

GOVERNANCE & AUDIT COMMITTEE
13 MARCH 2024
7.30 - 9.06 PM



Present:

Councillors O'Regan (Vice-Chair, in the Chair), Allen, Haffegge, Robertson and Zahuruddin

Present Virtually:

Councillors Karim (Chair) and Neil

26. Declarations of Interest

There were no declarations of interest.

27. Minutes of previous meeting

RESOLVED that the minutes of the meeting of the committee held on the 24 January 2024 be approved as a correct record.

28. Urgent Items of Business

There were no urgent items of business.

29. External Audit Plan 2021/22 and Update on Local Audit Delays

Arthur Parker introduced Andrew Brittain, Ernst & Young, to speak to the report on the delay to the 2021/22 accounts and the implications on the 2022/23 accounts.

The 2021/22 audit had been planned and significant progress had been made on it. The audit had been delayed by a number of factors, including a reliance on the Berkshire Pension Fund's own audit which had not been completed.

Andrew updated the Committee on the Department for Levelling Up, Housing and Communities consultation regarding local audit delays. While the audit for 2021/22 had been largely completed, it was not possible to complete the audit due to lack of assurance from the pension fund auditor for 2021/22. The Department for Levelling Up, Housing and Communities were consulting on a backstop date for any open accounts up to and inclusive of March 2023. If the pension scheme audit had not been completed by the backstop date, it was anticipated that Ernst & Young would issue an audit opinion for 2021/22 limited in scope to exclude the pension fund. If the backstop date was agreed, this would result in the 2022/23 audit being incomplete and the audit opinion would be disclaimed.

In response to questions, the following points were noted:

- Due to the delay to the 2021/22 audit, all work on the 2022/23 audit was outstanding and therefore it was not feasible to complete the work by the proposed backstop date. Ernst & Young proposed to complete the

2022/23 audit work relating to value for money in the interests of stakeholder concerns and financial stability.

- Until the legislation was in place for the pension fund auditors to disclaim their audit, it was not possible to complete the 2021/22 audit on a limitation of scope basis.
- All local government audit fees were centrally set to an adjustable scale and it was not clear how the fees for 2022/23 would be determined, given the national delays. It was noted that to disclaim an audit required some work.
- The timeline for the 2021/22 audit was dependent on the backstop legislation being drafted and agreed by government before the recess.
- The government proposed three phases to catch up audit work, with the recovery phase including additional backstop dates for the 5 years covered by the latest round of audit appointments.
- It was not clear what would happen if the legislation was not passed by recess.
- It was noted while that the pension fund was volatile and changed significantly year on year, the delay to the 2021/22 audit or lack of assurance on the pension fund would not significantly impact on this Council or its sustainability.
- There would be a cost and work impact on auditors and Council officers because of incomplete accounts. It would take several years to get assurances on all opening balances and in-year figures.
- Andrew Brittain, Ernst & Young was meeting with Andrew Cardoza, KPMG to discuss the handover arrangements for the accounts. KPMG would start the work on 2023/24 audits and the handover was progressing well.
- Andrew Hunter agreed to explore whether any costs could be claimed against the pension fund delaying the 2021/22. **(Action: Andrew Hunter / Stuart McKellar)**
- The 2022/23 audit value for money conclusion would be conducted and completed outside of the Committee cycle, to allow KPMG to work on the 2023/24 audit over the summer.
- The audit delays across the country could be attributed to internal delays within local authorities and audit firms, the delayed impact of the pandemic, and some national technical issues which took time to resolve.
- Auditors fees are set by Public Sector Audit Appointments on a competitive tender basis for audit firms to compete. The 2023/24 audit was the first year of a five-year cycle.

30. **Strategic Risk Register**

Sally Hendrick, Head of Audit and Risk Management presented the Strategic Risk Register which was owned by Corporate Management Team and brought to this Committee on a regular basis to seek members' feedback.

The register was reviewed by the risk management group and was closely scrutinised across the Council to ensure the actions for each risk were up to date.

Sally drew members' attention to the addition of a risk around safety valve work, and the change to reduce the risk around financial sustainability in light of improvements to the expected overspend.

A review of risk tolerance scores had begun to ensure the appropriate risk appetite was in place.

In response to questions, the following points were noted:

- Risk appetite was determined by assessing the risk cause and considering the level of risk the Council would be comfortable to accept without any mitigation. There were a range of risk appetites for different matters.
- The Safety Valve risk was being kept under ongoing review. The actions required in the safety valve project were well known, but the work to achieve these would prove more challenging.
- The 'unmitigated' line had been removed from the register as it was not adding any value.
- It was queried whether this Committee should be exploring one or more of the high risk areas in more detail, as had been done in the past. The Committee agreed that this would be useful to give Committee members a better opportunity to understand particular risks. It was agreed that following the CMT away day deep dive into the risk register, some proposals would be brought to this Committee on areas which would be useful to assess in further detail. **(Action: Sally Hendrick / Andrew Hunter)**

Subject to the proposal above, it was **RESOLVED** that

- 1 The Governance and Audit Committee reviewed the register in Appendix 2 and provide feedback for CMT.

31. **Head of Audit Interim Report**

Sally Hendrick, Head of Audit and Risk Management presented the Internal Audit Update.

There remained significant pressure on the Internal Audit team, and an advert was out for a Principal Auditor role. Members' attention was drawn to the summary of all audits completed to date, and it was noted that a further 3 audit reports had been issued in draft since the report was written.

Since January 2024, the audit team had issued a report on CCTV camera use across the borough as a follow up to an audit 18 months prior, and no progress had been made against the recommendations. A further 5 major recommendations had been raised.

The report was noted.

32. **Annual Internal Audit Plan 2024/25**

Sally Hendrick, Head of Audit and Risk Management presented the Internal Audit Plan.

The plan had been developed with Executive Directors and Assistant Directors across the Council, with the risk register in mind. There were a number of mandatory audit requirements where the Council was required to certify grant funding. There were some gaps in the plan to reflect the resourcing pressures in the audit team in 2023/24. A number of audits had been deferred, and there were further audits which had been cancelled by directorates who sought assurance through other means, for example Ofsted inspections.

The plan for 2024/25 depended on the recruitment to the Principal Auditor post being successful.

The risk register and plan were both mapped to the Council plan and priorities.

In response to questions, the following points were noted:

- Some audits had been pushed into the 2024/25 plan to align with team resources and directorate requirements.
- The audit team had been keen to catch up on school audits, and the process for school audits in future years would be reviewed.
- It was noted that there were some directorates who wanted to include repeat audits in the plan, however it was a management responsibility to review and maintain audit action plans.
- Members were reminded that schools were asked to complete a self-assessment, and a full audit would be undertaken if officers believed there to be significant weaknesses identified in the self-assessment.
- It was noted that to address the backlog of work, officers were more likely to reduce the number of audits than the depth, and to focus on the highest risk areas.
- It was noted that it was common for repeat issues not to be addressed in between audits, and Sally offered to provide a list of repeated assurances with adverse opinions at the next Committee meeting for discussion.
(Action: Sally Hendrick)
- Additional support days had been bought from Wokingham's audit team in order to mitigate the risk to the 2024/25 audit plan. It was noted that the Wokingham staff tended to work more regularly in People and Place, Planning and Regeneration as they were familiar with these areas.
- If agency staff were required to supplement the team, they would usually be auditors with experience of working in local government.

The Committee thanked Sally and the audit team for their work, particularly amidst the ongoing resource constraints.

Further to discussion, it was **RESOLVED** that

- 1 The Internal Audit Plan for 2024/25 attached at Appendix A be approved

CHAIRMAN