

**GOVERNANCE & AUDIT COMMITTEE –
ADVISORY MEETING
23 MARCH 2022
7.30 - 8.58 PM**



Present:

Councillors Allen (Chair), Wade (Vice-Chairman), Brossard, Gbadebo and Heydon

Apologies for absence were received from:

Councillors Mrs Hayes MBE

27. Declarations of Interest

There were no declarations of interest.

28. Minutes of previous meeting

RESOLVED that, subject to the amendments above, the minutes of the meeting of the committee held on the 26 January 2022 be approved as a correct record.

29. Urgent Items of Business

There were no urgent items of business.

30. External Audit - Audit Results Report

The Committee received the draft annual Audit Results report from the 2021 Audit. The External Auditors attended the meeting, and Andrew Brittain and Tom Archer of Ernst & Young presented the report.

It was highlighted, that page 13 of the report updated the scope and status of the audit, the substantial part of the audit had been completed, but there were still some areas outstanding. As in previously years, the most significant part of the outstanding areas was the liability of the pension fund, and final conclusions from Deloitte LLP had still not been received. An IS19 assurance letter had been received by Ernst & Young, but it had been caveated that the audit of Windsor & Maidenhead and the Royal County of Berkshire Pension Fund had not yet been completed, and until that was complete material issues could arise. The letter had highlighted, as in previous years, that there was a difference in asset values and issues in membership data. It had been hoped that after the plan had been presented to the Committee in January that these issues wouldn't arise again this year, but unfortunately, they had.

The outstanding issues surrounding Property, Plant and Equipment assets had been resolved, however an audit different had been identified relating to the value of one of the Councils properties. This stemmed from an incorrect land value being used, it was noted that the difference was not material but was above the threshold of what needed to be reported to the Committee and would be included in the final audit report. A second issue had since arisen since that publishing of the agenda, the issue was that Local Authorities were not writing out the gross cost and associated depreciation on highway infrastructure assets. This most commonly occurred with the upgrading of

road surfaces. CIFCA had been included in discussions and were considering options, which could be enhanced guidance or amendments to the code. In the meantime, Local Government Audit firms have paused signing opinions on Councils with material infrastructure assets which would include Bracknell. This had been discussed with management and based on discussions with management and work already undertaken, it was believed that there was sufficient assurance that Bracknell were accounting for this correctly and in accordance with the CIFCA code, therefore it was being discussed internally to whether the current pause should apply to Bracknell, Officers and Members would be informed once this had been resolved.

The fees relating to the audit had been outlined within the report, and there were some areas that were yet to be quantified. There had been a change this year with PSAA who determined scale fees, and changes, had issued guidance in advance regarding some of the incremental areas highlighted in the audit plan.

Arising from the Committees comments and questions, the following points were made:

- Deloitte's had indicated to RBWM that they were pushing completion back into the summer, Discussions were being held to whether the caveat in the letter could be removed earlier than that.
- The property value different came to £1.8m and was above the levels of reporting, this would be outlined within the final report.
- When Deloitte's took over the pension fund, they highlighted a number of issues, including control issues around the fund itself. It had been reported that there were less issues reported this year, which it was hoped was a step in the right direction.
- These were circumstances outside the control of Ernst & Young.
- Internal Audit would be responsible for looking at the dispensing of Covid Grants.
- There had been increased discussion surrounding cyber-attacks since the invasion on Ukraine by Russia. Supply chain and energy price impacts were also filtering through as flagged risks.

The Committee noted the report.

31. **Financial Statements 2020/21**

The Committee received the Financial Statements for 2020/21.

In accordance with the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021), draft accounts were required to be signed by the 31 July 2021 and audited by the 30 September 2021. The Executive Director: Resources had signed the draft 2020/21 Statement of Accounts on 28 May 2021 and copies of the accounts were then made available on the Council's website.

Due to delays in the completion of the audit of the Royal County of Berkshire Pension Fund by Deloitte LLP for the 2019/20 accounts it had not been possible to bring the audited accounts to the Committee for authorisation before the revised deadline of 30 September 2021.

Highlights from the statement included:

- The Council had underspend by £3.6m for the year.

- There had been a £1m underspend on interest budgets where high cash balances in the year meant that the Council could reduce their levels of borrowing during the year and save interest.
- A number of Covid grants had been received throughout the year.
- There had been an underspend on the contingency fund.
- £3.2m had been returned to the general reserve.
- The year ended with £10.3m in general reserves which was significantly above the minimum prudent level of £4.5m.
- Earmarked reserves increased to £27m, approximately half of this was to do with timing differences around business rates.
- The Council was in a healthy position regarding reserves.
- There had been an increase in long term assets.
- The values of land and buildings had increased.
- There had been an increase in value of assets under construction, including Heathlands.
- Long term borrowing had maintained at £80m.
- Short term borrowing had been reduced from £15m to zero due to the cash balances.
- The net pension liability had increased significantly, by over £100m this year, compared to a reduction of £41 million last year.
- In 2021 the schools budget went into deficit for the first time and under the new legislation this need to be shown in a separate reserve called the dedicated schools adjustment account. There was a £2.6m deficit at the end of 2021.

Arising from the Committees comments and questions, the following points were made:

- Some of the Covid grants were earmarked, and others were general in nature.
- Earmarked reserves that were unused could be released into the general reserve at the end of the year if there were no return conditions attached to them.
- Cash flow formed part of the statement, income and expenditure statement showed how things changed on the surplus deficit in regard to the services. The cash flow showed a number of adjustments and didn't concentrate on reserves.

The Committee noted the report and the recommendations could not yet be actioned.

32. **Interim Internal Audit Update**

The Committee received a report updating them on progress on the annual Internal Audit Plan. The Committee had received its last update at the Committee meeting in January.

Sally Hendrick reported that the Council were required to undertake a quality assessment once every five years and that would commence in April 2022. The assessor would be meeting with the Chair of Governance and Audit Committee to get their input and feedback into the review. It was also noted that the naming of the second priority level of adequate would change to satisfactory as it would sound much more positive.

Highlights from the update included:

- Between April 2021 to February 2022, 7 grant audits and 22 reports/memos were finalised, 8 reports/memos were issued in draft awaiting management responses and 11 audits were work in progress.
- Not every school was audited, schools were asked to undertake their own self assessments of their finance and governance controls and from reviewing those and any other input it was determined whether and audit visit would take place.
- The school's that were subject to an audit visit tended to be the ones where a greater risk had already been identified and key issues had been already highlighted.
- There has been some delay in progressing the 21/22 Audit Plan as a backlog of 20/21 audits deferred to late q4 or early q1 of 21/22 at management request had to be cleared first and schools scheduled to be audited were not prepared to have audits undertaken until the autumn.
- A list of deferred audits and the reason for the deferral had been included within the report.

Arising from the Committees comments and questions, the following points were made:

- There had been reporting earlier in the year with inadequate findings.
- The data indicators audit would be undertaken in April 2022, and the prep work had already started. This was due to slight slippage and due to resource issues, which made them unable to be finished in quarter 1.
- Going forward the audit would be prioritised on importance.
- There had been some audits in the previous year where managers felt they were unneeded.

The Committee noted the report.

33. **Internal Audit Plan 2022/23**

The Committee received the Internal Audit Plan 2022/23, the purpose of the report was to set out the underlying principles applied in the Internal Audit planning process.

The plan had been developed through discussions with management, IT auditors and risk register reviewed across the Council. The plan was not set in stone and was reviewed on a regular basis throughout the year, with changes made as appropriate.

This year the plan had been prioritised, each audit now had a priority, this had been agreed with the Chief Executive.

There were now fewer national indicators that needed to be published as part of the plan, so this was now a more streamlined approach.

RECOMMENDED that the Internal Audit Plan for 2022/23 be approved.

34. **Strategic Risk Update**

The Committee received the updated Strategic Risk Register.

The Register was review regularly and had been last reviewed by the Strategic Risk Management Group on the 10 February 2022 prior to review at CMT on 9 March 2022

The following changes were made to the Register:

- The Finance (Risk 1) was re-graded from a red to amber risk.
- The COVID risk score (Risk 11) was reduced for consistency with the COVID risk register following review at GOLD meetings.

The Cyber Security risk had been discussed at CMT, however CMT wanted to wait until the outcome of the business continuity exercise to access the cyber risk score, this would be monitored at a regular basis.

Arising from the Committees comments and questions, the following points were made:

- The Chart on page 221 was missing number 12, this would be amended.

The Committee noted the report.

35. **Exclusion of Public and Press**

RESOLVED that pursuant to Section 100A of the Local Government Act 1972, as amended, and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of the following item which involves the likely disclosure of exempt information under the following category of Schedule 12A of that Act:

- (3) Information relating to the financial or business affairs of any particular person (*including the authority holding that information*) (Item 10).

36. **Review of Contract Standing Orders**

The Committee received a report on the Review of Contract Standing Orders. The purpose of the report was to recommend the replacement of the Council's existing Contract Standing Orders with an updated version as included with the report.

The law required a local authority to make Standing Orders with respect to contracts for the supply of goods or materials or for the execution of works this must include provisions for securing competition and for regulating the manner in which tenders were to be invited. The Council had adopted Contract Standing Orders as part of the Constitution which had been amended from time to time as required to meet the Council's operational needs.

It was recommended that Council replaced its existing Contract Standing Orders with the version set out in within the report. An accompanying Contract Standing Order Best Practice checklist would also be circulated to all Council Heads of Service once the revised Contract Standing Orders had been approved by Council. A summary of the material changes had been set out within the report.

RECOMMENDED that Council replaces its existing Contract Standing Orders with the version proposed in Appendix 1 of the Review of Contract Standing Orders report.

CHAIRMAN

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