

# DRAFT

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

## GOVERNANCE COMMITTEE

### MINUTES OF THE MEETING HELD ON TUESDAY 28 JANUARY 2025

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

**Also Present:** Jonathan Brown (KPMG), Simon Carey (Independent Member – Audit), Sam Chiverton (Zoom Host), Sarah Clarke (Monitoring Officer and Interim Executive Director (Resources)), Shannon Coleman-Slaughter (Service Director (Finance, Property and Procurement) (S151 Officer)), Chris Dagnall (Senior Financial Controller (Interim)), Julie Gillhespey (Audit Manager), April Peberdy (Service Director Community Services), David Southgate (Parish Council Representative), Beatriz Teixeira (Performance, Research and Consultation Manager), and Darius Zarazel (Principal Democratic Services Officer)

**Apologies for inability to attend the meeting:** None

#### PART I

##### 1 Minutes

**RESOLVED:** That the Minutes of the meeting held on 19 November 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).

Members noted that the Constitution update that was due to come to the meeting was being worked on by the Constitution Review Task Group. The Forward Plan would be updated to reflect the new targeted Committee date for that report and include the addition of an Extraordinary Governance Committee if it was considered necessary.

The Committee noted that a date in the 'Draft Financial Statement 2024/25 and Going Concern Assessment' scheduled for the meeting on 18 November 2025, should be updated from 2023/24 to 2024/2025.

Satisfied with the plan subject to the above amendments, the Governance Committee agreed that it could be noted.

##### 4 Audit Findings for West Berkshire Council - Financial Year Ended 31 March 2024

The Committee considered a report (Agenda Item 5) concerning the Audit Findings for West Berkshire Council - Financial Year Ended 31 March 2024.

The Senior Financial Controller (Interim) introduced the report and highlighted that the recommendation presented to the Committee was to delegate the signing of the 2023/24 Statement of Accounts to the Service Director (Finance, Property and Procurement)

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(S151 Officer), in consultation with the Chairman of the Governance Committee. He also confirmed that the deadline for their approval was by the end of February 2025.

The representative from KPMG, Jonathan Brown, discussed both of their reports before the Committee; the annual auditors report, which was intended for publication on the Council's website, and the audit findings report, which was discussed by Members of the Committee. He informed Members that work had been done on the 2023/24 Statements but that, as per the Backstop on local government accounts agreed by Central Government, these Accounts would contain a disclaimer of opinion. However, he assured the Committee that KPMG were still on track to get the Council back to having unqualified opinions.

The Council's payroll system and investment property valuations were identified as the two large outstanding areas left for the audit. The representative from KPMG noted that the reasons for the delay included the Council changing payroll systems and that the Council had procured a new valuer who was taking time responding to KPMG's questions. Both the representative from KPMG and the Section S151 Officer emphasised that the Council's central finance team and KPMG had been working very positively together, and that, as no further delays were expected, the audit was on track for completion by the Backstop date.

In terms of Value for Money, the representative from KPMG indicated that their final reporting on this highlighted the precarious financial position of the Council given the low levels of reserves – something that had been previously identified.

A question was raised about the wording of the audit findings executive summary, and if the language used may indicate that the Council was at fault for needing the Backstop and a disclaimer of opinion. Members noted that at the Governance Committee meeting on 19 November 2024, the Letters of Representation for 2021/22 and 2022/23 were signed off with the agreement that the no-fault nature of the Backstop be included, as well as indicating in the 2022/23 letter that the previous external auditor had not commenced any work on that audit. In response to the question about wording, the Section S151 Officer indicated that they would work on the final phrasing before it was published, but that the wording before the Committee would be the standard wording used by KPMG for Backstopped audits. The Chairman agreed that that they should look to apply similar wording as was used in the approved Letters of Representation in order to ensure the public better understood the reasons behind the disclaimed audit.

Members asked about the projected £2.5-£3m revenue increase as a result of five hundred houses being developed, which was indicated in the Financial Sustainability Risk section of the report on page 42 of the agenda, and if this was premature given the new Local Plan not yet being adopted. The representative from KPMG clarified that this was a projection and so had not been included in the accounts. This was something they had highlighted in the report so that it could be used for future budget plans. He also confirmed to the Committee that he would look to provide more detail about the timetable of when the additional revenue derived from housing might be gained as well as what form this payment would be in – be it through Community Infrastructure Levy or Council Tax.

In response to a point about the Council not meeting its savings targets and what improvement opportunities could be suggested as a result of this, the representative from KPMG mentioned that the Council had not always increased Council Tax by as much as it could have, which would contribute to alleviating financial pressures, and also that other authorities in similar positions had a centralised savings team which could drive cost reductions.

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On a question about the presumption of a fraud risk to the Accounts, Members noted that this was a standard auditing assumption for public sector audits as management could be in a position to override financial controls. Having examined the accounts, KPMG confirmed to the Committee that they did not find any evidence of management overriding controls.

Members discussed the position of the Berkshire Pension Fund and were assured by KPMG that they were satisfied with their underlying assets and key assumptions. It was also noted that the next Pension Fund report was due to be published within the next few months.

Overall, as the Committee were satisfied with the report, they agreed to approve the recommendations. The representative from KPMG indicated that they would provide the Council with a finalised update before it was signed off.

**RESOLVED:** That delegated authority to sign the 2023/2024 Statement of Accounts be assigned to the Council's Service Director (Finance, Property and Procurement) (S151 Officer), in consultation with the Chairman of the Governance Committee, once the Council's appointed external auditor KPMG provides a formal opinion on the 2023/2024 Statement of Accounts. This approval is subject to the communication from KPMG that there had been no material changes to the draft audit opinion.

### 5 Internal Audit Update Report - Quarter Two 2024/25

The Committee considered a report (Agenda Item 6) concerning the Internal Audit Update Report - Quarter Two 2024/25.

The Audit Manager introduced the report and highlighted that there were no significant areas of concern from work done in the period. This work included two corporate audits which were given limited assurance, for Birchwood Care Home and Child Care Lawyers, and two follow-up audits which were given an unsatisfactory progress rating, for Accounts Receivable and Business Continuity. As the number of all audits on a less than satisfactory rating was low, the Audit Manager had no concern about having two less than satisfactory audits in the same reporting period.

Members discussed the report and inquired into whether the Governance Committee could support the work of the Internal Audit Team. In response, the Audit Manager highlighted that the Committee could request further follow-up audits if they were unsatisfied with their current progress or request that the Service Directors provide them with a timeline about actions they planned to take.

A Member queried whether the work done by the Internal Audit Team and that done by the External Auditors were both indicating concerns with financial processes. The Audit Manager highlighted that KPMG were not flagging concerns with financial processes and were overall satisfied that proper financial processes had been followed and there had been no management override of financial controls. In addition, the Internal Audit was only commenting on one area of financial process, that being Accounts Receivable.

The main area that the Internal Audit had picked up in their audit of Accounts Receivable was about the progress made into the automation of the debt recovery process. The Audit Manager indicated that another follow-up audit of this area would not be likely until they had made a change to their IT system, as otherwise the result would likely be the same.

The Service Director for Community Services provided a progress update to the Committee on the follow-up audit for Business Continuity. She highlighted that every service now had a plan, with work being done on priority services depending on the situation, and that they planned to run a Business Continuity exercise to test preparedness.

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Members requested that a written update for both of the two unsatisfactory follow-up audits be produced, including a timetable for proposed actions, and presented to the next meeting of the Committee.

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

### **6 Risk Management Strategy 2024-2027**

Members asked about the public Strategic Risk Register Q2 2024/25 report (Item 9) as this was not available at that time in the agenda pack. The Monitoring Officer confirmed that there had been issues uploading this report to the website and that it would be provided to the public as soon as possible. It was confirmed that Members had access to the full report, including the Part II details, which would be discussed under Item 11.

The Committee considered a report (Agenda Item 7) concerning the Risk Management Strategy for the years 2024-2027.

The Monitoring Officer and Interim Executive Director (Resources) introduced the report and highlighted that the Strategy was approved by the Council's Executive on 12 December 2024. Having an approved Risk Management Strategy was essential for the Council's Risk Management Framework as it ensured that the Council was taking risk informed decisions.

The key changes on the previous Strategy were the adoption of a five-by-five matrix, in line with industry standards, which would present a broader variation of how risks were managed. In addition, the risk appetite had been updated and now varied between flexible to open. Training sessions would be set up to help inform Officers about this change to the Council's risk appetite. The Monitoring Officer highlighted these training sessions were necessary as she believed that Officer's views of risk appetite were often different than the actual corporate risk appetite.

The Committee noted that the new Strategy would help inform the risks that would be brought to them through the regular risk register update items, starting from quarter four 2024/25.

Members inquired into the difference between Officers views about risk appetite and the actual appetite of the Council and the Monitoring Office indicated that, through her experience, there was a belief that the Council was more risk averse than was defined in the Strategy. This Risk Management Strategy 2024-2027, and the training, would clarify exactly where risk was accepted and where it should be mitigated or avoided.

On a question about if the Council believed that risks could be managed, rather than avoided, the Monitoring Officer indicated that the Council considered the impacts of all the risks on the Register and those with the greatest potential impact would look to be avoided wherever possible. Members were assured that the risk register was a live and flexible document, reported to the Committee every quarter, and that the Council had five options to approach risk which were set out in the report as the five T's – treatment, transfer, tolerate, terminate, or take the opportunity. The Monitoring Officer confirmed that these options could be made clearer to Members and Officers.

Overall, as the Committee was satisfied with the report, they agreed to note the Risk Management Strategy.

### **7 Financial Year 2024/25 Mid Term Treasury Report**

The Committee considered a report (Agenda Item 8) concerning the Financial Year 2024/25 Mid Term Treasury Report.

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The Senior Financial Controller (Interim) introduced the report and highlighted that the report presented work done by the Council as well as Link, the Council's treasury specialist, which confirmed that the Council was in full compliance with their indicators up to the half year point.

On a question about actual interest rates, and if they were moving, the Senior Financial Controller (Interim) indicated that they were moving, but that an update position could be provided on that in Quarter 3 of 2024/25. However, when looking at the forecast for the full year, they were forecasting an overspend, but he assured the Committee that those costs were monitored on an ongoing basis.

On a point of clarification about the Capital Financing Requirement (CFR), the Section 151 Officer highlighted that the Council's CFR should not be outstripped by borrowing. However, the High Needs Block (HNB) was running a significant deficit and was draining the Council's working capital resulting in the need for external borrowing. As a result of this, the demands of the HNB could drive loan needs higher than the CFR.

Overall, as the Committee was satisfied with the report, they agreed to note the Mid Term Treasury Report.

### 8 Strategic Risk Register Q2 2024/25

The Committee considered a report (Agenda Item 9) concerning the Strategic Risk Register for Q2 of 2024/25.

The Performance, Research and Consultation Manager introduced the report and highlighted that the goal was to highlight the work done in accordance with the Risk Management Strategy – as this was for 2024/25, not the Strategy discussed as Item 7 on the agenda. She noted that they had added one risk since the last update and that they were currently managing 21 risks, the same number as since Q1 2024/25.

As the Committee wanted to discuss the exempt report, they agreed to proceed into Part II.

### 9 Exclusion of the Press and Public

**RESOLVED** that members of the press and public be excluded from the meeting for the under-mentioned item of business on the grounds that it involves the likely disclosure of exempt information as contained in Paragraphs 3, 5, and 6 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the [Local Government \(Access to Information\)\(Variation\) Order 2006](#). [Section 10, Part 10 of the Constitution](#) also refers.

### 10 Strategic Risk Register Q2 2024/25

The Committee considered the exempt report (Agenda Item 11) concerning the Strategic Risk Register for Q2 of 2024/25.

The Committee discussed the risks on the risk register, new risks, and the movement of risks on the Risk Matrix.

Overall, as the Committee was satisfied with the report, they agreed to note the Strategic Risk Register Q2 2024/25.

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*(The meeting commenced at 6.30 pm and closed at 8.12 pm)*

**CHAIRMAN** .....

**Date of Signature** .....