

DRAFT

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

GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON TUESDAY 19 NOVEMBER 2024

Councillors Present: Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Jeremy Cottam, Laura Coyle, Billy Drummond, Owen Jeffery, and Stephanie Steevenson (Substitute)

Also Present: Sophia Brown (Grant Thornton), Jonathan Brown (KPMG), Shannon Coleman-Slaughter (Service Director Finance, Reporting & Property), Paul Dossett (Grant Thornton), Julie Gillhespey (Audit Manager), Joseph Holmes (Interim Chief Executive), Jasmine Kemp (Grant Thornton), Edward Mills (KPMG), Thomas Radbourne (Zoom Host), and Darius Zarazel (Principal Democratic Services Officer)

Apologies for inability to attend the meeting: Councillor David Marsh and Councillor Christopher Read

1 Minutes

RESOLVED that the Minutes of the meetings held on 29 August 2024 and 1 October 2024 were approved as true and correct records and signed by the Chairman.

2 Declarations of Interest

Councillor Stephanie Steevenson declared an interest in Agenda item 5. As a retired teacher, she was in receipt of a West Berkshire Council pension which was referenced in the report. However, as she did not believe that this influenced her decisions, she declared that she would remain on the Committee to discuss the item.

3 Forward Plan

The Committee considered the Governance Committee Forward Plan (Agenda Item 4). Satisfied with the Plan, the Committee agreed that it could be noted.

4 External Audit - 2021/22 and 2022/23 Audit Findings Report

The Committee considered a report (Agenda Item 5) concerning the External Audit - 2021/22 and 2022/23 Audit Findings Report from the Council's external auditors, Grant Thornton.

Representatives from Grant Thornton (GT), Sophia Brown, Jasmine Kemp, and Paul Dossett introduced the report and highlighted that the audit findings made clear limitations about the scope imposed by the backstop. This resulted in GT not being able to provide an opinion on the 2021/22 and 2022/23 financial years. Work had been done on the 2021/22 audit, including the fieldwork and selection of samples. However, by the time this was paused in April 2023, work had not been completed.

The representatives from GT discussed the timeline of their work and what information had been requested from the Council and at what point. They highlighted that information about the valuation of assets was needed by GT for July 2023, but that this was only provided in October 2023. In addition, when they did receive the valuations in October,

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they indicated that the financial statements had not been updated to account for that revised valuation.

On their Value for Money work, a significant weakness in terms of financial sustainability was identified in 2022/23 and had been reported to the Committee in April 2024. On audit fees for 2021/22 and 2022/23, the Committee were informed that the Public Sector Audit Appointments (PSAA) would assess the work done by GT on those audits to determine if the Council should be due a fee rebate. As no substantive work had been conducted on the 2022/23 accounts, this was considered likely.

Finally, the GT representatives noted that the delay in certification of the 2022/23 accounts was due to the receipt of an objection, which was being reviewed by an objection consultant. However, they confirmed that the complaint had no material impact on the 2022/23 financial statements.

Members asked for clarity about why there was a delay in the provision of information about the valuation of assets. In response, the Interim Chief Executive clarified that all the information was made available to GT, but that additional work had been needed to secure the valuations. It was also highlighted that other work could have been done alongside the request for the valuation and that this not happening may have contributed to the elongated audit period. The representatives from GT clarified to the Committee that the resource provide to them precluded work beyond the valuations at that point and that, as the valuation figures were not included in the financial statements when they were provided, this meant that they could not begin their testing. Members expressed concern about the length of time needed to get the necessary valuations as well as the failure to successfully complete these historic audits.

On a question about the Council's weakness on financial sustainability and if this had got worse since it was identified, the representatives from GT confirmed that this was being addressed by the authority. They also confirmed to Members that it was a widely acknowledged point and something they had raised at the Governance Committee meeting in April 2024.

The Committee enquired into the language GT used in their disclaimer of opinion for the 2022/22 and 2022/23 audits. In response, the representatives from GT confirmed that this was the standard language that they used for all local authority audits that they would be disclaiming. The Interim Chief Executive also added that, due to the backstop of audits, a disclaimed audit opinion would be likely for the next two financial years as there would be limited assurance over the opening balances.

In response to a question about the lessons that had been learnt from these backstopped and disclaimed audits, the Interim Chief Executive indicated that there was a recognition that more resources would be needed to ensure they were completed in a timely manner. This would be reflected in the significantly higher audit fees for the upcoming period than had been agreed for the previous period of 2018 to 2023.

Overall, as the Committee were satisfied with the responses to their questions, they agreed to note the External Audit - 2021/22 and 2022/23 Audit Findings Report.

5 External Audit - 2021/22 and 2022/23 Disclaimers of Opinion

The Committee considered a report (Agenda Item 6) concerning the External Audit - 2021/22 and 2022/23 Disclaimers of Opinion from the Council's external auditors, Grant Thornton.

The representatives from Grant Thornton, Sophia Brown, Jasmine Kemp, and Paul Dossett introduced the report and highlighted that both disclaimed opinions for the audits would be issued on 20 November 2024 as this would be after the letters of representation

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had been agreed to be signed by the Committee – which would take place during the next item on the agenda (item 7).

On a question about the time and nature of the public objection to the 2022/23 accounts that was received and what had happened since, the representatives from GT highlighted to Members that it had been received on the last day of the period for the exercise of public rights, on the 12 July 2023. Since then, GT had been in contact with that member of the public and had discussed the complaint with the Council in the summer of 2024. They also confirmed that they only clarified the exact nature of the objection in October 2024.

In response to a question about why it had taken over a year to understand the objection, GT indicated that they had difficulties communicating with that member of the public and understanding the details of their complaint. The complaint was about how the Council had operated in line with certain legislation, and thereby it related to internal controls rather than about any material figure in the accounts.

The Committee agreed to enter into a Part 2 discussion at the end of the meeting so that they could better understand the details of the objection.

Overall, the Committee agreed to note the External Audit - 2021/22 and 2022/23 Disclaimers of Opinion.

6 Letters of Representation - 2021/22 and 2022/23

The Committee considered a report (Agenda Item 7) concerning the Letters of Representation for 2021/22 and 2022/23.

The Service Director for Finance, Reporting & Property introduced the report and highlighted that the letters were a standard item that was required to be signed in order to allow for the final signoff of the accounts for the two years that were being disclaimed. The representatives from GT confirmed to the Committee that these letters were required from every organisation they were auditing and that the disclaimed opinion could not be issued without these signed off letters of representation.

On a question about the blank spaces in the letters, the Interim Chief Executive assured Members that these points would be finalised after the meeting and that they would just be including details from Council policies, such as the accounting policy.

Members questioned the wording of the letters, specifically around the backstop and on the emphasis about which party was responsible for the audits needing to be disclaimed. In response, the representative from GT indicated that these were standard letters which contained specific wording required under regulations, although they agreed that some smaller amendments could be agreed.

As it was recognised that no core work had been done by the external auditors on the 2022/23 accounts, it was agreed to insert the following into point xxxvi (addition highlighted in bold), “**Due to the non-commencement of external audit work**, it has not been possible to provide you with all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date.” In addition, the Committee agreed that an additional reference to the no-fault nature of the backstop should also be included in both letters.

Overall, as the Committee were satisfied with the letters, subject to amendments, they agreed that they could be signed.

The Governance Committee **RESOLVED** to approve the signing of the Letters of Representation 2021/22 and 2022/23 subject to the following amendments:

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- 1) That the following wording be included into point xxxvi of the 2022/23 Letter of Representation:

“Due to the non-commencement of external audit work, it has not been possible to provide you with all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date.”
(Addition is highlighted in bold)
- 2) That more information about the no-fault nature of the backstop be included in the 2021/22 and 2022/23 Letters of Representation.

7 External Audit - KPMG Value for Money Risk Assessment

The Committee considered a report (Agenda Item 8) concerning the External Audit - KPMG Value for Money Risk Assessment from the Council's new external auditors, KPMG.

The representatives from KPMG, Edward Mills and Jonathan Brown, introduced the report and highlighted that the report followed their previous presentation to the Committee on 1 October 2024, and presented their completed Value for Money Risk Assessment.

The report noted that the significant weakness areas for the Council were well documented. As West Berkshire Council had the lowest reserves in the Country by certain metrics – such as reserves as a proportion of spending – this was driving KPMG's opinion on financial sustainability weaknesses. KPMG also highlighted that desired efficiency savings not being met, along with other undelivered factors, contributed to their assessment of there being a risk of significant financial weakness. However, more work would be conducted on that area and KPMG indicated that this was not their final opinion.

The representative from KPMG also responded to some points made about the previous external audits. Specifically, they confirmed that the way back to a normal audit cycle was through the backstop. They presented a three-year plan whereby the Council could get to a position of being issued a clean audit opinion. The first part would be to progress their current audit for 2023/24 and finish it before February 2025, or else this would also need to be automatically disclaimed.

On a question about the responsibility for the three-year roadmap, Members noted that this was set by the responsible regulators, such as the National Audit Office, and would need buy-in from KPMG and the management at West Berkshire Council – such as the senior leadership and valuers. The representatives from KPMG also confirmed that a list of what was expected from the Council had been provided and previous issues about the valuations had been resolved.

In response to a question about if KPMG had the resources to progress their audits in an effective and timely manner, the representatives confirmed to the Committee that they had the capacity and resilience to get the Council to a position of having a clean audit opinion (within the current backstop regime) and were currently making good progress on the 2023/24 audit.

Overall, as the Committee were satisfied with the report, they agreed to note the External Audit - KPMG Value for Money Risk Assessment.

8 Internal Audit Annual Assurance Report 2023/24

The Committee considered a report (Agenda Item 9) concerning the Internal Audit Annual Assurance Report 2023/24.

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The Audit Manager introduced the report and highlighted that an annual assurance was required by the Public Sector Internal Audit Standards. The report informed the Committee about the outcome of work done during year as well as work done by other sources, such as external inspections. The report concluded that reasonable assurance could be given to the Council's Governance, Risk Management, and Control Framework which remained robust. It was emphasised that this was the same rating as the previous year.

The Audit Manager indicated that an area of concern which had been brought forward from the previous year's report was around the number of senior officer vacancies. Although the risk was that this could drive instability and uncertainty, the Audit Manager assured the Committee that this had not been found to be the case. She also confirmed that no completed corporate audit was rated as less than satisfactory or reasonable assurance, and that there had been only one school which had received a weak opinion. In addition, the proportion of audit opinions rated satisfactory or above were significantly greater than those considered weak, very weak, or limited assurance, which went on to support the final audit opinion. The Committee did note that there had been one unsatisfactory follow-up report, but that a stage three follow-up would take place within six months.

On the performance of the audit team, they had an 80 per cent outturn annual target for the agreed audit plan but actually managed to achieve 89 per cent. In addition, the Audit Manager clarified that not all of the planned assurance work could be completed due to the need to take on two pieces of unplanned audit work.

On a question about the criteria used to decide whether to follow-up on an audit, the Audit Manager confirmed that any audit rated less than satisfactory would be pursued. In response to a concern raised about if senior officer vacancies were still in the top four corporate risks, as it had been in the previous year, the Audit Manager assured the Committee that this was no longer on that top list.

In response to a question about the audit cycle for schools, the Committee noted that the aim was to audit schools at a minimum of once every six years. In addition, other areas such as corporate audits, would be once every five years for high risks, six to seven for medium risks, and above nine years for low risks, and that these categories were assessed yearly.

Members enquired into the single unsatisfactory rating on the fixed asset register. The Audit Manager acknowledged that it was a complex area and that although the information was likely accurate, some of the processes around the collating of the information could be improved – primarily around reconciliation and increased stages of checking information.

Overall, the Committee thanked the internal audit team for their work and agreed to note the Internal Audit Annual Assurance Report 2023/24.

9 Internal Audit Update Report - Quarter One 2024/25

The Committee considered a report (Agenda Item 10) concerning the Internal Audit Update Report - Quarter One 2024/25.

The Audit Manager introduced the report and highlighted that it covered the year to date and that nothing of concern needed to be highlighted from the work that had been completed. She emphasised that there was a plan in place to address the three limited assurance audits and they would be revisited within six months.

Overall, as the Committee were satisfied with the report, they agreed to note the Internal Audit Update Report - Quarter One 2024/25.

10 Draft Financial Statements 2023/24 and Going Concern Assessment

The Committee considered a report (Agenda Item 11) concerning the Draft Financial Statements 2023/24 and Going Concern Assessment.

The Service Lead for Finance, Reporting & Property introduced the report and highlighted that it was an annual report which brought the Committee’s attention to the draft financial statements for the year as well as providing a summary and narrative. This narrative highlighted that the general fund was lower than the desired level, currently at £4.1 million at the end of 2023/24 rather than the £7.2 million that was desired. She also noted that, at the time of the assessment, the Council satisfied the going concern requirements.

Overall, as the Committee were satisfied with the report, they agreed to note the Draft Financial Statements 2023/24 and Going Concern Assessment.

11 Exclusion of Press and Public

RESOLVED that members of the press and public be excluded from the meeting for the under-mentioned item of business on the grounds that it involves the likely disclosure of exempt information as contained in Paragraphs 1 and 2 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the [Local Government \(Access to Information\)\(Variation\) Order 2006](#). [Section 10, Part 10 of the Constitution also refers.](#)

12 External Audit - 2021/22 and 2022/23 Audit Findings Report

The Committee discussed the details of the objection that had been submitted on the 2022/23 set of accounts.

Overall, the Committee noted the objection, the commentary on it provided by the Interim Chief Executive, and the current response from the representative of GT and were satisfied with the wording in the report that it did not have a material effect on the financial statements.

(The meeting commenced at 6.30 pm and closed at 8.15 pm)

CHAIRMAN

Date of Signature