

DRAFT

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

GOVERNANCE AND ETHICS COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 1 FEBRUARY 2021

Councillors Present: Jeff Beck (Chairman), James Cole (Substitute) (In place of Claire Rowles), Jeremy Cottam (Vice-Chairman), Barry Dickens, Rick Jones, Jane Langford, Tony Linden, Thomas Marino, David Marsh, Geoff Mayes and Andy Moore

Also Present: Catalin Bogos (Performance Research Consultation Manager), Julie Gillhespey (Audit Manager), Joseph Holmes (Executive Director - Resources), Stephen Chard (Principal Policy Officer), Moira Fraser (Democratic and Electoral Services Manager), Councillor Owen Jeffery and Councillor Jo Stewart

Apologies for inability to attend the meeting: Councillor Claire Rowles

PART I

20 Minutes

The Minutes of the meeting held on 16 November 2020 were approved as a true and correct record and signed by the Chairman.

In relation to *Item 19 Response to the Audit Review of the Governance and Ethics Committee* Julie Gillhespey confirmed that the action plan with timescales would be brought to the April 2021 meeting in order for them to be in place for the 2021/22 Municipal Year. The training programme would also be brought to that meeting along with the revised terms of reference.

21 Declarations of Interest

Councillor Tom Marino declared that he had a personal interest in Agenda Item 8 (Risk Management – Quarter 2 of 2019/20). As his interest was personal and not another or disclosable pecuniary interest he determined to remain in the meeting and take part in the discussion.

22 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4). It was noted that Items 3934 and 3892 were included on this agenda and could therefore be removed from the 19 April 2021 meeting.

Councillor Rick Jones noted that there was no item that followed up on the action plan that was instituted last year and queried whether that should be on the agenda. Moira Fraser confirmed that this was an omission and that it would be added.

RESOLVED that the Governance and Ethics Committee Forward Plan be noted and that the action plan instituted last year would be added to the 19 April 2021 meeting.

23 The Audit Findings for West Berkshire Council - Financial Year Ended 31 March 2020 (GE3934)

The Committee considered a report (Agenda Item 5) which provided Members with the draft audit findings report provided by Grant Thornton in respect of their external review

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of the 2019/20 Financial Statements. The purpose of the report was to consider the findings of the external auditors and any implications for the Governance and Ethics Committee in approving the financial statements.

Joseph Holmes introduced the report and noted that Item 5 and 6 were interlinked. He started with Item 6, which was the revised statements, and confirmed these were put on the Council's website in August, in line with the statutory deadlines.

There were two opinions provided within the statements, one regarded the financial statements and the other related to the value for money; both of which the auditors had indicated would receive an unqualified opinion, albeit that there was still some work to be concluded.

There were some amendments made since the draft papers were produced at the end of August, and these were recognised within the report. The most significant of these related to an adjustment of £6m in relation to assets. The S151 Officer confirmed however that this was an accounting adjustment and would not affect the outturn position. Grant Thornton had provided an action plan and officers had provided responses.

The Chairman stated that in accordance with paragraph 7.12.4 of the Constitution he proposed from the Chair that standing orders be suspended in order to allow the external auditors to address the Committee. Councillor Jeremy Cottam seconded this proposal and the Committee voted in favour to allow it.

Barrie Morris from Grant Thornton discussed Item 5 and reiterated what Joseph Holmes said. In regards to their audit opinion, he stated that the reason for the delay was due to awaiting responses to a few queries from the financial team and the outcome of the audit of the Berkshire Pension Fund. He reiterated that even after the adjustment had been made they would be issuing an unqualified opinion on both the Financial Statements and the Value for Money audits.

He also noted that they were in a better position than they were the previous year in terms of certifying the 2020 accounts, despite the onset of Covid, and were quite close to concluding their audit opinion. He wished to place, on record, his thanks the WBC finance team who worked very effectively to help them achieve this.

David Johnson from Grant Thornton picked out a couple of key points and some of the issues they encountered. They were as follows:

- Page 14, one of the significant risks related to the valuation of land and buildings included in the Property Investment Portfolio where there had been double counting in relation to one of the assets and one of the assets had been incorrectly classified. It was also felt that it was necessary to reflect the uncertainty of the market arising from the Covid pandemic.
- Page 15, received a letter of assurance in which there were some issues that needed to be followed up on.
- Page 16, it was noted that there had been some issues with extracting data from the financial system which had meant that Officers had to extract some ad hoc data and reports from the system. The Council was however aware of the issue and were in the process of addressing the issues.
- Page 17, related to key adjustments with judgements rated as yellow and red; the reason for the red highlight was because the value was over materiality limits. The reason for the yellow highlight meant that there was an issue the Council needed to address.

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- Page 23, in the previous year the external auditors had raised some issues around financial sustainability in relation to demand led services. This appeared to have improved during the current financial year.
- Page 28 was the action plan and assessment of risks response.
- Page 31/32 were issues that the auditors identified as not being adequately addressed and had therefore been carried forward.
- Page 33/34 were the adjustments that Joseph Holmes mentioned earlier.

David Johnson stated further, that the task was not an insignificant one and he thanked the finance team of Shannon Coleman-Slaughter, Joseph Holmes, Andy Walker and other relevant officers for their hard work and responding to their queries in a timely matter.

Councillor James Cole asked Grant Thornton representatives if they thought the accounts that were presented to them were reasonable. Barrie Morris confirmed that they were satisfied with the accounts.

Councillor Jeff Beck thanked both Barrie Morris and David Johnson from Grant Thornton for working so well with the team in these difficult times.

Standing orders were reinstated.

RESOLVED that the report be noted.

24 Financial Statements approval - 2019-20 (GE3892)

The Committee considered a report (Agenda Item 6) which informed Members of the final external audit opinion for financial year 2019/20.

This item was discussed under Agenda Item 5.

RESOLVED that:

1. The financial statements for 2019/20 be approved following consideration of the external audit report.
2. Final sign-off of the financial statements be delegated to the Chair of the Governance and Ethics Committee in consultation with the s151 Officer following completion of the external auditors' work, final figures from the Berkshire Pension Fund which would amend the financial statements and associated completed letter of representation from the Council.

25 To consider the Independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities (GE3897)

The Committee considered a report (Agenda Item 7) which summarised the key findings from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, or 'Redmond Review', undertaken by Sir Tony Redmond. The Redmond Review took place between summer 2019 and summer 2020, with the final report issued in September 2020.

Given the significant challenges to the effectiveness of both the local public audit and the presentation of Local Government financial reporting, this review was timely and the report highlighted how the Council might wish to respond to these, and specifically, for the Governance and Ethics Committee to consider if there was anything further that it might wish to undertake that had been raised as part of the review.

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Councillor Jeremy Cottam commented on Section 3 of the report and the 25% increase in fees and asked if that was definite figure. Joseph Holmes explained that there was a fee variation that was up to 25% but that future fees would be for the external auditors to propose.

Councillor Rick Jones asked if there was anything that the Council should be doing as a result of this report. Joseph Holmes responded that it was presented for information purposes and to show there would be changes to some of the roles of Councillors at meetings in the future.

Grant Thornton stated that they supported the finding of the Redmond Review and how the government would take that forward. They would continue to work with the Council to ensure the delivery of a high quality audit service. They defended the 25% cost increase against the backdrop of the savings that had occurred over the last ten years, the outcome of the quality reviews which had increased significantly and the changing nature of the standards that had created more work.

RESOLVED that the comments made by the Committee be noted and the suggested amendments to its terms of reference be implemented in light of the Redmond Review.

26 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](#). [Rule 8.10.4 of the Constitution also refers](#).

27 Strategic Risk Register Update Q2 2020/21 (GE3907)

(Councillor Tom Marino declared a personal interest in Agenda item 9 by virtue of the fact that he was a member of one of the organisations referred to in the document. As his interest was personal and not a disclosable pecuniary interest he determined to take part in the debate and vote on the matter).

The Committee considered an exempt report (Agenda item 9) concerning the Council's corporate risks and outlined any mitigation action that was being taken.

RESOLVED that the recommendations as set out in the exempt report be agreed.

(The meeting commenced at 5.00pm and closed at 6.08pm)

CHAIRMAN

Date of Signature