

Notice of Meeting



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Governance Committee

Tuesday 19 November 2024 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: Monday 11 November 2024

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Darius Zarazel on 01635519778
e-mail: Darius.Zarazel1@westberks.gov.uk

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



WestBerkshire
C O U N C I L

Agenda - Governance Committee to be held on Tuesday 19 November 2024 (continued)

- To:** Councillors Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Jeremy Cottam, Laura Coyle, Billy Drummond, Owen Jeffery, David Marsh, Christopher Read, Simon Carey (Independent Member (Audit)), and David Southgate (Parish Council Representative)
- Substitutes:** Councillors Dennis Benneyworth, Carolyne Culver, Paul Dick, Janine Lewis, Stephanie Steevenson, and Anne Budd (Parish Council Representative)
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Agenda

Part I

		Page No.
1	Apologies To receive apologies for inability to attend the meeting (if any).	1 - 2
2	Minutes To approve as a correct record the Minutes of the meetings of this Committee held on 29 August 2024 (to follow) and 1 October 2024.	3 - 4
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 .	5 - 6
4	Forward Plan Purpose: To consider the Forward Plan for the next 12 months.	7 - 14
5	External Audit - 2021/22 and 2022/23 Audit Findings Report Purpose: To inform Members about the work of the External Auditor, Grant Thornton.	15 - 20
6	External Audit - 2021/22 and 2022/23 Disclaimers of Opinion Purpose: To inform Members about the work of the External Auditor, Grant Thornton.	21 - 28



Agenda - Governance Committee to be held on Tuesday 19 November 2024 (continued)

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| 7 | Letters of Representation - 2021/22 and 2022/23
Purpose: A requirement of the Code of Audit Practice is that a Letter of Representation accompanies the Statement of Account This report is copies of the two letters that will need to be signed. | 29 - 40 |
| 8 | External Audit - KPMG Value for Money Risk Assessment
Purpose: To inform Members about the work of the External Auditor, KPMG. | 41 - 52 |
| 9 | Internal Audit Annual Assurance Report 2023/24
Purpose: The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council. The report is required to include an opinion on the effectiveness of the Council's governance, risk management and internal control frameworks, which in turn supports the Council's Annual Governance Statement. | 53 - 70 |
| 10 | Internal Audit Update Report - Quarter One 2024/25
Purpose: To update the Committee on the status of Internal Audit work as at the end of quarter one 2024/25. | 71 - 82 |
| 11 | Draft Financial Statements 2023/24 and Going Concern Assessment
Purpose: This report is to inform Members of the key highlights from the draft 2023/24 financial statements and summarise management's assessment of the Council's ability to function as a going concern. | 83 - 100 |



Sarah Clarke
Service Director: Strategy and Governance

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

If you require this information in a different format or translation, please contact Darius Zarazel on telephone (+44)1635 519778.



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Governance Committee – 19 November 2024

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 TUESDAY 1 OCTOBER 2024

Councillors Present: Erik Pattenden (Chairman), Laura Coyle, Paul Dick (Substitute), Billy Drummond, Owen Jeffery, David Marsh, Christopher Read, and Stephanie Steevenson (Substitute)

Also Present: Jonathan Brown (KPMG), Simon Carey (Independent Member (Audit)), Shannon Coleman-Slaughter (Service Director – Finance, Property & Procurement), Joseph Holmes (Executive Director - Resources), Edward Mills (KPMG), David Southgate (Parish Council Representative), and Darius Zarazel (Principal Democratic Services Officer)

Apologies for inability to attend the meeting: Councillor Howard Woollaston (Vice-Chairman), Councillor Jeremy Cottam, and Councillor Dominic Boeck

PART I

1 Minutes

RESOLVED that the Minutes of the meeting held on 16 July 2024 were approved as a true and correct record and signed by the Chairman.

2 Declarations of Interest

There were no declarations of interest received.

3 Forward Plan

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

The Executive Director - Resources noted that the Committee was expecting an External Auditor's Report from Grant Thornton which would likely provide a disclaimer on the Council's financial statements given the new backstop timetable provided by Government. This report was scheduled to come to the next meeting of the Committee on 19 November 2024. He also mentioned that the Council did not know what the detail of the disclaimer would look like.

Satisfied with the Forward Plan, and the amendments to lead officer details, the Committee agreed that it could be noted.

4 KPMG Draft Audit Plan: 2023-24

The Committee considered a report (Agenda Item 5) concerning the Draft Audit Plan for 2023-24 from the Council's new external auditors, KPMG.

The Executive Director – Resources introduced the report and highlighted that the Draft Audit Plan set out the work being proposed to be completed on the 2023/24 accounts, as well as outlining some of the unknowns around possible disclaimed audits from previous years. He noted that KPMG were trying to get back to process whereby the Audit Plan would be presented before the external auditors began their work. The Executive Director – Resources also indicated that KPMG would be the Council's external auditors for at least five years and were procured on the Council's behalf by the Public Sector Audit Appointments (PSAA), and that almost every other local authority did the same.

GOVERNANCE COMMITTEE - 1 OCTOBER 2024 - MINUTES

Representatives from KPMG, Edward Mills and Jonathan Brown, introduced the report and highlighted that they had completed the interim and risk assessment work for 2023/24, and that it was summarised in their report. They outlined their responsibilities as external auditors and explained what they expected to be in the disclaimer about unaudited balances, predicting that this disclaimer would be in the next two years of accounts. The representatives then discussed the level of materiality for their audits, noting that any misstatements over £585,000 would be brought to the attention of the Governance Committee. Finally, they outlined the significant risks expected. The primary of these risks being over areas which required a value judgment, such as on land, buildings, investment properties, and pension obligations. Those risk areas would be key areas of focus for KPMG.

On a question about the state of the opening balances and the risks they could pose to the 2023/24 audits, the KPMG representatives emphasised that they were waiting for the detail about where the regulator would land on the issue. However, they clarified that a disclaimer had been agreed due to the delayed audits being a sector wide issue so this would not be unique to West Berkshire Council's accounts.

Members asked about if KPMG had sufficient resources to bring to work on the Council's audits as this was believed to be an issue with the previous external auditors. In response, the representatives indicated that KPMG had over 200 members of staff to cover all the Council audits in the region, plus offshore capacity and the ability to borrow staff from other areas should the need arise. They also informed the Committee that they had personal experience in dealing with local authority audits. For these reasons, KPMG assured the Committee that they had sufficient resources to conduct their audits in an effective and timely manner. In addition, if unforeseen and extra work was needed, they outlined the process whereby it would be discussed with the Council and the PSAA before a decision about extra costs would be decided.

The Committee then discussed value for money in the external audits and noted that the external auditors operated differently from the Council in that respect, as they would be focused on exposing areas of vulnerability rather than delivering cost effective services. The representatives from KPMG highlighted that their reporting areas would be similar to previous external audits due to those being the main areas of interest for external auditors.

On the expected timetable for the completion of their work, the KPMG representatives confirmed to the Committee that they planned for the underlying tests to be completed and reported to the Committee by January 2025 and that the plan for 2024/25 would be presented to the Committee before the end of March 2025. The Executive Director – Resources agreed that these dates would be added to the Committee's Forward Plan.

Members discussed the benchmarks that could be used, and where they would be taken from, and were satisfied that there where was public benchmarking available.

Overall, as the Committee were satisfied with the report, they agreed to note the KPMG Draft audit plan: 2023-24 and thanked KPMG for their introduction.

(The meeting commenced at 6.30 pm and closed at 7.00 pm)

CHAIRMAN

Date of Signature

Governance Committee – 19 November 2024

Item 3 – Declarations of Interest

Verbal Item

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**WEST BERKSHIRE COUNCIL
GOVERNANCE COMMITTEE FORWARD PLAN
NOVEMBER 2024 – OCTOBER 2025**

1. This document gives notice of decisions which the Governance Committee is expected to take.
2. The document is updated as required and is available to the public on the Council's website.
3. Copies of the Council's Constitution and agenda and minutes for all meetings of the Governance Committee may be accessed on the Council's website.
4. For copies of reports or other documents, and for detailed information regarding specific issues to be considered by the committee, please contact the named Lead Officer for the item concerned.
5. For further details on the time of meetings and general information about the Plan please email executivecycle@westberkshire.gov.uk

Publication Date: 8 November 2024

Nicola Thomas
Service Lead
Legal & Democratic Services
West Berkshire Council, Council Offices
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Decision Due Date	Title	Purpose	Lead Officer e.g report author	Report likely to be considered in private (i.e., it contains confidential or exempt information)
19 November 2024				
19 Nov 2024	External Audit - 2021-22 and 2022-23 Audit Findings Report	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.	Sophia Brown (Grant Thornton)	
19 Nov 2024	External Audit - 2021-22 and 2022-23 Disclaimers of Opinion	To receive an update from the Councils External Auditors, Grant Thornton, on the Government's backstop to be applied to the Councils accounts and how this would likely affect the Council.	Sophia Brown (Grant Thornton)	
19 Nov 2024	Annual Internal Audit Report	The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council. The report is required to include an opinion on the effectiveness of the Council's governance, risk management and internal control frameworks, which in turn supports the Council's Annual Governance Statement.	Julie Gillhespey (Audit Manager)	
19 Nov 2024	Internal Audit Update Report - Quarter One 2024/25	To update the Committee on the status of Internal Audit work as at the end of quarter two 2023/24. The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates	Julie Gillhespey (Audit Manager)	

		<p>to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.</p> <p>The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.</p>		
19 Nov 2024	Draft Financial Statements 2023/24 and Going Concern Assessment	To inform members of the key highlights from the draft financial statements 2023/24 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 2024/25.	Shannon Coleman-Slaughter (Service Lead – Financial, Reporting & Property) and Richard Quayle (Service Lead – Financial Reporting & Property)	
28 January 2025				
28 Jan 2025	Statement of Accounts 2023/24		Joseph Holmes - Executive Director, Jonathan Brown (KPMG), Edward Mills (KPMG)	
28 Jan 2025	Internal Audit Update Report - Quarter Two 2024/25	<p>To update the Committee on the status of Internal Audit work as at the end of quarter two 2024/25.</p> <p>The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be</p>	Julie Gillhespey (Audit Manager)	

		presented to the Committee. The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.		
28 Jan 2025	Strategic Risk Register Q2 2024/25	To scrutinise individual items on the Risk Register.	Joseph Holmes - Executive Director	
28 Jan 2025	Risk Management Strategy 2024-2027	It is very important for the Council to ensure that it manages risk effectively and that it is risk aware, so it knows when to accept a greater or lesser amount of risk in its activities. The Risk Management Strategy sets out the overarching framework for managing risk at the Council, the Council's risk appetite and the risk management objectives for the next three years.	Joseph Holmes - Executive Director	
28 Jan 2025	Mid-Year Treasury Report	To receive the Mid-Year Treasury Report, written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). One of the primary requirements of the Code is receipt by the full Council of a mid-year review report, measuring performance against the adopted annual Investment & Borrowing Strategy (I&B). This report satisfies the mid-year reporting requirement.	Joseph Holmes - Executive Director	
28 Jan 2025	Constitutional Update	To receive proposed constitution updates and, if acceptable, to recommend them to Council for adoption.	Sarah Clarke - Service Director	
29 April 2025				
29 Apr 2025	External Audit Plan 2024/25		Jonathan Brown	

			(KPMG) and Edward Mills (KPMG)	
29 Apr 2025	Internal Audit Update Report - Quarter Three 2024/25	<p>To update the Committee on the status of Internal Audit work as at the end of quarter three 2024/25.</p> <p>The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.</p> <p>The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.</p>	Julie Gillhespey (Audit Manager)	
29 Apr 2025	Internal Audit Draft Plan 2025-26	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.	Julie Gillhespey (Audit Manager)	
29 Apr 2025	Strategic Risk Register Q3 2024/25	To scrutinise individual items on the Risk Register.	Joseph Holmes – Executive Director	

29 Apr 2025	Financial Year End 2023-24 Year End Planning Document	To inform Members of the accounting policies to be applied in the production of the Council's 2023/24 Financial Statements. It is also to confirm any amendments to these accounting policies arising from changes in operational activities and/or the impact of any new accounting standards issued.	Shannon Coleman-Slaughter (Service Lead – Financial, Reporting & Property)	
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May 2025

May 2025	Election of Chairman			
May 2025	Election of Vice-Chairman			

July 2025

July 2025	Internal Audit Annual Assurance Report - 2024/25	<p>To update the Committee on the status of Internal Audit work as at the end of quarter four 2024/25</p> <p>The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.</p> <p>The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.</p>	Julie Gillhespey (Audit Manager)	
July 2025	Treasury Management Annual Report	To summarises the results of the Council's management of cash-flow, borrowing and investments in the	Shannon Coleman-Slaughter (Service Lead – Financial,	

		financial year 2023/24.	Reporting & Property)	
July 2025	Strategic Risk Register Q4 2024/25	To scrutinise individual items on the Risk Register.	Joseph Holmes - Executive Director	
July 2025	Annual Governance Statement	To summarise the key governance issues for the Council and the action plan to address these. The Annual Governance Statement (AGS) will 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 Statement of Accounts.	Joseph Holmes - Executive Director	
July 2025	Governance Committee Annual Report	To provide an annual summary of the activities of the Governance Committee for the 2024-25 municipal year. The report is intended for Full Council to provide a summary of key areas that the Committee has considered during the Municipal Year 2024-25 as well as some of the actions and changes that have occurred due to the Committee's activities.	Joseph Holmes - Executive Director	
July 2025	Monitoring Officers Report	To provide the annual report on matters relating to standards and conduct and to bring to the attention of Members a summary of complaints or other problems within West Berkshire. The report highlights that standards of conduct by councillors in West Berkshire remains high.	Sarah Clarke - Service Director	
October 2025				
October 2025	Internal Audit Update Report - Quarter One 2025/26	To update the Committee on the status of Internal Audit work as at the end of quarter one 2025/26.	Julie Gillhespey (Audit Manager)	

		<p>The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.</p> <p>The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.</p>	
October 2025	Strategic Risk Register Q1 2025/26	To scrutinise individual items on the Risk Register.	Joseph Holmes - Executive Director

4 November 2024

Governance Committee Chairman
Councillor Erik Pattenden
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Dear Councillor Pattenden

West Berkshire Council: Conclusion of the audit for 2021-22 and 2022-23 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 the government published draft Accounts and Audit (Amendment) Regulations 2024. These Regulations, which are expected to be approved by 30 September 2024, set a publication date for financial statements up to and including 2022-23 of 13 December 2024. The new National Audit Office Code, which is expected to be approved by Parliament in mid-November 2024, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Executive Director – Resources, and for reasons which I set out in more detail below, it will not be possible for us to complete the audits for 2021-22 and 2022-23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach draft copies of the disclaimers for the attention of the Governance Committee.

We are required under Auditing Standards to report certain matters to the Governance Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audit for 2021-22 and 2022-23 – Disclaimer of the opinion on the financial statements

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue disclaimers of the audit opinion for both 2021-22 and 2022-23. We have attached the draft wording of our Audit Reports for your information.

The main reason for the application of the backstop is that we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the years ended 31 March 2022 and 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued disclaimers of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 and 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

For the 2021-22 audit specifically, our audit procedures identified a likely material movement in the valuation of the Authority's assets not revalued in-year. We communicated this to management in February 2023 and discussed this with those charged with governance at the Governance Committee held on 20 March 2023. In response to this finding, management re-engaged their valuer to provide updated valuations as at 31 March 2022 for all assets with potential movement exceeding £100,000. This revised valuation was received in October 2023 but not updated within the 2021-22 financial statements.

Outcome of this year's audit – Value for Money work and other work under the National Audit Office Code of Audit Practice

We undertook our Value for Money work for the years ended 31 March 2022 and 31 March 2023 and reported the outcome in a combined Interim Annual Audit Report dated March 2024.

The key findings for the year ended 31 March 2023 noted one significant weakness in relation to financial sustainability as follows:

- Significant weakness in the Authority's arrangements for financial sustainability. This was in relation to the following:

The Council has high debts, falling property valuations and low reserves which will make it difficult for the Council to absorb the overspends it is forecasting. We recommend that the Council monitors its financial position and the impact of spending controls closely. As a priority, the Council should consider all possible options, including those that focus on people Directorate contract spend but also other areas of the revenue account where efficiencies may be possible. Options under current discussion include divestment from capital assets with negative equity values. It will be important that any exit strategy adopted by the Council is supported by professional advice, reviewed regularly and is subject to appropriate scrutiny and challenge.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above comment on statutory powers and duties.

Independence

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 and consider that an objective reasonable and informed third party would take the same view. 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. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the 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.

Management letter of representation

We have asked management to provide letters of representation in respect of the financial statements for 2021-22 and 2022-23. These will be tabled as a separate agenda item.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. Your new auditor will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

Sophia Brown

Sophia Brown

For Grant Thornton UK LLP

CC Executive Director - Resources

Attachments: Draft Disclaimer of Opinion 2021-22 and 2022-23

Appendix

Responsibilities

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

Scope of our audit

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

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

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

Audit Plan

For the year ended 31 March 2022, we issued an indicative Audit Plan in February 2023. In our plan we identified the following issues as significant audit risks:

- ISA 240 – Revenue risk – this risk was rebutted
- Management over-ride
- Valuation of land and buildings
- Valuation of investment properties
- Valuation of pension net fund liability

We have not identified any other significant risks since the date we issued our Audit Plan.

Due to delays in the completion of prior year audits, we were unable to issue an Audit Plan in respect of the year ended 31 March 2023.

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.

In our indicative Audit Plan for the year ended 31 March 2022, we determined planning materiality to be £5.827m (PY £5.15m) for the Council, which equated to 1.5% of the gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial was set at £291,000 for 2021-22 (PY £255,000).

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for the audit of the year ended 31 March 2023.

Key financial reporting and audit issues identified during the audit

In respect of the year ended 31 March 2022 we commenced our detailed audit work in January 2023. There is one key matter identified from our audit procedure in relation to the carrying value of unvalued assets, as detailed above in the body of the report. Based on the incomplete procedure performed, there are no other matters which we wish to bring to your attention.

As we have not undertaken any detailed work in respect of the financial statements audit of the year ended 31 March 2023, there are no issues we need to draw to your attention.

Going concern

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).

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 sets out the following key principles for the consideration of going concern for public sector entities:

- 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; and
- 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 authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

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 a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates;
- the authority's financial reporting framework;
- the authority's system of internal control for identifying events or conditions relevant to going concern; and
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Audit fees and non-audit fees

PSAA set a scale fee for the year ended 31 March 2022 of £80,423 and for the year ended 31 March 2023 of £88,299. Given the unusual circumstances of the backstop, we await a determination from PSAA as to the appropriate fees to be charged for these audit years.

We have also undertaken the following non-audit work in respect of 2021-22 and 2022-23:

Audit Service	Proposed Fee	Final Fee
Audit of teachers' pension contributions year ending 31 March 2022	£7,500	£7,500
Audit of teachers' pension contributions year ending 31 March 2023	£10,000	£TBC

We have not been able to reconcile audit fees to the financial statements:

	31 March 2022	31 March 2023
Council audit fees per financial statements	£92,000	£127,000
Council audit fee per audit plan		No audit plan issued – scale fee
-Scale fee	£80,423	£88,299
-Revised ISAs and FRC requirements	£17,623	
-VFM work	£19,000	
Total	£117,049	
Teachers' pensions audit fee per financial statements	£5,000	£5,000
Teachers' pensions audit fees	£7,500	£10,000

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total fee for the audit and relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

DRAFT Independent auditor's report to the members of West Berkshire Council

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of West Berkshire Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Executive Director for Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director for Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director for Resources. The Executive Director for Resources is responsible for the preparation of the Financial Statements, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director for Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in October 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of West Berkshire Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Sophia Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

XX November 2024

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DRAFT Independent auditor's report to the members of West Berkshire Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of West Berkshire Council (the 'Authority') for the year ended 31 March 2023, which comprise Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Executive Director for Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Executive Director for Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director for Resources. The Executive Director for Resources is responsible for the preparation of the Financial Statements, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director for Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except on 16 April 2024 we identified:

- Significant weakness in the Authority's arrangements for financial sustainability. This was in relation to the following:

The Council incurred a net overspend in 2022/23 and reduced the balance on the General Fund to near the minimum prudent level. The Council has high debts, falling property valuations and low reserves, which will make it difficult for the Council to absorb the overspend it is forecasting. We recommend that the Council monitors its financial position and the impact of spending controls closely. As a priority, the Council should consider all possible options, including those that focus on people Directorate contract spend but also other areas of the revenue account where efficiencies may be possible.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in October 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for West Berkshire Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Sophia Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

XX November 2024

Letters of Representation – 2021/22 & 2022/23

Committee considering report: Governance Committee

Date of Committee: 19 November 2024

Portfolio Member: Councillor Iain Cottingham

Report Author: Shannon Coleman-Slaughter

1 Purpose of the Report

A requirement of the Code of Audit Practice is that a Letter of Representation accompanies the Statement of Account. This report is copies of the two letters that will need to be signed.

2 Recommendation(s)

2.1 No recommendations are made within this report. It is requested that the approval of the Letter of Representation is recorded in the minutes of the meeting.

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.
Human Resource:	Not applicable
Legal:	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.

Risk Management:	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.			
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 See section 1 and 2.

5 Supporting Information

There are no proposals made within this report.

6 Other options considered

Not applicable, this report is to note only.

7 Conclusion(s)

8 Appendices

8.1 Appendix A – Letter of Representation 2021/22

8.2 Appendix B – Letter of Representation 2022/23

Corporate Board’s recommendation

None

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	<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months	<input type="checkbox"/>
Item is Urgent Key Decision	<input type="checkbox"/>
Report is to note only	X

Wards affected: All

Officer details:

Name: Shannon Coleman-Slaughter
Job Title: Deputy s151 Officer & Service Director – Finance, Property & Procurement
Tel No: 01635 503225
E-mail: shannon.colemanslaughter@westberks.gov.uk

Appendix A

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

[Date] – [TO BE DATED 19 NOVEMBER 2024]

Dear Grant Thornton UK LLP

West Berkshire Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of West Berkshire Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include [...]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data

Letters of Representation – 2021/22 & 2022/23

and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xiv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xvii. On 5 September parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2021/22 of 13 December 2024. The new

Letters of Representation – 2021/22 & 2022/23

National Audit Office Code which was approved on 9 September 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2022 by the statutory backstop date. This includes the following:

- a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- b. communicating to you all deficiencies in internal control of which management is aware.
- c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xix. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Governance Committee at its meeting on 19 November 2024.

Yours faithfully

Name.....

Position.....

Letters of Representation – 2021/22 & 2022/23

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

Appendix B

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

[Date] – [TO BE DATED 19 NOVEMBER 2024]

Dear Grant Thornton UK LLP

West Berkshire Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of West Berkshire Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- xx. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- xxi. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- xxii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- xxiii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- xxiv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include [...]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data

Letters of Representation – 2021/22 & 2022/23

and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- xxv. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- xxvi. Except as disclosed in the financial statements:
- a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xxvii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- xxviii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xxix. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xxx. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xxxi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xxxii. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
- a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xxxiii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xxxiv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxxvi. On 5 September parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2022/23 of 13 December 2024. The new

Letters of Representation – 2021/22 & 2022/23

National Audit Office Code which was approved on 9 September also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date. This includes the following:

- h. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- i. communicating to you all deficiencies in internal control of which management is aware.
- j. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- k. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
- l. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- m. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- n. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxxviii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Governance Committee at its meeting on 19 November 2024.

Yours faithfully

Name.....

Position.....

Letters of Representation – 2021/22 & 2022/23

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

West Berkshire Council

DRAFT - Value for money risk assessment

Our approach

Year ended 31 March 2024

November 2024

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility is to highlight any significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following pages.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any risks of significant weakness in the arrangements that the Council has in place to achieve value for money.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of your previous auditor's recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

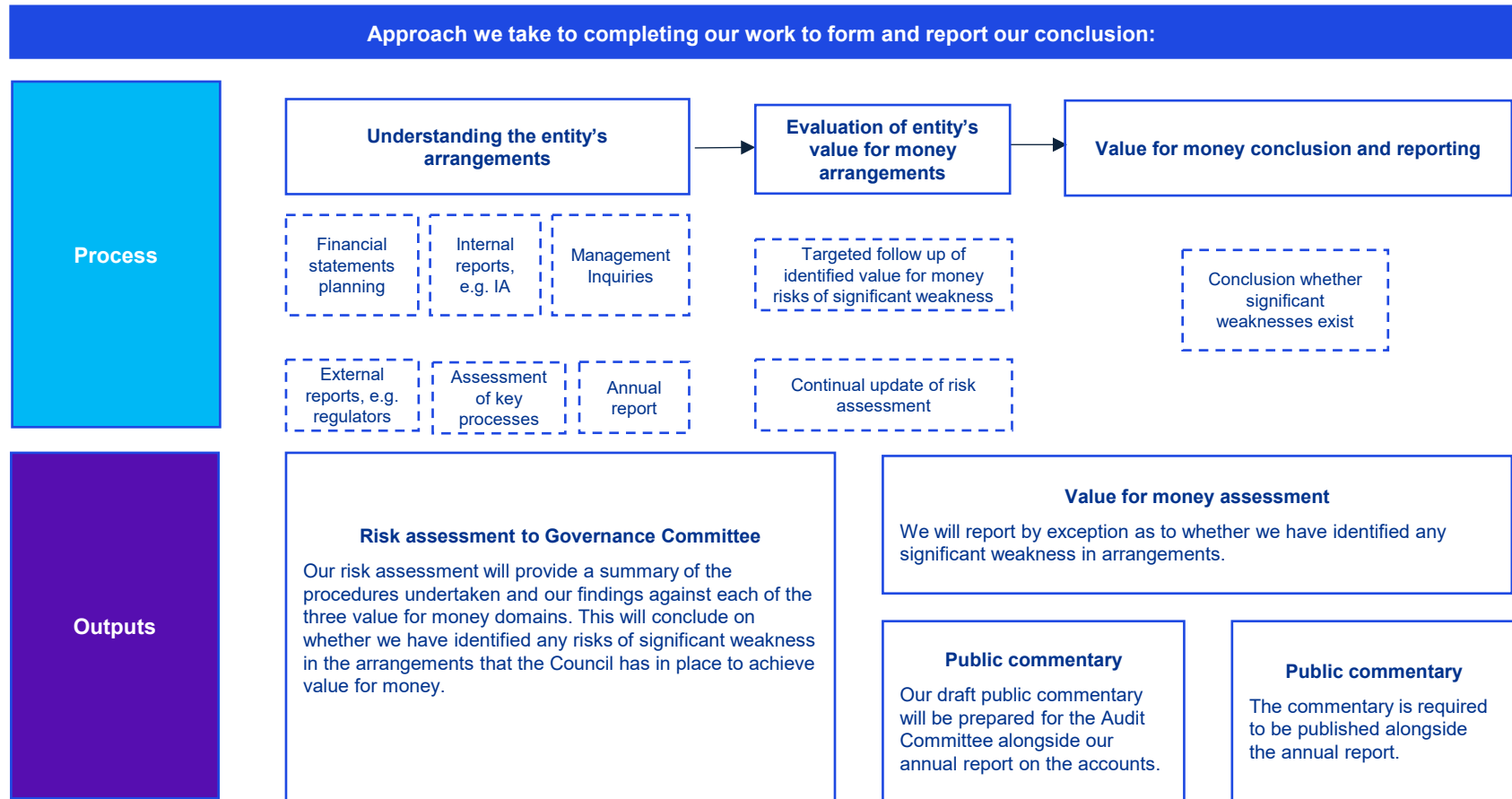
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there are any risks of significant weakness in the arrangements that the Council has in place to achieve value for money for each of the relevant domains.

Domain	Risk of significant weakness identified?
Financial sustainability	Risk of significant weakness identified
Governance	No risk of significant weakness identified
Improving economy, efficiency and effectiveness	Risk of significant weakness identified

We note the Council's previous auditors have issued an Interim Auditor's Annual Report, which includes a significant weakness regarding financial sustainability for the 2022/23 year and a number of other improvement recommendations outstanding. We will consider all raised recommendations and include findings within our Auditor's Annual Report.

Response to risk of significant weakness

The table below sets out the details of the risk that has been identified and the procedures we intend to perform in order to respond to the risk. We will report on our conclusion from these procedures as part of our year end report to the Governance Committee:

Description of risk	Response to risk
There is a risk the Council does not have in place effective arrangements to ensure financial sustainability and to improve economy, efficiency and effectiveness .	<p>Financial stress on the Council relies on tight budgetary constraints and limited scope for further significant overspend.</p> <p>We will perform the following procedures:</p> <ol style="list-style-type: none"> 1. Consider the Council's arrangements and structures to monitor and deliver a balanced budget; 2. Understand the process for identifying savings and other available levers to the Council if any; 3. Review recent budget monitoring and performance throughout the period and to date; and 4. Conduct interviews with senior management to understand the continuing financial stability of the Council. <p>Our procedures above will also identify any issues with efficiency savings and plans to avoid overspend.</p>

Value for money arrangements

Financial sustainability

In assessing whether there was a risk of significant weakness in financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the latest medium term financial plan was developed;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

Background

As with the local government sector as a whole, the Council's financial position has continued to face great pressure, both from increasing demand for services such as adult social care and the significant rise in inflation. This was particularly felt during 23/24, where inflation outstripped the ability to raise the council tax in year. This resulted in the requirement to deliver 'more for less', and this is acute in West Berkshire, where the reserves available to the Council remain limited and continue to deplete annually.

Setting the current year financial plan

The Council set a balanced budget for the 23/24 financial year, including total assumed savings in the budget of £9 million (£5.3 million required in 22/23 with 77% achieved). The 2023/24 Quarter 4 Performance Report states that just 56% of the total identified savings were achieved, with a provisional outturn overspend of £3.1 million. The authority does not have significant reserves to draw from and this reduced the General Fund balance to £4.1 million (excluding earmarked reserves). This compares unfavourably to other authorities as further detailed in the economy, efficiency and effectiveness section.

The total General Fund for the year saw another year on year decrease, leaving a balance of £7.6 million (£11.5 million 2022/23). This includes £3.5 million of earmarked reserves (excluding schools). The primary driver for the adverse variance to budget was a large overspend of £8.9 million in the People Directorate, where adult social care and children services overspent by £2.2 million and £3.9 million respectively, echoing trends seen nationally where spend has expanded beyond budgeted expectations in recent years.

The balance on the General Fund at the end of 2023/24 is on the limit of the £7 million deemed prudent by the authority's s151 Officer and further reduction in reserves would not be sustainable. A forward look to 2024/25 and the 2024/25 Quarter 1 Performance Report suggests an overspend of £5.5 million and states 'If this was to be the final outturn position then...a section 114 notice would need to be issued or a capitalisation directive sought'. This therefore drives a risk of significant weakness regarding financial sustainability.

Value for money arrangements

Financial sustainability

In assessing whether there was a risk of significant weakness in financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the latest medium term financial plan was developed;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment (continued)

The Council set a capital development programme totalling £71 million. Provisional outturn at Q4 per the Capital Financing Performance Report suggested an underspend of £23 million. This is largely due to projects and recruitment being slowed to generate savings for the General Fund. Capital spend in year included delivery of an upgraded Lido facility at Northcroft Leisure Centre; purchase of 18 properties and redevelopment of a former Council office into accommodation in conjunction with the Local Authority Housing Fund project. £20.7 million was also spend on infrastructure improvement, including Newbury rail station improvements.

Approval of Financial Plans

Guidance is issued by Finance on an annual basis ('Revenue Budget Build Guidance'), typically shortly after the previous financial year end. This includes guidance for Budget Managers to propose a budget with efficiencies, supported by. Business cases are reviewed and challenged through the Corporate Board and Budget Board.

Following the finalisation of proposals, a final budget is produced and approved through the Executive in February and shortly after at full Council. KPMG have reviewed documentation and Committee minutes confirming appropriate consideration and challenge of proposals. The 2023/24 Budget & Medium-Term Financial Strategy 2023/24-2025/6 was approved by Council on 2 March 2023.

Monitoring of Financial results

All approved budgets generate a tracker that is reported monthly as part of the budget monitoring process. Quarterly Revenue and Capital Performance Monitoring are reviewed by the Executive. The Corporate Management Team also have a monthly meeting dedicated to performance as well as a dedicated Financial Reporting Panel to review all overspending in services. We will review the financial monitoring processes in greater detail as part of our response to the risk in this area.

Risk assessment conclusion

Based on the risk assessment procedures performed we have identified a risk of significant weakness associated with arrangements to deliver financial sustainability. We will conduct further interviews and review additional documentation to reach our conclusion in this area.

Value for money arrangements

Governance

In assessing whether there was a risk of significant weakness relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 Medium Term Financial Plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Approach to identifying, monitoring and management of risk

The Council's guiding governance document is the Constitution, last updated in August 2024, which clearly lays out the structure and responsibilities of the Council, Councillors, its various Committees and interaction with citizens, as well as outlining the ethics and corporate governance policies. This is built on with the Council's risk management policy and procedure, which further formalises the risk management structures within the authority and cements its approach to risk assessment.

There are three levels of risk register operated within the Council: Corporate (discussed below); Directorate; and Service or Project Risk. Lower level risk registers are reviewed by operational and/or directorate management teams, with the opportunity to promote the risk to the Corporate Risk Register. Roles and responsibilities for various registers, identification of risk, and practicalities of raising a risk are clearly defined.

A 4 x 4 scoring matrix is used by the Council to score risks on the Corporate Risk Register (Impact x Likelihood). The Corporate Risk Register has 17 risks identified, the mostly highly rated include a number of financial risks/budget pressures, which is appropriately recognised given the current situation at the authority and risks refer to many of the points identified under our financial sustainability risk assessment. Our review of the risk register found that this was sufficiently detailed to effectively manage key risks and we identified evidence of review within the Governance Committee throughout the year.

The risk outlines the cause and potential impact, as well as providing sufficient background information and current actions required, with status and date (all within year, demonstrating on-going review and update). The risk owner is also clearly identified.

The Council's arrangements for risk management appear appropriate for an entity of its size and nature and the risk assessment policies in place are considered effective in monitoring and assessing risk.

Value for money arrangements

Governance

In assessing whether there was a risk of significant weakness relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 Medium Term Financial Plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment (continued)

Fraud, Laws and Regulation and Officer compliance

The effectiveness of internal controls is monitored by the Governance Committee, through reporting from Internal Audit and Counter Fraud. The programme of work for each organisation is approved at the start of the financial year by the and any recommendations raised are reported to the Governance Committee. Our review of the Committee papers confirmed that there were appropriate discussions and follow up of recommendations. We will further review internal audit reports as part of our work in this area.

The Council has numerous policies included within the Constitution document, which clearly outline the expected behaviour of Councillors and officers in relation to areas such as Staff and Councillor Codes of Conduct and Members' Allowances. Specific guidance is in place for teams and managers via standards of behaviour for these roles. Overall compliance with legislation, laws & regulations are monitored by management.

View from the regulators

The Council is subject to a number of inspections by the regulators. The latest children's services inspection was a focused visit in October 2023. This did not identify any major adverse findings and is in line with the previous full inspection grading of 'Good' in March 2022. The Council also retains a 'Good' rating for Adult and Community Learning, although this dates from November 2022 and has not been expected in the financial year.

We have also reviewed reports issues by the Care Quality Commission. Although the majority of the health and social care services were rated Good, Birchwood Care Home has received a recent (March 2023) report that 'Requires Improvement'. This follows the previous report of requiring improvement in August 2022 and breaches were found in relation to safe care and treatment, unsafe management of medicines and good governance. As a result, this warrants further exploration as part of our final conclusion.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a risk of significant weakness associated with governance. We will conduct further interviews and review additional documentation to reach our conclusion in this area, particularly regarding the Birchwood Care Home.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a risk of significant weakness relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Assessing Value for Money and Opportunities for Improvement

The Council had a target of £9 million regarding cost savings for the financial year 2023/24, which we noted above having not been met in year, with 56% of savings rated as 'Green' in the Council's traffic light system to monitor savings. Efficiencies are built into the budgeting process as previous outlined above. A higher level of savings were included in budgets for 2024/25 with £14.5 million of savings required. As noted in the financial sustainability section of our report, the Q1 revenue outturn suggests a significant overspend (£5.5 million) compared to budget to date. Typically cost saving performance is reported as part of regular reporting to the Council and reviewed in the Scrutiny Commission meetings.

Monitoring of Performance of Services

Performance reporting and monitoring of efficiency plans occur at various levels, from the weekly Financial Review Panel to the Corporate Board, Operations Board and the Executive. KPMG have reviewed the in-depth reporting, which includes details of each saving identified in the MTFP, progress to date by monetary value, forecast savings and some commentary over variances. The Governance Committee review the Corporate Risk Register quarterly and Council also have oversight of the position annually through the Budget and the associated Chief Finance Officer's Report on the Robustness of the Council Budget.

The Corporate Plan also includes performance measures, key projects and initiatives and other non-financial metrics which also are reported though Committees as part of the quarterly reporting. All collated information is subject to initial scrutiny by the Corporate and Operations Boards.

Partnership Working, including Managing Outsourced Services

We are not aware of any significant outsourcing or partnership working, outside of that required through the provision of services alongside the local NHS bodies and the waste PFI. We will explore this area further as part of our overall conclusion in this area.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a risk of significant weakness relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment (continued)

Benchmarking

The Council operate limited independent benchmarking activities on a case by case basis and review national benchmarking performed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA). We will explore this area further as part of our overall conclusion.

As part of our initial review, we have assessed the outputs from the Local Authority Data Explorer (Oflog), the CIPFA Financial Resilience Index and the LGA Inform Value for Money Profiles. The Oflog data shows that although the Council's level of band D council tax rates are around average for England and similar local authorities, non-ringfenced reserves as a percentage of net revenue expenditure and as a percentage of service spend is the lowest in the country.

Current benchmarking on the CIPFA Financial Resilience Index is based on 2022-23 data, however we expect the inputs to be similar for 2023/24 and its indicators of financial stress suggest the authority is higher risk compared to its Nearest Neighbours and other Unitary Authorities, with areas such as the 'Reserves Sustainability Measure' and 'Level of Reserves' at the highest end of risk among the grouping.

The LGA Inform Value for Money Profiles were also reviewed by KPMG. We reviewed multiple metrics, including 'Total non schools reserves as a percentage of net current expenditure' among others. Although the Council trends in the same direction as the mean for all English single tier local authorities, its reserves are substantially lower which leaves little room to absorb adverse variances to budget. There is one larger outlier other than reserves, which is Total expenditure on environmental services per head and West Berkshire shows as one of the higher of single tier authorities and growing again in 2023/24. We will look to understand the reasons behind this in our final report.

Risk assessment conclusion

Based on the risk assessment procedures performed we have identified a risk of significant weakness associated with improving economy, efficiency and effectiveness.



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Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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Internal Audit Annual Assurance Report 2023/24

Committee considering report:	Governance Committee
Date of Committee:	19 November 2024
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	G4582

1 Purpose of the Report

The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council. The report is required to include an opinion on the effectiveness of the Council’s governance, risk management and internal control frameworks, which in turn supports the Council’s Annual Governance Statement.

2 Recommendation

That the Governance Committee note the contents of the report.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	Not Applicable
Human Resource:	Not Applicable
Legal:	Not Applicable
Risk Management:	Internal Audit work helps to improve risk management processes by identifying weaknesses in systems and procedures and making recommendations to provide mitigation. The aim of which is to help ensure that services

	and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.			
Property:	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:				

4 Executive Summary

- 4.1 The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.
- 4.2 The audit opinion is based upon the audit assurance work undertaken during the year; knowledge gained from previous audit work; as well as intelligence gained from other sources of assurance, both internal and external, for example, Ofsted, External Audit and the Council's Finance and Governance Group.

4.3 Purpose of the Audit Manager's Annual Assurance Report

To provide:-

- (a) An opinion on the Council's governance, risk management and control environment;
- (b) Information to support the opinion given;
- (c) A summary of the work undertaken compared with planned;
- (d) Performance of the Internal Audit Team;
- (e) A statement as to whether the work of the Audit Team complies with the PSIAS.

4.4 Assurance Opinion

- (a) From the assurance work undertaken and other sources of control/governance information e.g. the Finance and Governance Group, the Audit Manager is able to conclude that reasonable assurance can be given that the governance, risk management and control framework remains robust.
- (b) With regards to governance, the Audit Manager noted concern in her report last year regarding the level of senior management vacancies and acting up arrangements. By the end of 2023/24 the situation had improved although there were still some key vacancies yet to be progressed. As was the case last year, Internal Audit work during the year has not identified any operational issues because of these vacancies/interim arrangements, however, in giving an opinion on the arrangements in place for effectiveness of governance and risk management, this is an area to mention as the number of senior manager

vacancies, and very new appointments does have the potential for increased risk of uncertainty and instability within an organisation. There is corporate awareness of difficulties in recruiting and risks with agreed plans for remedial action.

- (c) In relation to the assurance opinions given during the year there were no completed corporate audits with a less than satisfactory/reasonable assurance opinion, there was one school audit given a weak opinion. There were a couple of corporate audit reports in draft given a limited assurance opinion. Therefore, the proportion of limited assurance reports continues to be very low compared with the number of completed audits during the year given a satisfactory/reasonable assurance opinion and above. The low assurance report for the school will be followed up to check on progress made on implementing agreed recommendations.
- (d) There was a second stage Follow-up review completed during the year where we concluded unsatisfactory progress had been made, a third stage follow-up has been agreed to revisit this area.

4.5 Performance of the Audit Team

- (a) The team has a service performance indicator to achieve 80% of the audit plan. For 2023/24 the actual result was 89% compared with the previous year's outcome of 76%, although last year's percentage was impacted as there was a team vacancy for most of the year.

5 Supporting Information

Introduction

- 5.1 The Accounts and Audit (England) Regulations (2015) 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.
- 5.2 The Public Sector Internal Audit Standards (PSIAS), including the CIPFA "Local Government Application Notes", require the Chief Audit Executive (the Audit Manager) to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.

Background

- 5.3 This report provides that opinion and includes information to support the opinion given. The report content has been compiled to conform to the requirements of the PSIAS.
- 5.4 The audit opinion is based upon the assurance work undertaken during the year and knowledge gained from previous assurance work, as well as intelligence gained from other sources of assurance, both internal and external, for example, Corporate Board reports, Ofsted, External Audit and the Council's Finance and Governance Group.

5.5 A system of internal control cannot provide total assurance that all risk has been identified and eliminated; it is used to manage the level of risk so that it is at an acceptable level for an organisation, taking into account the Council's risk appetite.

Purpose of the Audit Manager's Annual Assurance Report

5.6 To provide:-

- (a) An opinion on the Council's governance, risk management and control environment;
- (b) Information to support the opinion given;
- (c) A summary of the work undertaken compared with the work planned;
- (d) Information on the performance of the Internal Audit Team;
- (e) A statement as to whether the work of the Audit Team complies with the PSIAS.

Assurance Opinion

5.7 From the assurance work undertaken and other sources of control/governance information e.g. the Finance and Governance Group, the Audit Manager is able to conclude that reasonable assurance can be given that the governance, risk management and control framework remains robust.

5.8 With regards to governance, the Audit Manager noted concern in her report last year regarding the level of senior management vacancies and acting up arrangements. By the end of 2023/24 the situation had improved although there were still some key vacancies yet to be progressed. The findings of our audit work during the year have not highlighted issues because of these interim arrangements, however, this issue is being included in this report as the situation can increase the risk of instability and lack of management capacity. The issue of not being able to recruit generally and at senior management level has been flagged as a corporate risk and remedial action planned.

5.9 No system of control can provide absolute assurance against material misstatement or loss, therefore Internal Audit can only provide reasonable assurance. This year there were no completed corporate audits which had a less than satisfactory/reasonable assurance opinion. There was one school audit given a weak opinion. There were a couple of corporate audit reports in draft given a limited assurance opinion. As with previous years, the number of limited assurance reports is very low which is the key criteria on which this annual audit opinion is based.

5.10 A detailed audit review was undertaken of the Council's risk Management framework a couple of years ago, the conclusion was that the framework was satisfactory/fit for purpose. Risk management and effectiveness of controls at an audit level have not identified any trends/patterns of concern with how risks are being managed within the organisation.

5.11 There have been no limitations or restrictions on the audit plan coverage or scope of the work undertaken that could have a negative impact on the opinion. There have been no impairments to the objectivity or independence of the Audit team.

Results of Work Undertaken to Support the Opinion

5.12 Internal Audit changed the audit report opinion categories during 2023/24, the new approach is in line with current recommended practice and is now used by many local authority internal audit functions, enhancing wider consistency, and understanding of audit reporting. The new categories and explanations are provided below:-

Opinion	Description
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Usually moderate-to-minor issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited, but are not a cause for concern.
Limited Assurance	There is a large number of moderate weaknesses and/or significant weaknesses or non-compliance issues identified which are of concern. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

5.13 A summary of the Internal Audit assurance work completed during the year is detailed below together with the assurance opinion that was given (as the assurance opinion categories changed after quarter 1 the tables show the numbers for both categories).

Corporate

Very Weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
0	0	3	4	0

Schools

Very Weak	Weak	Satisfactory	Well Controlled	Very Well Controlled

0	1	2	0	0
---	---	---	---	---

Corporate

No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
0	0	7	3

Schools

No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
0	0	3	0

- 5.14 The tables show that the majority of audit opinions were satisfactory/reasonable assurance or above. There were no completed corporate reviews that were given a less than satisfactory/reasonable assurance opinion, and only one school with a weak opinion.
- 5.15 Internal Audit undertake a follow-up review in all cases where there is a less than satisfactory/reasonable assurance opinion given, and in some reviews where a reasonable assurance opinion is given (decided on a case by case basis). The outcome of the follow-up work completed during the year is detailed below:-

Satisfactory Follow-up	Unsatisfactory Follow-up
3	1

Internal Audit Work Progress Update since the last Quarterly Report

- 5.16 Quarter 3 progress update was reported to the Governance Committee at the July 2024 meeting, attached to this report are three appendices listing the work undertaken up to the end of the financial year, with completed work at Appendix A, work in progress at Appendix B, and table C showing progress on the specific Anti-Fraud Work Plan. There was one unsatisfactory Follow-up finalised in the last quarter, the summary detail covering the issues/why the opinion was given is set out below:-

Unsatisfactory Follow-up (2nd Stage) – Fixed Asset Register

- 5.17 This audit was undertaken as an advisory piece of work as there were known issues. The audit was a very detailed review of a complex area and as a result of these factors

there was a large number of recommendations made. Our first stage follow-up work, undertaken up to December 2022, noted positive direction of travel with progress being made, and improvements which addressed a large proportion of the points. There were however a small number of areas where key controls were yet to be put in place which resulted in the Unsatisfactory rating being given.

- 5.18 For the 2nd follow up, we re-reviewed 3 significant and 7 moderate recommendations outstanding after the first stage follow-up. We noted areas of continued progress and improvement. However, there remained a lack of a regular, clearly evidenced schedule of control/validation/oversight work including reviews/sign-offs throughout the year. This limits any assurance that effective processes are in place to mitigate the risk of errors in the accuracy and completeness of the Fixed Asset Register for the year-end external audit.
- 5.19 As there are still a couple of significant recommendations that have yet to be addressed/fully addressed, we have therefore concluded that Unsatisfactory progress has been made at this point in time. We have determined that a third stage follow-up is required in order to check these significant issues have been satisfactorily progressed.

Audit Team Resources and Performance

- 5.20 The team has a service performance indicator to achieve 80% of the audit plan. For 2023/24 the actual result was 89% compared with last year's outturn of 76%. Last year's outturn was lower than the target because the team was carrying a vacancy i.e. a proportion of the planned work was not allocated/undertaken.
- 5.21 All internal audit work has been undertaken in accordance with the requirements of the PSIAS, the Core Principles of Internal Audit and the Code of Ethics for Internal Audit. Under the PSIAS there is a requirement to have an external assessment of the internal audit service every five years. The last external assessment was undertaken in June 2023, the outcome of which was that the Council achieved a 'Fully Conforms' opinion, this is the highest category of compliance (the other possible conclusions being 'partially conforms' and 'does not conform'). The next assessment will be due before June 2028.
- 5.22 The PSIAS require IA to have an Improvement Programme. The plan last year included two areas for improvement:-
- (a) Review the audit report opinion categories;
 - (b) Increase the use data analytics as part of obtaining assurance during an audit.
- Regarding point (a), this was completed after the first quarter, regarding point (b), some progress was made during the year in that we continued to bear in mind where data analytics may be helpful/support an audit.
- 5.23 The Audit Team currently consists of five posts; the Audit Manager, a Principal Auditor, two Senior Auditors and one Auditor post (current post holder is undertaking an Internal Audit Apprenticeship).

Audit Plan Actual Coverage

5.24 The following table shows the level of time spent in each type of audit activity compared with the planned time:-

Audit Activity	Planned Time	Actual Time (up to allocated project time budgets)
Assurance work	536	383
Budget Overspend Work (Adult Social Care/Children and Family Services)	0	45
Investigations (potential fraud etc.)	0	36
Investigations to assist HR (Disciplinary/Grievances)	0	2
Grant Sign Off Work	15	26
Plan preparation and Monitoring (corporate and schools)/Governance Committee Update Reports	37	37
Adhoc advice requests (corporate and schools)	25	40
Follow-up audits	20	20
Other (external professional liaison, fraud training, monitoring of School Financial Value Standard (SFVS) Annual Returns.	32	39
PSIAS Assessment (Preparation of self Assessment for external review)	0	12
Assurance Mapping	20	9

Plan Contingency Days	45	
Total Days	730	649
(These are the totals that are used to calculate the productivity percentage i.e. the 89% referred to in 5.22)		

5.25 Notes to support the information in the table at point 5.23 above:-

- (a) The Budget Overspend work accounts for the largest proportion of unplanned work.
- (b) The Audit Manager was involved in a number of unplanned investigations during the year, some were at the request of senior managers, others were where allegations had been raised about potential for fraud/wrong-doing. This work accounts for the second largest proportion of unplanned time.
- (c) Unplanned advisory/investigatory work reduces the level of assurance work that can be undertaken in a year. The team undertook 71% of actual assurance work compared with planned, if the team had not needed to spend time on unplanned investigation work/budget overspend work then the days spent on planned assurance work would have been in the region of 87%.
- (d) The planned work not undertaken is reviewed as part of risk assessing and preparing the new audit plan and rescheduled into the following year where deemed appropriate.

5.26 Under the Local Government Transparency Code 2015 the Council is required to publish certain information regarding fraud. In order to meet this duty the following information is provided:-

- (a) There are no professionally accredited counter-fraud internal investigators, the Internal Audit team has the skills and experience to undertake such work where it arises.
- (b) There have been no occasions where the powers under the Prevention of Social Housing Fraud have been used by the Audit Team.
- (c) There were three potential fraud cases raised by a whistleblower. After an initial investigation we considered there was no evidence to support the allegations in each case. Internal Audit were also involved in providing information for an investigation being undertaken by the NHS.
- (d) There have been no specific costs incurred for the fraud work undertaken this year except for the salary costs for the days spent by the Audit Team on fraud related work. Cost of the days spent on the potential fraud case stated above (using an average daily salary cost) was approximately £7,560 for 2023/24.

Proposals

5.27 Committee note the content of the report.

6 Other options considered

Not applicable, the report is for information only.

7 Conclusion

This report was produced to provide the Audit Manager's opinion on the Council's governance, risk management and control framework for 2023/24. The Audit Manager's annual audit opinion is that reasonable assurance can be provided that the Council's governance, risk management and control framework remains robust.

8 Appendices

8.1 Appendix A – Audit Work Completed during last quarter of 2023/24.

8.2 Appendix B – Audit Work in Progress as at 31st March 2024.

8.3 Appendix C – Fraud Plan Progress as at 31st March 2024.

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval	<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>
Delays in implementation could compromise the Council's position	<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months	<input type="checkbox"/>
Item is Urgent Key Decision	<input type="checkbox"/>
Report is to note only	<input checked="" type="checkbox"/>

Officer details:

Name: Julie Gillhespey
Job Title: Audit Manager
Tel No: 01635 519455 (ext 2455)
E-mail: Julie.gillhespey@westberks.gov.uk

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1) COMPLETED AUDITS

Directorate/Dept/Service	Audit Title	Overall Opinion
Corporate		
None		
Resources		
None		
People		
Education	Hermitage Primary	Reasonable Assurance
Education	Bradfield Primary	Reasonable Assurance
Place		
Development and Regulation	Ukraine Hub Payments	Substantial Assurance
Development and Regulation	Civil Contingencies	Reasonable Assurance

NOTE

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

2) COMPLETED FOLLOW UPS

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Overall Opinion - Report</u>	<u>Opinion - Implementation progress</u>
Resources			
Finance, Property and Procurement	Fixed Asset Register (2nd Stage Follow-up)	Advisory	Unsatisfactory
Strategy, ICT and Governance	ICT Systems Security (Access)	Satisfactory	Satisfactory
People			
None			
Place			
None			

3) COMPLETED ADVISORY REVIEWS/OTHER WORK

Directorate/Dept/ Service	Review Title
Adult Social Care and Children and Family Services	Budget Overspend Work in Adult Social Care and Children and Family Services (VFM type of work) Complete (no opinion given due to nature of work)

1) CURRENT AUDITS

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year
Corporate			
None			
Resources			
Strategy, ICT and Governance	Social Media	Draft Report Issued	2023/24
Finance and Property	National Non-Domestic Rates	Draft Report Issued	2023/24
Finance and Property	VAT	Ready for Review	2023/24
Strategy, ICT and Governance	Payroll	Testing	2023/24
Commissioning	Contract Letting	Testing	2023/24
People			
Adult Social Care	Assessment of Need/Purchase of Care (MH/LD Clients)	Draft Report Issued	2023/24
Adult Social Care	Birchwood Care Home	Visit Undertaken	2023/24
Education	Home to School Transport (Entitlement)	Ready for Review	2023/24
Education	Calcot Federation	Draft Report Issued	2023/24
Education	Westwood Farm Federation	Draft Report Issued	2023/24
Education	Bucklebury Primary	Ready for Review	2023/24
Education	Inkpen Primary	Ready for Review	2023/24
Education	Sulhamstead and Ufton Nerve Primary	Ready for Review	2023/24
Children and Family Service	Child Care Lawyers	Testing	2023/24

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year
Place			
Development and Regulation	Development Management	Testing	2023/24

2) CURRENT ADVISORY REVIEWS/INVESTIGATIONS AND OTHER WORK

Audit/Review Title	Current Position of Work
Supporting Families Programme Grant Claims	Ongoing
ITrent (HR and Payroll system) – Project Advice	Ongoing, Audit Manager attending Project Boards
Licensing Investigation	Ongoing
Whistleblowing Allegations – potential conflict of Interest in ASC	Ongoing

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit Title
Resources	
Finance and Property	Accounts Receivable
Place	
Development and Regulation	Business Continuity
People	
None	

Anti-Fraud Work Plan

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

<u>Audit Name</u>	<u>Work Focus</u>	<u>Update Position (End of March 2024)</u>
National Fraud Initiative (NFI) Investigation Work	Review of data matches to assess whether fraudulent.	New exercise commenced in October. Matched data received January which is now being reviewed. (This is a large/time consuming exercise that is ongoing during the year.)
Mileage/Expenses Claims	Assess compliance with Council Policy/Procedures and identify any issues with erroneous or fraudulent claims.	Cancelled
West Berkshire 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.	Completed
Contract letting - Other than Care Packages	Check for compliance with Contract Rules/legislation. Check for risk of contracts being awarded inappropriately/potential for conflict of interest/personal gain.	Testing
Personal Budgets (Direct Payments/Use of payment cards) (Education Service)	Personal Budgets may be used inappropriately/fraudulent documentation could be provided for expenditure incurred.	Postponed until next year's plan
Housing Benefits/Exceptional Hardship Fund	Check that grant applications have been appropriately checked/vetted and that grants have been awarded accurately/appropriately.	Postponed until next year's plan
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.	Testing

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Internal Audit Update Report – Quarter One 2024/25

Committee considering report: Governance Committee
 Date of Committee: 19th November 2024
 Portfolio Member: Councillor Iain Cottingham
 Report Author: Julie Gillhespey (Audit Manager)

1 Purpose of the Report

- 1.1 To update the Committee on the status of Internal Audit work as at the end of quarter one 2024/25.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.
- 1.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.

2 Recommendation(s)

- 2.1 No decision is needed, Committee only required to note content of the report.

Implication	Commentary
Financial:	None
Human Resource:	None
Legal:	None
Risk Management:	Internal Audit work helps to improve risk management processes by identifying weaknesses in systems and procedures and making recommendations to provide risk mitigation. The aim of which is to help ensure that services and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.

Property:	None			
Policy:	None			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		

Data Impact:		X		
Consultation and Engagement:	None			

3 Executive Summary

- 3.1 To update the Committee on the status of Internal Audit work as at the end of Quarter One of 2024/25.
- 3.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter quarterly updates are required to be presented to Committee.
- 3.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.
- 3.4 There was one corporate audit review, and two school audits completed during the period which were given a limited assurance opinion.
- 3.5 There are no significant issues of concern identified through audit work during the period that need to be highlighted to senior officers/members.

4 Supporting Information

Introduction/Background

- 4.1 Appendix A to this report sets out the audits that have been finalised this quarter. The table below shows the breakdown of completed audits by opinion given.

Audit Type	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Corporate Systems	0	1	4	1
Schools	0	2	1	2

- 4.2 For this reporting period there was one completed corporate audit and two school audits given a limited assurance opinion. The table above shows that the number of limited assurance reviews continues to remain a small proportion of the audits completed. The summary detail covering the issues/why the limited assurance opinions were given is set out below:-

Limited Assurance Opinion Reports

(a) Payroll

The day-to-day processes for updating new starters, leavers and amendments were generally effective with information updated timely. We found that due to the structuring of operational responsibilities between teams, there was a lack of adequate segregation of duties and effective access controls within the payroll system. Peer review and verification processes are implemented which mitigate against this lack of segregation of duties and the risk of inaccurate or fraudulent payments, but we found they were not consistently applied.

These system weaknesses are to be addressed as part of a review of payroll processes, and mapping these to the new payroll system, ITrent. There is Internal Audit representation on the Project Board for the payroll system replacement, who will advise on these process changes when they are being considered/designed.

(b) Westwood Farm School Federation

Improvements are required in relation to purchase order/payment processes and receipt of goods, the reconciliation processes for expenditure and income streams, lettings arrangements and School Fund accounting requirements.

We noted that there seemed to be a lack of clarity about some roles within the Finance Team which have resulted in processes not being followed and errors. This may in part stem from the evolution of processes since the school federated and the recent introduction of new systems including the BACS Bankline payment system.

(c) Bucklebury Primary School

Improvements are required in relation to review and update of the Financial Management Policy and framework for delegated authorities, purchase order/payment and procurement card processes, the appointment processes for new starters, and the School Fund accounting requirements.

With regards Governance, improvements are required to administration of Governors Registers of interests and strengthening evidence in minutes of the discussions related to budget monitoring.

We noted documentation was not always signed and dated and therefore there was not always an audit trail to evidence segregation of duties or timeliness of accounting processes.

For each of the limited assurance reports mentioned above, a follow-up review will be undertaken to check on progress against the agreed recommendations. This usually commences six months after the report was finalised.

4.3 There were no completed Follow-up reviews in the period.

4.4 Details of the audit work in progress and the stage reached is set out at Appendix B. This includes audits still in progress from last financial year, most of which are at the draft report stage and therefore are almost complete. For context, where work is commenced late in the last quarter of the year, it will inevitably roll into the next year to be completed. Also, audit work may take longer than planned for a number of reasons,

we are very reliant on services providing us with the required information/managers responding to draft audit reports in a timely manner. As a small team, we also need to react to emerging changes in risk during the year, for example suspected fraud, requests for unplanned work and investigations, as well as audit advice, result in the need to reprioritise work, which results in delays in the planned work that has already commenced.

4.5 Progress made against the Anti-Fraud Work Plan is set out at Appendix C.

Proposals

Members note the outcome of audit work.

5 Other options considered

5. Not applicable, the report is for information only.

6 Conclusion

6. One corporate review and two school audits completed during the period were given a limited assurance opinion. The volume of limited assurance reports continues to be a low proportion of audit work undertaken. There are no areas of concern identified from audit work completed in the period which need to be highlighted to Committee.

7 Appendices

7.1 Appendix A - Completed Audit Work.

7.2 Appendix B - Current Audit Work.

7.3 Appendix C - Anti-Fraud Work Plan Update.

Corporate Board's recommendation

*(add text)

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

Wards affected: All

Officer details:

Name: Julie Gillhespey
Job Title: Audit Manager
Tel No: 01635 519455
E-mail: julie.gillhespey@westberks.gov.uk

1) COMPLETED AUDITS

Directorate/Dept/Service	Audit Title	Overall Opinion
Corporate		
None		
Resources		
Strategy, ICT and Governance	Social Media	Reasonable Assurance
Finance, Property and Procurement	National Non-Domestic Rates	Reasonable Assurance
Finance, Property and Procurement	VAT	Reasonable Assurance
Strategy, ICT and Governance	Payroll	Limited Assurance
People		
Adult Social Care	Assessment of Need/Purchase of Care (MH/LD Clients)	Reasonable Assurance
Education	Home to School Transport Entitlement	Substantial Assurance
Education	Calcot School Federation	Substantial Assurance
Education	Westwood Farm School Federation	Limited Assurance
Education	Bucklebury Primary	Limited Assurance
Education	Inkpen Primary	Reasonable Assurance
Education	Sulhamstead & Ufton Nerve Primary	Substantial Assurance
Place		
None		

NOTE

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

2) COMPLETED FOLLOW UPS

There were no follow-ups completed during the period.

3) COMPLETED ADVISORY REVIEWS/OTHER WORK

Directorate/Dept/ Service	Review Title
Development and Housing	Licensing Investigation

1) CURRENT AUDITS

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year*
Corporate			
Finance, Property & Procurement	Procurement Cards	Background	2024/25
Resources			
Commissioning	Contract Letting	Draft Report Issued	2023/24
Strategy, ICT & Governance	Ensure Continuous Service (I.T. Disaster Recovery)	Testing	2024/25
Strategy, ICT & Governance	Systems Security (Firewall, Antivirus, Traffic Management)	Testing	2024/25
Strategy, ICT & Governance	Management of the Internet/Intranet	Testing	2024/25
Finance, Property and Procurement	Housing Benefit/CTRS and Hardship Fund	Testing	2024/25
People			
Adult Social Care	Birchwood Care Home	Report Being Drafted	2023/24
Education	Personal Budgets (Direct Payments)	Background	2024/25
Adult Social Care	Client Financial Assessments	Background	2024/25
Children's Social Care	Child Care Lawyers	Draft Report Issued	2023/24
Place			
Development and Housing	Development Management	Draft Report Issued	2023/24
Development and Housing	Homelessness	Testing	2023/24
Communities	Leisure Centre Management	Background	2024/25

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year*
Communities	West Berkshire Lottery	Background	2024/25

* Work relating to last year – in most cases the draft report has been issued and we are waiting for responses from the service. Most of these audits will have been completed by the end of the next quarter.

2) CURRENT ADVISORY REVIEWS/INVESTIGATIONS AND OTHER WORK

Audit/Review Title	Current Position of Work
Supporting Families Programme Grant Claims	Ongoing
ITrent (HR and Payroll system) – Project Advice	Ongoing, Audit Manager attending Project Boards
Whistleblowing Allegations – potential conflict of Interest in ASC	Ongoing
Investigation into allegations around Benefit Payments	Ongoing

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit Title
Resources	
Finance, Property and Procurement	Accounts Receivable
Place	
Development and Housing	Business Continuity
People	
Education and SEND	Two school audits

Anti-Fraud Work Plan**(Drawn together from entries in the Audit Plan for 2024/25**

<u>Audit Name</u>	<u>Work Focus</u>	<u>Update Position (End of June 2024)</u>
National Fraud Initiative (NFI) Investigation Work	Review of data matches to assess whether fraudulent.	Matched data report reviews nearly complete. New exercise commences October. (This is a large/time consuming re-occurring exercise that is ongoing during the year.)
Procurement Cards	Check that cards are issued and used in accordance with the Council's Policy/Procedures, focussing on potential for inappropriate/fraudulent use.	Background Work Commenced
West Berkshire Lottery	Check that there is a contract in place with the lottery service provider, and that it is effectively managed, in order to reduce the risk of reputational damage and funds being misappropriated/inappropriately used.	Audit in Progress
Personal Budgets (Direct Payments/Use of payment cards) (Education Service)	Personal Budgets may be used inappropriately/fraudulent documentation could be provided for expenditure incurred.	Background Work Commenced
Council Tax Hardship Fund	Check that grant applications have been appropriately checked/vetted and that grants have been awarded accurately/appropriately.	Audit in Progress
Disabled Facilities Grant	Check that grants awarded in accordance with legislation/Council procedures, that inappropriate payments have not been made.	To Commence in Quarter 3.

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	<p>The Balance Sheet shows an overall increase in net assets compared to the previous reporting period. Usable reserves have decreased, and the General Fund reserve is now £4.1m. This represents 57% of the minimum level of the reserve. A balanced budget has been set for 2024/25 with a view to increasing the General Fund reserve back to its minimum level within the next four-year term of the Medium-Term Financial Strategy (MTFS)</p> <p>There is no imminent risk to the going concern assertion.</p>			
<p>Human Resource:</p>	<p>Not applicable</p>			
<p>Legal:</p>	<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>			
<p>Risk Management:</p>	<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. At the end of March 2024 the General Fund had decreased, from its minimum of £7.2m to £4.1m. This still provides a buffer against unexpected events and is a reflection of the local and national economic impact of inflation, interest rates and service demand pressures.</p>			
<p>Property:</p>	<p>Not applicable</p>			
<p>Policy:</p>	<p>Not applicable</p>			
	<p>Positive</p>	<p>Neutral</p>	<p>Negative</p>	<p>Commentary</p>
<p>Equalities Impact:</p>				

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.
- 4.2 At the time of writing this report the 2021/22 and 2022/23 accounts remain open. Following guidance from the Ministry for Housing, Communities and Local Government

(MHCLG) and our auditors, Grant Thornton, these accounts will be subject to a disclaimed audit opinion by a backstop date of 13 December.

- 4.3 The draft Balance Sheet position as at 31.3.2024 shows an increase in the overall net assets to £291.7m. The main reasons behind this are:
- 4.4 Long term assets have increased following investment and revaluation of our Property, Plant & Equipment as well as the Infrastructure Assets. There has been a sale of an investment property leading to a decrease in the value of this category of asset.
- 4.5 Current assets have increased at the end of March 2024 following an upward movement in assets held for sale and there has been a significant increase in short term debtors. Within the short term debtors total there is a significant sum owed from Central Government in relation to Business Rates Transitional Protection.
- 4.6 Total liabilities have increased year on year, up to £453.8m an increase of £26m on the previous year. The most significant movement has been in the short term and long term borrowing. This was needed to fund delivery of the approved capital programme. Long term borrowing protected the Council from future interest rate fluctuations. One aspect of liability that has seen a decrease is the pension liability. This decreased by £23.4m based upon the most recent report by the actuary.
- 4.7 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 £9.45 million deficit on the DSG is currently held within the Council's unusable reserves. This deficit has increased by £4.65 million over the reporting period. 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.

5 Supporting Information

Draft Financial Statements 2024/25

- 5.1 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.

Proposals

There are no proposals made within this report.

6 Other options considered

Not applicable, this report is to note only.

7 Conclusion(s)

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 2023/24 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.

8 Appendices

8.1 Appendix A – Directors Narrative Statement (extract from financial statements 2023/24)

8.2 Appendix B – Going Concern Assessment as at 31.3.2024

Corporate Board's recommendation

None

Background Papers:

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval	<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>
Delays in implementation could compromise the Council's position	<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months	<input type="checkbox"/>
Item is Urgent Key Decision	<input type="checkbox"/>
Report is to note only	X

Wards affected: All

Officer details:

Name: Shannon Coleman-Slaughter
Job Title: Deputy s151 Officer & Service Director – Finance, Property & Procurement
Tel No: 01635 503225
E-mail: shannon.colemanslaughter@westberks.gov.uk

Appendix A

Executive Directors Narrative Statement 2023/24

1. Overview

The 2023-24 financial year has been an extremely financially challenging year for the Council with a combination of financial pressures facing the Council. The overall financial performance of the Council has seen an overspend of £3.1m with a reduction in the general fund reserve to £4.1m. This is below the recommended minimum level from the Chief Finance Officer (s151 officer) but still provides some buffer against future financial pressure. The position highlighted in these financial statements shows the changes that have occurred during the year, for example, a General Fund balance of £4.1m, but overall an increase in reserves overall, particularly in unusable capital reserves. Net assets have also increased.

Within a difficult financial context, the Council has provided a number of achievements. The Council approved a new Council Strategy during the year, following the change of administration at the May 2023 local election. The Council has moved to a Liberal Democrat administration with, as at 31.3.2024, the Council composed of 28 Liberal Democrats, 11 Conservatives, 2 Green Party, 1 Labour and 1 Independent Councillors. The Council Strategy articulates the key priorities of focus for the four years ahead through to 2027 and is accompanied by a delivery plan. During the year the Council re-opened the significantly enhanced Newbury Lido, a key piece of local infrastructure that supports a range of Council strategies.

The wider macro-economic position has impacted the Council. Inflation has been at a historically high level in 2022-23 and this has continued through into 2023-24. Though inflation is now dropping significantly, and is forecast to be around 2% for 2024-25, the impact of inflation during 2023-24 has raised prices, especially in social care settings where there have been some very large inflationary rises. Interest rates rises have increased the cost of borrowing, and so the Council has delayed long-term borrowing decisions. Therefore, Council borrowing has increased, as reflected in the balance sheet, where the Council undertook some shorter term PWLB (Public Works loans Board) lending at year end. The council has an

underlying need to borrow, and will commence some further external borrowing, for longer periods, when interest rates start to drop as forecast in the coming 12-24 months. Lastly, the largest pressure has come from the growing demand for Council services. Children's social care numbers rose significantly in 2023-24 and the adult social care numbers have also consistently increased. Both areas of social care have seen increasingly complex cases requiring greater costs for individual care packages with unit costs rising. Temporary housing numbers, and so costs, have also risen during the year. With these increased demands, so has the demand for additional staffing, often through agency workers at the Council. That 19 Councils across the country have requested exceptional financial support, an unprecedented number, reflects the wider financial difficulties that the sector faces.

The Council has responded to this through the establishment of the Financial Review Panel (FRP) and a significant focus on cost reduction. The financial statements reflect the impact of this work with reduced year on year agency costs, reduced capital financing costs, though still a growing level of capital reserves, and the commencement of asset sales and capital receipts reserves. This has protected the general fund to an extent with a reduced overspend actually occurring versus that which was forecast at quarter one.

In respect of the future, the Council knows that it must improve its reserves position. £1.9m has been earmarked in the 2024-25 budget as an increase to the General Fund, so forecasting a balance of £6m. This is crucial to improve the financial resilience of the Council. Inflation forecasts are reducing and so should reduce pressures in external spend areas and staffing cost growth. Interest rates are also forecast to fall, so this should assist with future debt financing that the Council will need to undertake. The position remains difficult, but the Council has made important strides to greater financial sustainability during the year and within the 2024-25 budget, that it will endeavour to build upon to improve its financial resilience.

Financial Performance

Financial Statements 2023/24 Highlight Report and Going Concern Assessment

The 2023-24 financial year has been the most challenging financial year that the Council has faced. The aging demographic of the local population, the increased complexity of social care demand, rising temporary housing costs and the increased number of children presenting with a care or educational support requirement has put revenue budgets under significant strain, all of these a common theme nationally. The Council's final General Fund reserve now stands at £4.1m following an overspend position of £3.1m during the year.

As at quarter one, the initial forecast outturn position was an overspend of £8.7 million against a net approved budget of £164.3 million.

To put this into context the Council's General Fund position as at 1st April 2023 was £7.2 million. The Council, like many Councils across the country faced potentially seeking exceptional financial support from central government or issuing a s114 notice. It should be noted that alongside the quarter one forecast the Council has not received assurance on its Balance Sheet and reserves position due to a backlog in the completion of external audits. The last set of accounts signed off by the external auditor was the financial year 2020/21 (with an opinion received during the 2023-24 financial year).

In response to the quarter one forecast the Council internally adopted stringent financial controls. A Financial Review Panel (FRP) was established consisting of senior officers, including from finance, HR, legal, procurement and transformation teams as well as senior members to provide challenge to internal expenditure and recruitment plans. FRP focused on:

- Reducing agency expenditure
- Reviewing all requests to recruit
- Reviewing all accounting policies
- Reviewing capital financing costs
- Reviewing actions plans developed by overspending services designed to reduce financial pressures.
- Reviewing and approving all expenditure over £1k.

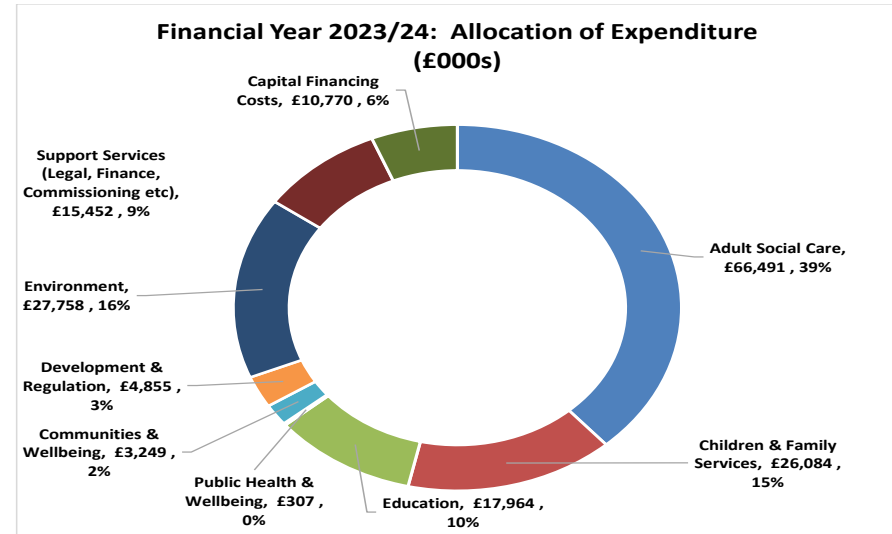
The FRP commenced in July 2023, and its key outcomes from the process were:

A reduction in agency costs. All agency requests were scrutinised by FRP and where possible procured via the Council's central agency supply contract. In 2022/23 the Council spent approximately £12 million on

agency support with 20% of the expenditure being with agencies outside of the central contract. In 2023/24, agency spend was reduced by £2.5 million with a further £900k reduction forecast for 2024/25. Reducing dependency on agency is a key financial theme moving into 2024/25 bringing with it the benefits of greater workforce stability (especially in social care where agency has been historically high), and improved service provision to the community.

Capital financing costs were reviewed with a focus on the Council's Minimum Revenue Provision (MRP). The Council historically has provided for significant sums and been an outlier compared to other Councils. The review yielded an in year saving of £4 million and ensures the Council now provides MRP on a more comparable footing with other Council's.

Actions taken in response to the quarter one forecast have resulted in a management accounting outturn position of £3.1 million and a General Fund of £4 million. The General Fund is well below the s151 recommended level of £7 million but ensures the Council has reserves in place for 2024/25.

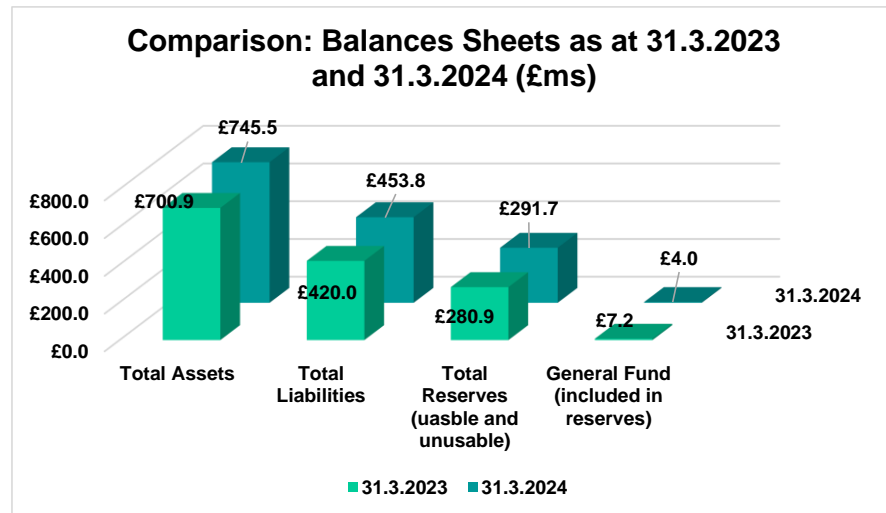


Financial Context – Balance Sheet Review

Financial Statements 2023/24 Highlight Report and Going Concern Assessment

As previously stated, the last signed set of financial statements relate to financial year 2020/21. The current proposals from the government are for all outstanding audits to be concluded and accounts signed by the end of September 2024, or alternatively be disclaimed by the external auditors will potentially see the Council's accounts for financial years 2021/22 and 2022/23 be disclaimed. The recent announcement of a General Election on the 4th July may put greater pressure on this timescale. The Council's external auditor for financial years 2021/22 and 2022/23 confirmed their preference for disclaiming the open accounts at the Governance Committee on 16 April 2024. It should be noted that the Council has historically published all draft accounts by the Government deadlines set including the shortened deadline of 31 May for the 2022/23 accounts and was one of the 30% of councils nationally to achieve the deadline.

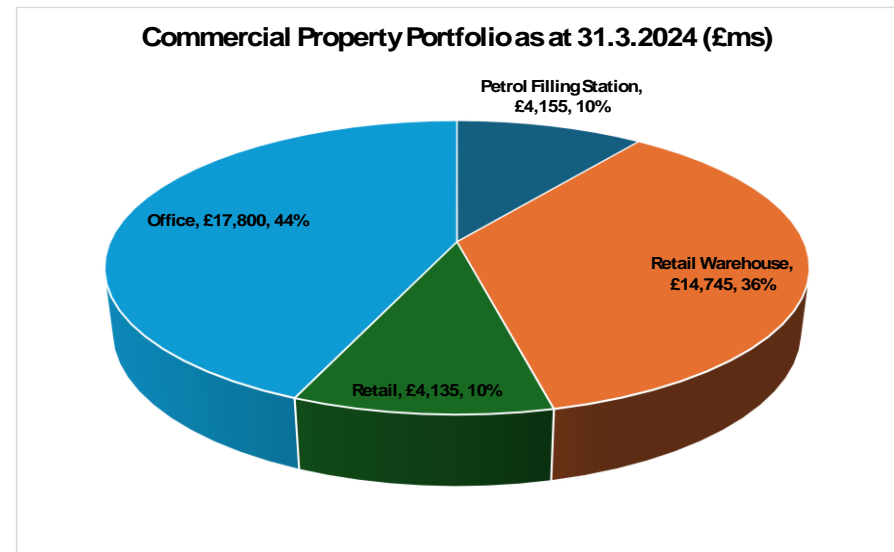
As at the 31 March 2024 the Council's Balance Sheet remains strong, with net assets of £291.7 million (£280.9 million as at 31.3.2023).



The asset base has grown to £745.5 million as at 31st March 2023. The Council has a significant capital programme which ensures annual investment across the asset base maintaining operational assets and investing in the enhancement of the community through infrastructure, open spaces, and community provision. In Summer 2023 the Northcroft Lido reopened after an extensive investment and remodelling project. A

key focus in year has been the provision of affordable housing, a key project being the redevelopment of a formally operational asset (West Point House) into temporary accommodation as part of the Local Authority Housing Fund initiative. Over the financial year West Point House has been converted into five residential dwellings and the Council has purchased a further 18 properties to meet increasing demand locally for temporary accommodation.

During the financial year the Council commenced a strategy of disposing of the commercial property portfolio. The Council historically invested in a commercial property portfolio of approximately £62 million, inclusive of retail, retail warehouse and office assets, predominately out of district with the exception of two office assets located within a local business park. Within the financial year one retail asset was disposed of generating a capital receipt of approximately £6 million. As at 31 March 2024 the remaining portfolio was valued at £40.8 million.

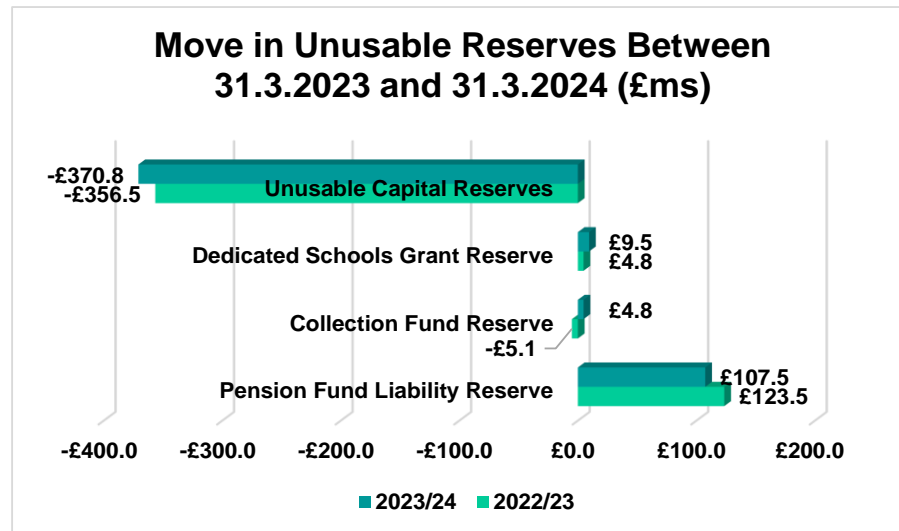


In the post pandemic era, commercial property values have reduced. Although asset disposals create the risk of a realising a loss on disposal, this is offset by the net revenue streams received by the Council over the life of ownership. Furthermore, the Council has proactively moved to

Financial Statements 2023/24 Highlight Report and Going Concern Assessment

minimise the financial risk to the future General Fund position from property risks, such as voids and financing of refit works. The Council's commercial portfolio has seen rental income in the high 90% of expected rent. The revised Property Investment Strategy identified capital receipts generated from related asset disposals to be utilised firstly, to offset future capital financing costs in what is a high borrowing cost environment, and secondly, to fund transformation programmes across the Council, reducing future revenue expenditure with a view to enhanced long term financial resilience.

As at 31 March 2024, total liabilities on the Balance Sheet had increased to £453.8 million, driven by long-term borrowing to fund delivery of the approved capital programme (£202.2 million), the pension liability (£107.5 million) and other creditors (£144.1 million). Unusable reserves (reserves that cannot be deployed to fund expenditure because they are unrealised or notional, i.e. not cash backed and relate to accounting adjustments), increased to £249.1 million (£233.3 million as at 31.3.2023).



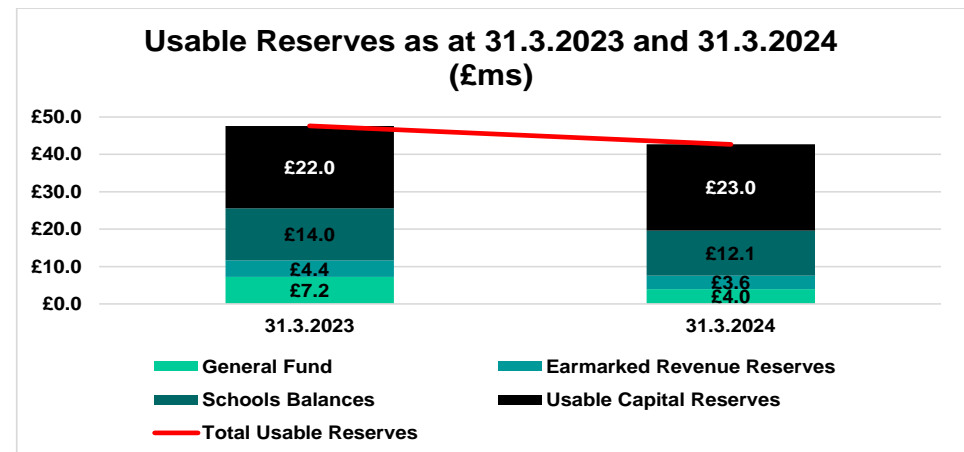
The Collection Fund has moved from a £5.1 million surplus position to a £4.8 million deficit position at 31 March 2024. The deficit position is broken down £1.85 million Council Tax (£1.5 million as at 31.3.2023) and £2.95 million Business Rates (£6.6 million surplus at 31.3.2023). The Council is heavily dependent on Council tax and Business Rates income,

the deficit positions were forecast and have been provided for within the Medium-Term Financial Strategy.

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 £9.45 million deficit on the DSG is currently held within the Council's unusable reserves (£4.8 million as at 31.3.2023). The deficit has increased by £4.7 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)

The Council's total level of reserves remains high at £291.7 million, however, the usable reserves (i.e. resources that can be deployed in support of services to taxpayers), have reduced and the Council's General Fund of £4 million is well below the s151 recommended level of £7 million.



West Berkshire is now one of the Council's with the lowest level of reserves in the country. The pressures experienced on budgets are reflected in the growing number of schools going into deficit at outturn

Financial Statements 2023/24 Highlight Report and Going Concern Assessment

(sixteen schools as at 31.3.2024 compared to XX at 31.3.2023), reducing the level of schools' balances consolidated into the Balance Sheet. Revenue reserves deployed in support of the 2023/24 budget and outturn position have reduced available earmarked revenue reserves from an already low position of £4.4 million at 31 March 2023 to £3.6 million at 31 March 2024. Usable capital reserves have marginally increased due to balances held from the year sale of commercial property. The low levels of earmarked revenue reserves and in particular the General Fund constrict the Council's ability to respond to any in year financial pressures during 2024/25. However, the 2024/25 revenue budget has made provision for increasing the General Fund by £1.9 million and further increases during the mid-term with the Medium-Term Financial Strategy planning increases to the reserves back up to a position of £10 million.

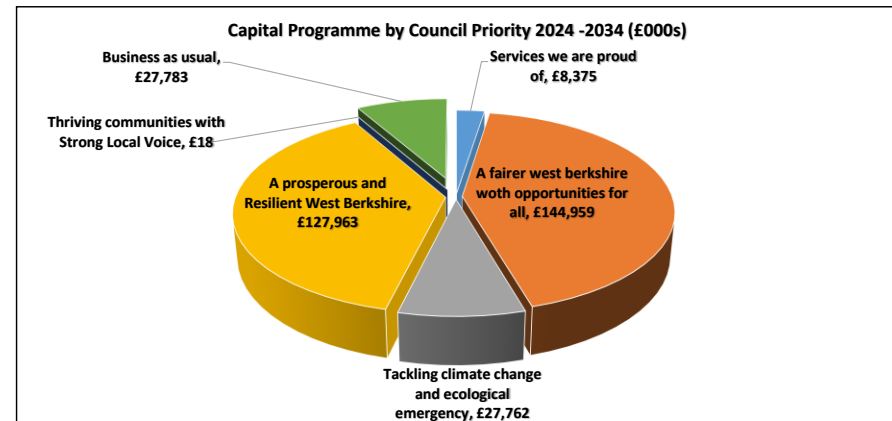
The potential to increase the General Fund in the immediate and mid-term is largely dependent on the control of expenditure in 2024/25.

At the time of setting the 2024/25 revenue budget, the 2023/24 financial year had seen the highest level of inflation in the United Kingdom in over 40 years. At outturn inflation has reduced (April 2024 2.3%), however borrowing costs to Councils remain high with average 25-year annuities from the Public Works and Loan Board being around 5 – 5.5% compared to historically low averages of 2-3%.

The Council's ability to consume a significant realignment of its cost base caused by high levels of inflation and increased capital financing costs is severely restricted. Council Tax which constitutes approximately 70% of the Council's income is set based on information from October to January of the previous financial year. Retained Business Rates and government funding (New Homes Bonus, Services Grant, Social care Grant and Funding Guarantee) are key income streams, all of which are set / fixed beyond the Council's control. The environment of constrained income, high inflation, and high borrowing costs (capital financing) are compounded by the effect of increasing demand for Council services across both adults and children's social care and increasing home to school transport costs driven by increased Special Educational Needs users and high inflation. In response to demand and inflationary pressures £18.06 million of investment has been allocated to the 2024/25 revenue budget, with a further ongoing investment of £3.7 million which includes an annual increase to the capital financing budgets in support of the approved capital programme. The income constrained environment in which the

Council operates increases the Council's requirement to make in year savings to support investment in demand led social care. £14.5 million of savings have been identified and built into the 2024/25 revenue budget, this marks the most significant level of savings that the Council has had to find within a single financial year.

In respect of the capital programme, a ten-year programme aligned to the Council Strategy Framework detailing investment of £336.8 million was approved by Council. 56% of the approved programme is proposed to be financed externally through application of grant finding, section 106 and Community Infrastructure Levy. 44% of the programme is financed through a combination of borrowing and application of capital receipts. Disposal of the commercial property portfolio alongside reviews of the Council's overall asset base with a view to rationalisation and minimising financial risk posed by aging buildings, allows the Council to build up capital reserves for reinvestment in operational assets (including schools) across the district. Application of capital receipts further allows the Council to avoid increased capital financing costs in the currently high cost borrowing environment reducing pressure on the revenue budget and General Fund.



The scale of the capital programme demonstrates a focus and commitment to ensuring the district remains a prosperous and inviting place to live and work. The capital programme alongside an extensive transformation programme seeks to improve services to users through digitisation of processes, asset review and rationalisation, transformation of social care provision, whilst generating long term sustainable delivery

Financial Statements 2023/24 Highlight Report and Going Concern Assessment

models and reducing financial pressure points, building resilience into long term financial planning.

Overall Council Performance

The revised Council Strategy was unanimously adopted. The Council has sought to align activities to the new strategy.

The Influencer measures indicated that the local economy remained strong. Empty business rated industrial properties remained at a consistent level, the number of empty non-industrial units continued to reduce and average house prices have continued to increase. In respect social care indicators there has been a significant increase in children's social care referrals and enquiries, with rising numbers of children in need and children subject to a child protection plan in the past two years. The expectation is the increases in demand will decrease but will continue with a longer-term baseline of demand that is likely to remain higher than before the COVID pandemic. The number of Adult Social Care clients requiring long term support which been increasing steadily since September 2020, appears to have settled. The number of households active on the housing register remains higher than in previous years, as does the number of households in temporary accommodation and requiring Council support.

In the face of increasing demand for Council services, Council performance has remained strong. Although the Council's financial position has been constrained, corporate health indicators have remained stable overall, with key successes launching of the Rural England Prosperity business grant scheme, Ofsted determining that care leavers are well supported, and in respect of adult safeguarding 96% of all risks identified were reduced.

Appendix B

Going Concern Assessment as at the Balance Sheet Date 31.3.2024

The Council is required by request from the appointed external auditor to complete a going concern assessment as at the Balance Sheet date 31.3.2024. 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 31.3.2024

Financial Position at Outturn

The Council's outturn position consisted of £172.9 million of expenditure on provision of direct services which includes £10.7 million of capital financing costs. The overall outturn net expenditure figure of £172.9 million against an original budget of £164.3 million, generating an overspend position of £8.7 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 £42.7 million (£47.6 million as at 31.3.2023), inclusive of a £4.1 million General Fund position. Within the Council's unusable reserves there is a £9.5 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 2024/25. The budget was set with a Council Tax requirement of £124.2 million, requiring a Council Tax increase of 2.99% and an Adult Social Care precept of 2%. The budget provides for a contribution to the general fund reserve of £1.9 million by the end of 2024/25.

The Medium-Term Financial Strategy (MTFS) which looks at finances in the longer term, includes cost avoidance proposals of £14.5 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.

In conclusion, the economic environment, paired with the minimum General Fund position as at 31.3.2024 will require robust cost management and focused delivery of planned revenue savings as key in financial year 2024/25.

Balance Sheet as at 31.3.2024

As at the Balance Sheet date the Council holds total assets of £745.5 million (£700.5 million as at 31.3.2023), liabilities of £453.8 million (£420 million as at 31.3.2023), usable reserves of £42.7 million (£47.6 million as at 31.3.2023), and unusable reserves of £249 million (£233.3 million deficit as at 31.3.2023).

Balance sheet as at 31.03.24	
Net Assets as at 31.03.24	
Assets held at the Balance Sheet date	£'000
Plant,property and equipment	£605,568
Intangible assets	£2,923
Investment properties	£53,701
Current assets(e.g. cash and cash equivalents)	£83,299
Total Assets	£745,491
Liabilities at the Balance Sheet date	£'000
Pension Fund Liability	-£107,463
Long term Borrowing	-£202,242
Other Liabilities	-£144,059
Total Liabilities	-£453,764
Net Assets(Assets plus Liabilities)	£291,727
Reserves as at 31.03.24	
Usable Reserves	£'000
General Fund	-£4,100
Earmarked Revenue Reserve	-£3,478
School Balances	-£12,070
Capital Reserves	-£23,026
Total Usable Reserves	-£42,674
Unusable Reserves	£'000
Pension Liability (deficit)	£107,463
Collection Fund	£4,798
Dedicated Schools Grant (deficit)	£9,450
Accumulated Absences	£4,650
Capital Reserves (inc Revaluation)	-£375,414
Total Unusable Reserve	-£249,053
Net Reserves (Usable plus Unusable)	-£291,727

The Council's total assets have increased in Property, Plant & Equipment values from £570.5m (31.3.2023), to £605.6mn as at 31.3.2024.

Year-end current assets (inclusive of cash balances held by the Council) increased from £59.8 million (31.3.2023) to £80.9 million as at 31.3.2024. The key factors driving the overall increase are year-on-year increase in the level of assets held for sale and Short-Term debtor from £39.0 million (31.2.2023) to £63.6 £20.7 million as at 31.3.2024.

The Balance Sheet position as at 31.3.2024 demonstrates an increase in liabilities of £26.4 million - £453.8 million as at 31.3.2024 compared to £427.4 million as at 31.3.2023. The change has been driven primarily by an increase in short-term & long-term borrowings.

At the Balance Sheet date the Council held usable reserves of £42.7 million (£47.6 million as at 31.3.2023) and unusable reserves of £249.1 million (£233.3 million as at 31.3.2023).

In respect of reserves, usable reserves declined by £4.9 million over the reporting period. The reduction in usable reserves has been driven by the application of capital expenditure amounts within the capital grants unapplied account. As at the Balance Sheet date the Council's General Fund was at £4.1 million. As at 31.3.2024, earmarked revenue reserves of £3.6 million are held, focused on insurance and Public Health. In respect of unusable reserves of £249.1 million held as at 31.3.2024, the year on year increase primarily relates

to the remeasurement of the net defined benefit liability (£26.2 million), and a gain on revaluations (£17.6 million).

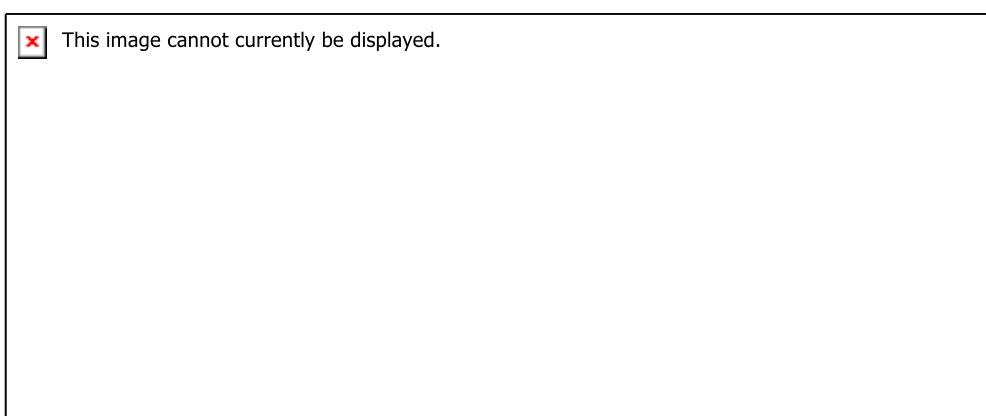
In conclusion, net assets have increased to £291.8 million compared to £280.9 million as at 31.3.2023. The improvement in the Balance Sheet is primarily due to additions to non-current assets (land and buildings). Overall reserves movement (usable plus unusable) is positive compared to the prior reporting 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 £17.3 million of cash, cash equivalents and longer-term external investments compared to £20.6 million as at 31.2.2023. Due to the risk around the 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 the capital financing requirement, sometimes known as internal borrowing, has reduced risk and interest costs.

In respect of longer-term planning, during 2023/24 the Council adopted the Liability Benchmark. Based on the 2024/25 Q1 capital budget monitoring the Council expects to undertake additional borrowing of £57.2 million in 2024/25 with a further £59.8 million in 2025/26 based on the approved 23/24 capital programme. The additional borrowing required in 2024/25 includes the refinancing of £42m of short-term borrowing which matures during 2024/25. The additional borrowing required in 2025/26 includes the refinancing of £25m of PWLB borrowing which matures during 2025/26.

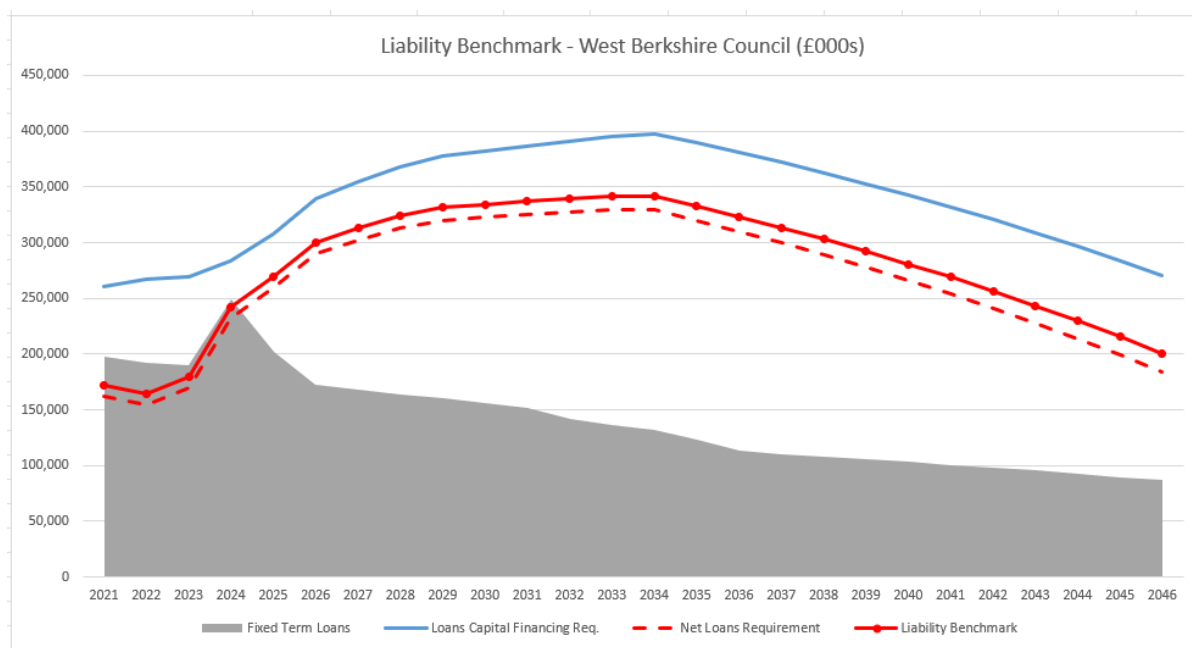


It should be noted that the Balance Sheet resources assumption are based on draft 2023/24 accounts, taking into consideration the current balances of usable reserves (£42.6 million) and working capital (debtors and creditors of £8.6 million). The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold

Financial Statements 2023/24 Highlight Report and Going Concern Assessment

to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

	31.3.2023	31.3.2024	31.3.2025	31.3.2026
	Actual	Actual	Projection	Projection
	£'000	£'000	£'000	£'000
Loans Capital Financing Req.	269,226	283,063	307,894	339,704
Less: Balance Sheet Resources	-100,006	-51,363	-48,363	-49,863
Net Loans Requirement	169,220	231,700	259,531	289,841
Preferred Year-end Position	10,000	10,000	10,000	10,250
Liability Benchmark	179,220	241,700	269,531	300,091



Based on the Council's Capital Financing Requirement and the liability benchmark, the Council is classified as a long-term borrower. Based on the capital outturn position, the Council is currently in an over borrowed position. With forecast balance sheet resources of £48.3 million at 31st March 2025 and a gap of £67.3 million between the liability benchmark and existing external borrowing the Council will need to increase the level of external borrowing in 2024/25 to meet the liability benchmark.

	2023	2024	2025	2026
	Actual	Actual	Projection	Projection
	£'000	£'000	£'000	£'000
Existing External Borrowing	189,890	248,973	202,242	172,732
Liability Benchmark	179,220	241,700	269,531	300,091

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 throughout the reporting period. The detailed review process is outlined in the Annual Governance Statement pages within the Council's 2023/24 Statement of Accounts. This framework was deemed fit-for-purpose in respect of 2023/24 and will continue to be reviewed as part of the control framework for 2024/25.

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 and reflects adequate levels of reserves. In addition to the legal framework established and Central Government control, other factors must be considered, 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.

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