

GOVERNANCE & AUDIT COMMITTEE
13 NOVEMBER 2024
7.30 - 8.56 PM



Present:

Councillors O'Regan (Chair), Karim (Vice-Chair), Allen, Haffegée, Neil, Robertson and Zahuruddin

Also Present:

Councillors C Eberle, McLean
Councillor McKenzie-Boyle (virtual)

22. Declarations of Interest

There were no declarations of interest.

23. Minutes of previous meeting

RESOLVED that the minutes of the meeting of the committee held on the 18 September 2024 be approved as a correct record and signed by the Chair.

24. Urgent Items of Business

There were no urgent items of business.

25. Audit Results Report (2021/22)

Andrew Brittain, Ernst & Young presented the Audit Results report 2021/22.

Andrew reminded members of the backlog in external audits across the country, and that very few authorities had their accounts signed off for 2021/22. In Bracknell Forest, this delay had been caused by the impact of audit delays in Royal Borough of Windsor and Maidenhead who were the auditing authority for the Berkshire Pension fund.

The results report was therefore presented with a proposed limitation of scope for the final audit opinion. Other than the signing of accounts and audit opinion itself, the outstanding items in the 2021/22 audit had been completed. Andrew commented that auditors would be unable to provide audit assurances by the Government's national backstop date of 13 December 2024.

Andrew drew members' attention to the adjustment relating to a disclosure note on operating leases as detailed in the report.

In response to questions, the following points were noted:

- All Berkshire authorities participated in the Berkshire Pension fund, but the audit impact on each authority varied. It was noted that the audit opinion had no reflection on the Council's state of financial controls, and the opinion made

it clear that the situation was a reflection of elements beyond the Council's control.

- It was clarified that the IAS19 report is the accounting standard relating to pensions and came from actuaries. Ernst & Young could not audit this directly as it came from the Pension Fund. There was therefore no assurance on this report as Deloitte would need to provide this assurance as the audit firm for the pension fund.
- Members were advised that a better measure for financial health of an authority based on its pension scheme was the level to which it is funded, and Bracknell Forest were paying a higher contribution to the pension fund than other areas of the country. This was a better measure than the IAS19 report as actuarial assumptions would change year-to-year.
- Audit firm fees were determined centrally by the PSAA, who determined fees based on the hours submitted from each firm.
- While it was understood that the delays were widespread across the country, members were concerned that Bracknell Forest was not directly responsible for the delays and had taken on financial implications from it. Bracknell Forest Council officers had asked the question of Royal Borough of Windsor and Maidenhead, who advised that they received many objections from members of the public to their accounts each year, and every objection needed to be fully investigated which created delays before the accounts could be closed. There was no capacity for indemnity claims.
- Ernst & Young would not receive a report from Deloitte on the pension fund for 2021/22 or 2022/23, and KPMG would be liaising with the pension fund directly and would not ask Deloitte for a report.

Andrew Brittain also presented the 2022/23 accounts which would also be impacted by the 13 December backstop date. The 2022/23 audit had not commenced and would be disclaimed. The disclaimed opinion for 2022/23 still required Ernst & Young to provide Governance & Audit Committee with a completion report, which would be shared in a draft form with the Borough Treasurer in the coming weeks before being signed and disclaimed before 13 December.

In response to questions, the following points were noted:

- For 2021/22, the audit of financial statements had been completed other than the pensions element. For 2022/23, due to the reset and backstop dates, a full audit would not be possible by 13 December and so a disclaimed audit opinion would be issued.
- There was still work to be done to disclaim an audit opinion, and auditors would prepare a plan to complete the 2022/23 audit. Bracknell Forest Council would need to pay for this work in line with the fee set by PSAA.
- It was not possible to comment on the 2022/23 accounts, and an external audit opinion on these accounts would never be issued. The disclaimed audit opinion would impact assurance for a number of years.

26. **Financial Statements report (2021/22 and 2022/23)**

Stuart McKellar, executive director: resources presented the financial statements to the Committee.

It was noted that the Chair would ordinarily be given authority to sign off the accounts, however as the limited scope audit certificate had not yet been received, the Committee was being asked for delegated authority to the Chair to sign in between meetings.

The Committee noted the latest version of the accounts as included in the agenda.

It was noted that although the 2022/23 accounts would not be properly audited, there was only one material amendment to the accounts.

Members were reminded that although the accounts would not be audited, there remained a full and robust internal checking process. Bracknell Forest Council had never received an adverse audit opinion, which demonstrated that the internal process was sound.

RESOLVED that

- 1 authority be delegated to the Chairman and Executive Director: Resources (s151 officer) to approve the Council's final Statements of Accounts for 2021/22 (see current version attached at Annexe A) and to sign the Statement of Accounts and Letters of Representation (set out in Annexe B)
- 2 authority be delegated to the Chairman and Executive Director: Resources (s151 officer) to approve the Council's final Statements of Accounts for 2022/23 (see paragraph 6.1.1) and to sign the Statement of Accounts and Letters of Representation.

27. Audit update report (2023/24)

Adam Bunting, KPMG presented the audit update report 2023/24.

There had been no changes and no additional risks identified to the 2023/24 audit since the audit plan was brought to Committee in June. Final audit work was ongoing.

The Value for Money assessment had been completed and additional work in relation to this was ongoing.

It was noted that additional fees to the original agreed fee had been communicated to the Council and were now with PSAA for their determination, in light of the additional Value for Money work and additional assurance work in light of the previous disclaimed audits.

Where previous year's audits were disclaimed in part, the following year's audit must also be disclaimed. The disclaimed 2022/23 audit would have an impact on future years and members were advised that it would take a number of years for full assurance to be sought. The backstop date for 2023/24 audits was in February 2025, and KPMG were currently processing the guidance relating to the process with the aim to issue an unqualified opinion on the 2023/24 accounts.

In response to questions, the following points were noted:

- While a disclaimed opinion technically offered no assurance, a report would be sent to the Council on the work which KPMG had undertaken and the findings they had made on the 2023/24 account.
- It was noted that with each year's audit, the process would get closer to a qualified opinion. The backstop dates issued by government made impossible to complete a full audit, so a disclaimed audit on the 2022/23 accounts was the only option.
- It was hoped that the audit process would catch up in 2025/26 or 2026/27.

- The KPMG audit process was different to the Ernst & Young process and would not rely on the pension fund's auditors. KPMG had received a good response from the pension fund directly thus far.
- CIPFA had issued an audit code to deal with the backstop situation, and it was understood that CIPA were looking to change the way accounts were prepared.
- While it was noted that auditors fees had increased significantly, it was also noted that the level of work required to complete an audit had also increased since the original tenders were run and every firm's fees had increased. The increased cost reflected the current cost of completion of an audit in local government. KPMG were committed to providing a robust challenge to the accounts.

28. **Budget Meeting Procedure Rules**

Sanjay Prashar, Borough Solicitor presented the Council budget meeting procedure rules.

The process for the Council's budget setting meeting was currently the standard Council procedure rules. Officers felt that given the legal significance of the annual budget setting process, that Council should adopt rules to support the smooth running of the meeting. The contents of the proposed rules had been shared with and endorsed by the Constitution Review Group and the group whips.

Members noted the proposed procedure rules, particularly the process for amendments to the budget which was set out to avoid administrative delays by amendments on the day of the meeting. All amendments should present a balanced budget and should be submitted by 12pm at least 3 working days prior to the budget meeting to allow the S151 officer time to consider them. Council would consider each group's composite amendment by order of group size. The process of amendments would then be followed as in the ordinary Council procedure rules and a recorded vote taken at the end. If a balanced budget could not be reached, the meeting would be adjourned.

In response to questions, the following points were noted:

- There would need to be some management of the process on the evening of the meeting based on the amendments put forward from each group and depending on any conflicts between budget amendments. Officers would take a practical view of this should the situation arise.
- The composite amendment from each group would need to be a balanced budget with a package of proposals and savings.
- While the rules were encouraged to allow good time for all amendments to be fully considered, members still had the right to present amendments on the day. Members were reminded that they would have sight of the budget proposals in the Cabinet agenda three weeks prior to the Council meeting, so any amendments should not be left to the last minute.
- Each group would meet confidentially with either the S151 officer or a senior finance officer to discuss their proposed amendments. If duplications arose, officers may advise two groups to discuss their proposals before finalising their amendments.
- If the final budget at the end of the Council meeting was not balanced, the meeting would be adjourned and reconvened.
- Members welcomed the new degree of security to the process, and were encouraged to engage with the budget setting process in advance of the Council meeting to ensure a smooth process.

RESOLVED that the attached procedure rules prior to the rules be submitted to Council for adoption.

29. **Information Governance Guidance for Members**

Elise Battison, Assistant Director: Digital, Customer Focus and ICT presented the Information Governance Guidance for Members.

The guidance provided practical advice for members on information governance, data protection and elements of IT security, and followed training provided to members.

RESOLVED that

- 1 The governance and audit committee approve the guidance for members.
- 2 The executive director, Communities, is authorised to make minor revisions to the guidance to reflect lessons learned from any potential incident that may arise or changes to the security of the organisation that may necessitate updated guidance.

CHAIRMAN