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GOVERNANCE & AUDIT COMMITTEE

22 SEPTEMBER 2021

SUPPLEMENTARY PAPERS

TO: ALL MEMBERS OF THE GOVERNANCE & AUDIT COMMITTEE

The following papers have been added to the agenda for the above meeting.

These were not available for publication with the rest of the agenda.

Kevin Gibbs
Executive Director: Delivery

| | Page No |
|--|----------------|
| 4. URGENT ITEMS OF BUSINESS | 3 - 6 |
| Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent. | |

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TO: GOVERNANCE AND AUDIT COMMITTEE
22 September 2021

LOCAL AUDIT FRAMEWORK – GOVERNMENT TECHNICAL CONSULTATION
(Executive Director: Resources)

1 PURPOSE OF REPORT

1.1 This report invites Members of the Committee to consider a specific proposal in the technical consultation issued by MHCLG as part of its response to the Redmond Review of local audit arrangements and advise the Executive Director: Resources of the Committee’s preferred response.

2 RECOMMENDATION

2.1 That the Committee considers its response to Question 18 in the MHCLG consultation, as set out in Annex A.

3 SUPPORTING INFORMATION

3.1 A wide-ranging review of local audit arrangements was undertaken by Sir Tony Redmond in 2019-20. As part of its response, the Government has set out its intention that the Audit Reporting and Governance Authority (ARGA), a new regulator being established to replace the Financial Reporting Council (FRC), should assume the role of system leader for local audit.

3.2 MHCLG published a consultation on technical details associated with ARGA’s proposed role on 28 July 2021, with responses requested by 22 September 2021. The Executive Director: Resources does not propose responding to all of the individual questions, but has submitted a general response that the new body should recognise the different accounting arrangements and stakeholder accountabilities that apply to local authorities compared with private companies. For example, asset and pension valuations are critical to calculating profit levels in private companies and there are high profile examples of where these have been manipulated to present a misleading position, resulting in detailed external auditor scrutiny of these matters in all organisations. However, such transactions are reversed out in local authority accounts and therefore have no impact on the level of taxpayer resources.

3.3 A specific question (18) in the consultation relates to local authority governance rather than technical matters. The relevant extract from the consultation that introduces the issue and sets out the question is attached as Annex A. The Committee is invited to consider this matter and advise the Executive Director: Resources of its preferred response, which he will submit after the meeting.

4 CONSULTATION AND OTHER CONSIDERATIONS

Legal Advice

4.1 The recommendation proposes a response to one aspect of a government consultation document. In essence whether or not the Annual Audit report should in the future be received by full Council together with the Governance and Audit’s Committees response to that report. Currently the Annual Audit Letter must be considered in public by those charged with governance. In Bracknell Forest this is the Governance and

Unrestricted

Audit Committee. The implementation of the consultation proposal would require a change to primary legislation (The Accounts and Audit Regulations 2015).

Financial Advice

- 4.2 There are no financial implications relating to this report.

Equalities impact Assessment

- 4.3 None required, the matter being considered is a response to a technical Government consultation.

Strategic Risk Management Issues

- 4.4 None

Climate Change Implications

- 4.5 None

Contacts for further information

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Annex A - Extract from MHCLG's "Local audit framework: technical consultation"

Reporting to Full Council

101. In his report Sir Tony stated that a local body's public accountability to local taxpayers and service users is best served by having significant matters relating to audit discussed in a transparent and accessible way. Full Council (or Police equivalent) is generally considered more visible to the public than committees/subcommittees and so there is a question as to whether Audit Committees are sufficiently transparent to local taxpayers and service users.

102. The Review found that in practice the auditor tends to present matters to the Audit Committee, which decides if a matter is serious enough to be referred to Full Council. In some cases, the Review highlighted some quite serious matters that had not been passed to Full Council when first presented to the Audit Committee. If this is a widespread practice, there is a risk that many elected members may be unsighted on serious governance or financial resilience issues.

103. In order to address this issue, it is recommended that Accounts and Audit regulations are amended so that Full Council (or Police equivalent) should receive the Auditor's Annual Report (as defined by NAO Code of Local Audit Practice), accompanied by a report from the Audit Committee with responses to the Auditor's Annual Report.

104. The Redmond recommendation that Full Council should receive the Auditor's Annual Report at the first full council after 30 September and that the Audit Committee should also report its responses to the Auditor's report was considered by the working group. The group recommend that in order to ensure that Audit Committee fulfil its duty in considering the Auditor's report and its findings, that Full Council receive the Auditor's report and the Audit Committee's response to that report at the first Full Council meeting following the Audit Committee that considers the Auditor's Annual Report.

105. The working group has also noted that, while it should be reinforced that auditors must have appropriate powers and opportunities to meet with the appropriate statutory officers, there was not a similar need for this to be included in the Accounts and Audit Regulations, although this is something that Audit Committees should monitor.

Question 18: Do you agree with the proposals that auditors should be required to present an annual report to Full Council, and that the Audit Committee should also report its responses to the Auditor's report? Please let us know any comments you have on the proposal.

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