures to verify their identity, and where the beneficial owner is a trust or similar, the Council should understand the nature of the control structure of that trust.
- 19.5 The law states that particular care must be taken when the client is not physically present when being identified; this is often likely to be the case for the Council.

20. Record Keeping Procedure

- 20.1 Each Service of the Council conducting **relevant business** must maintain records of:
- a. client identification evidence obtained; and
 - b. details of all relevant business transactions carried out for clients for at least five years. This is so that they may be used as evidence in any subsequent investigation into money laundering by the authorities.
- 20.2 The precise nature of the records is not prescribed by law, however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

21. Conclusion

Given the nature of the Council's services and for whom these services can be provided, instances of suspected money laundering are unlikely to arise very often, if at all. However, we must be mindful of the legislative requirements, as failure to comply with them may render individuals liable to prosecution.

Other Relevant Documentation

The following policies, procedure documents and codes of conduct should be read in conjunction with the Anti Money Laundering Policy:

Anti-Fraud & Corruption Policy and Procedure
Whistleblowing Policy and Procedure

Bribery Act Policy and Procedure

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1.2	June 2023	Revisions made after discussion at Corporate Board	JG

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1. Purpose

- 1.1 The Council is committed to implementing and enforcing effective systems to prevent or counter any act of bribery. It is the Council's policy to conduct all aspects of its business in an honest and ethical manner at all times.
- 1.2 The purpose of this policy is to explain how the Council intends to maintain high standards and to protect the organisation, employees, Members and business partners against actual occurrences/or allegations of bribery and corruption.
- 1.3 The aim of this policy is to help the Council act in accordance with the Bribery Act 2010, maintain the highest possible standards of business practice, and advise individuals of the council's 'zero-tolerance' to bribery.
- 1.4 This Policy/Guidance has been approved by both the Finance and Governance Group, and the Governance Committee.

2. Applicability

- 2.1 This Policy applies to:
 - a. All non-school based employees working for the Council, including those working from home or at non-Council locations.
 - b. Other persons including Elected Members, Consultants, Agency staff and Contractors working for the Council, external organisations working with the Council, whilst engaged on Council business.
- 2.2 It is the responsibility of each employee and other person mentioned in Section 2.1 to familiarise themselves with and adhere to this Policy.
- 2.3 Adherence to this Policy is a condition of working for the Council or using its assets.

3. Policy

- 3.1 It is the Policy of the Council to ensure that the Council and all persons acting within or on behalf of the Council, shall not:
 - a. Make contributions of any kind with the purpose of gaining an advantage;
 - b. Provide gifts or hospitality with the intention of persuading anyone to act improperly, or to influence a public official in the performance of their duties;
or
 - c. Make, or accept, inducements of any kind.
- 3.2 The Council commits to:
 - a. Setting out a clear Bribery Act (anti-bribery) Policy and keeping this up-to-date with regular reviews;
 - b. Making all Members, employees and partners aware of their responsibilities to adhere to this policy at all times;
 - c. Providing training, where appropriate, to allow Members, employees and partners to recognise and avoid the use of bribery by themselves or others;
 - d. Encouraging Members, employees and partners to be vigilant and to report any suspicions of bribery;
 - e. Providing suitable channels of communication (e.g. the Whistleblowing Procedure) to ensure that sensitive information is handled appropriately;
 - f. Investigating instances of alleged bribery and assisting the police and other authorities in any prosecution;

- g. Taking action against anybody acting for or on behalf of the Council who is involved in bribery;
- h. Reporting breaches and suspected breaches of this policy to Members, employees and partners in an open and transparent way; and
- i. Including appropriate clauses in contracts with suppliers to advise on the Council's approach to the provisions of the Bribery Act 2010.

4. Implementation

This Policy is supported and implemented by the Procedures and Guidance which form part of this document.

5. Roles and Responsibilities

- 5.1 The responsibility for day-to-day mitigation of the risk of bribery resides at all levels of the Council and includes all directorates. It does not rely solely on the Council's assurance functions.
- 5.2 All managers are directly responsible for implementing this Policy and any sub policies and procedures within their service areas, and for the adherence of their staff and others (as stated in 2.1).

Managers should:

- a. Keep appropriate internal records that will evidence the business reason for making any payments to third parties;
- b. Encourage employees to raise concerns about any issues or suspicion of malpractice at the earliest possible stage; and
- c. Ensure that anyone raising a concern about bribery will not suffer any detriment as a result, even if their concerns are not validated, providing there is no malicious intent.

- 5.3 All personnel detailed at 2.1 have an individual responsibility to adhere to this Policy.

Employees/Members must not:

- a. Accept any financial or other reward from any person in return for securing a particular outcome;
- b. Request a financial or other reward from any person in return for providing some favour;
- c. Offer any financial or other reward to any person in return for providing some favour.

- 5.4 Employees/Members have an obligation to report any offer of an inducement – financial or otherwise.

- 5.5 Responsibilities for the internal investigation of any allegations of bribery (which may fall within the remit of a code of conduct review) are set out in section 5 of the Council's Anti-Fraud and Corruption Policy.

6. Gifts and Hospitality

- 6.1 This policy is not intended to change the requirements of the Council's Gifts and Hospitality policies and procedures. This is contained in the West Berkshire Officers Code and in the Members Code of Conduct in the Council's Constitution.

- 6.2 The guidelines clearly set out the restrictions on accepting gifts and hospitality, the need to inform the manager and the need to register any approved gifts that are retained.
- 6.3 If there is any doubt about whether an invitation or gift should be accepted then the offer should be refused. Each Service Director/Head of Service is required to maintain a Gifts and Hospitality Register (Officer's Code of Conduct). The Monitoring Officer will ensure that reminders on this subject and the need for officers to complete a Register of Interests form are sent out every year.
- 6.4 Gifts and hospitality declared are reported to the Governance Committee, as part of the Monitoring Officer's review of governance.
- 6.5 The procedures for Members' registers of interest are set out in the Members' Code of Conduct.

7. Failure to comply with the Bribery Act Policy

- 7.1 All employees have a role to play in enforcing the policy and are required to report any suspected breach in accordance with the Council's Whistleblowing Procedure.
- 7.2 This document provides staff and others with essential information regarding the Bribery Act, and sets out conditions to be followed. It is the responsibility of all to whom this Policy document applies to adhere to these conditions. Failure to do so may result in:
- a. Withdrawal of access to relevant services
 - b. Informal disciplinary processes
 - c. Formal disciplinary action
 - d. Complaint and action under the Members Code of Conduct.
- 7.3 The Council will not tolerate bribery or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of bribery or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal and/or prosecution under the Bribery Act 2010.

8. Raising a Concern

- 8.1 Staff are encouraged to raise any concerns with their manager. In addition, the Council has published a Whistleblowing Procedure (published on the HR webpages). This provides information on the courses of action available to report serious concerns (including bribery) in confidence.
- 8.2 The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.
- 8.3 Members, staff or partners who refuse to accept the offer of a bribe may worry about the repercussions. The Council is committed to ensuring that nobody suffers detrimental treatment through refusing to take part in bribery.

9. Review

This policy will be reviewed to respond to any changes in legislation/good practice, and at least every three years.

Glossary

Bribery Act 2010

The Bribery Act 2010 came into force in the UK on 1st July 2011. It amends and reforms the UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally. Staff need to be aware of their obligations under this Act, which sets out the criminality of accepting and giving of bribes. This applies to both individual staff and the council corporately. The Bribery Act creates the following four offences:

Active bribery: promising or giving a financial or other advantage;

Passive bribery: agreeing to receive or accepting a financial or other advantage;

Bribery of foreign public officials; and

The failure of commercial organisations to prevent bribery by an associated person (corporate offence)

The penalty under the Bribery Act is an unlimited fine and/or imprisonment up to a maximum of 10 years.

Other Relevant Documentation

The following policies, procedure documents and codes of conduct should be read in conjunction with the Bribery Act Policy:

Council Constitution

Anti-Fraud and Corruption Policy

Anti-Money Laundering Policy

Whistleblowing Policy and Procedure

Officers Code of Conduct

Disciplinary Procedure

Members Code of Conduct

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