

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, 16 APRIL 2024

Councillors Present: Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Jeremy Cottam, Billy Drummond, David Marsh, Christopher Read, David Southgate and Iain Cottingham

Also Present: Sophia Brown (Grant Thornton), Joseph Holmes (Executive Director – Resources), Shannon Coleman-Slaughter (Chief Financial Accountant), Julie Gillhespy (Audit Manager), Thomas Radbourne and Benjamin Ryan (Democratic Services Officer)

Apologies for inability to attend the meeting: Councillor Dominic Boeck, Councillor Laura Coyle, Councillor Owen Jeffery and Simon Carey

PART I

10 Minutes

The Minutes of the meeting held on 29 January 2024 were approved as a true and correct record and signed by the Chairman.

11 Declarations of Interest

There were no declarations of interest received.

12 Forward Plan

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

RESOLVED that the Governance Committee Forward Plan be noted.

13 Internal Audit Update Report - Quarter Three 2023/24 (G4486)

The Committee considered a report (Agenda Item 5) concerning Internal Audit Update Report - Quarter Three 2023/24 Ms Julie Gillhespy introduced the report.

Councillor Chris Read queried whether there were any tools that could help speed up the process of the anti-fraud work plan. Ms Gillhespy explained that the process needed human intervention to evaluate the reports from a national database.

RESOLVED to note the contents of the report.

14 Financial Year End 2023-24 Year End Planning Document (G4504)

The Committee considered a report (Agenda Item 6) concerning Financial Year End 2023-24 Year End Planning Document. Ms Shannon Coleman-Slaughter introduced the report.

Councillor Iain Cottingham expressed frustration over the lack of audit for the 2023 – 2024 financial accounts, emphasising the need for West Berkshire Council (the Council) to have audited accounts. The Councillor held Grant Throton accountable for not upholding the terms of their contract.

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Councillor Jeremy Cottam questioned whether the Council would get a refund from Grant Thornton for the undelivered audit and called for the Council to withdraw from the contract.

Councillor David Marsh asked whether another auditor could be found.

Councillor Read queried why revenue prepayments were raised from £5,000 to £10,000. Ms Coleman-Slaughter explained that it would bring the figure in-line with the rest of the Council.

Councillor Howard Woollaston proposed to approve the accounting policies which will be applied in the production of the Council's 2023/24 Financial Statements as shown in Appendix A of the report, and this was seconded by Councillor Billy Drummond.

The proposal was put to a vote, and it was **RESOLVED that** the accounting policies which will be applied in the production of the Council's 2023/24 Financial Statements as shown in Appendix A of the report.

15 **External Auditor's Interim Annual Report Financial Years 2021/22 and 2022/23 (G4535)**

The Committee considered a report (Agenda Item 7) concerning External Auditor's Interim Annual Report Financial Years 2021/22 and 2022/23. Ms Coleman-Slaughter introduced the report and Ms Sophia Brown provided a presentation from Grant Thornton.

Councillor Cottam asked why the audit had not been carried out and Ms Brown explained it was not her intention to abandon the Council adding that the team did not have enough time to review all of the accounts.

Mr Joseph Holmes explained that the Council was awaiting a government disclaimer, which would state the Council was not at fault for the lack of audit. Until the disclaimer was issued the new contractor, KPMG, could not carry out the work, which was forecasted to be in early autumn, however the work would not be carried out in time. Mr Holmes emphasised that West Berkshire Council was one of 30% of Councils to produce their figures on time.

Councillor Cottam exclaimed that the whole system was running blind through a difficult financial period and the lack of an external audit left the Council in a difficult situation. The Councillor questioned why the Council was not notified sooner.

Councillor Woollaston stressed that this was the second year of accounts not to be audited and wanted reassurance that KPMG would audit the accounts.

Councillor Cottingham reassured members that in a meeting with KPMG he was satisfied they had the correct provisions to deliver an audit. He reaffirmed that the audit was a critical part of Councillors financial integrity, which was important as they looked after public money. The Councillor criticised competitive tendering as a reason for the lack of deliverability and explained that Grant Thorton was not able to carry out a light audit.

Mr David Southgate asked what the plan was going forward and Mr Holmes explained that the previous accounts are to be disclaimed, but the longer the Council has to wait the greater the risk of next years accounts not being done.

Ms Brown reasoned that Grant Thorton did not want to leave the Council behind and noted that only 25% of Councils had been audited. She explained that they could not do a light audit as this would go against legislation and that they were awaiting the wording for the disclaimer. Ms Brown stated that West Berkshire Council was in a better place than some Councils, because of the hard work of the Finance Team.

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Councillor Cottingham added that the lack of an external audit had an operational risk, as any external organisation looking to do business, may not want to take on a contract with a Council with unaudited accounts. He called into question how much work Grant Thornton had carried out in the period and questioned the effect the Council's Financial Review Panel had on curbing the overspend.

Ms Brown stated that the team that carried out the Value for Money work were separate from the audit team and that it had been noted that the tightening of budget controls had been effective.

Councillor Cottam asked about the recommendations within the report and Mr Holmes stated that these were what the report noted as being discussed within the Council.

Councillor Cottingham explained that long-term and short-term borrowing required a balance that would depend on the interest rates available from the public works board and that a good balance would be healthy for the accounts.

Councillor Stephanie Steevenson asked whose responsibility it was to act upon the highlighted problem areas for overspend. Mr Holmes explained that the areas highlighted were from an internal report and that these were reviewed quarterly by the Executive and Scrutiny Commission.

Councillor Cottingham emphasised the importance of financial efficiency and that the Council had a duty to be responsible as they were dealing with public money. The Council provided 700 services, and it was noted that they were looking at benchmarking to help improve the areas that are not delivering value for money.

Councillor Drummond queried whether the procurement waivers were to be seen by the Governance Committee and Mr Holmes confirmed that the waivers were not part of the terms of reference, but they would go to the Executive.

The Chairman expressed that the current state of auditing was not acceptable and stated the Committee would write to Grant Thornton expressing dissatisfaction.

RESOLVED to note the contents of the report.

16 CIPFA Financial Management Code

The Committee considered a report (Agenda Item 8) concerning CIPFA Financial Management Code. Mr Holmes introduced the report.

Councillor Read asked about the financial resilience assessment. Mr Holmes explained that CIPFA had a good financial resilience summary, and the Council would assess whether it would be worth to have an external review by CIPFA to help provide clear indicators.

Councillor Steevenson asked whether KPMG would deliver, and Mr Holmes stated that KPMG would not meet the September deadline and were due to start in November. He added that the accounts could only be audited once the previous year's accounts were disclaimed.

Councillor Woolaston quoted a previous study which pinpointed West Berkshire Council as the 8th most financially resilient and queried how concerned the Council should be now. Mr Holmes explained that the study looked at a broad range of factors. At the time of speaking the Council had some of the lowest levels of reserves in the country, however the Council was not alone. Mr Holmes explained that in an ideal world the Council would have around 12 million pounds within its reserves.

Councillor Cottingham explained that internal audits tended to be optimistic, recalling the need for an external audit.

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Councillor Woollaston questioned whether KPMG had any Key Performance Indicators (KPIs) within their contract and Mr Holmes stated that the contract was commissioned externally by Public Sector Audit Appointments, so he was unsure of the specifics. Mr Holmes explained that he would find out the specifics for the Committee.

RESOLVED to note the contents of the report.

(The meeting commenced at 6.30 pm and closed at 7.40 pm)

CHAIRMAN

Date of Signature