

AUDIT AND GOVERNANCE COMMITTEE

Thursday 22 February 2024

Present: Councillors Julian Tisi (Chair), Mark Wilson (Vice-Chair), Suzanne Cross and Julian Sharpe

Present virtually: Councillors Simon Bond

Also in attendance: Lisa Fryer (South West Audit Partnership)

Also in attendance virtually: Jonathan Gooding (Deloitte), Benjamin Sheriff (Deloitte) and David Hill (South West Audit Partnership)

Officers: Mark Beeley and Andrew Vallance

Officers in attendance virtually: Elizabeth Griffiths and Steve Johnson

Apologies for Absence

There were no apologies for absence received.

The Committee noted that Councillor Bond was attending the meeting virtually.

Declarations of Interest

Councillor J Tisi declared a personal interest as he was a trustee on Berkshire Maestros, which was part of the council trusts report. However, this item was not ready to be considered and would be deferred to the next Committee meeting.

Minutes

AGREED UNANIMOUSLY: That the minutes of the meeting held on 16th November 2023 were approved as a true and accurate record.

Update from External Auditors

Jonathan Gooding, Deloitte, provided an update to the Committee. The 2020/21 audit had been considered at the last meeting in November 2023, with the audit largely complete subject to finalising some procedures around indexation and the impact of RAAC concrete on property valuations. The indexation figure was adjusted to a £17.2 million downward movement which was a change of £37.5 million, Deloitte had now concluded on this matter. For RAAC concrete, Deloitte had seen a paper from the council setting out their views. Subject to any further findings being discovered, it was anticipated that the accounts would be ready to sign off in March 2024.

For the 2021/22 audit, Deloitte had now completed the first stage of their work on the potential objections raised by a member of the public. A draft response was current with the legal advisor and this should be shared with Public Sector Audit Appointments Limited shortly for their independent view. This was also anticipated to be shared with the objector in March 2024. The value for money audit work for 2021/22 and 2022/23 was underway and this work was scheduled to be completed in April 2024.

The Department for Levelling Up and Communities was consulting on changing the audit regulations to include backstop dates for historical years of accounts. This meant that if an audit was not completed by the backstop date then the audit would be stopped and the opinion modified on the basis that the work was not complete. The consultation for this arrangement would close in March, while there was also a consultation on value for money arrangements. This would allow multiple years of value for money work to be undertaken at the same time and presented in a single report.

Jonathan Gooding concluded by explaining that Deloitte anticipated being able to complete the 2020/21 audit, and the value for money and objections parts of the 2021/22 and 2022/23 audits, by the September backstop deadline. It was not expected that Deloitte would be able to complete the other aspects of the audit in the time available and it was expected that a modified audit opinion would be issued. These proposals would allow RBWM to clear the backlog of accounts and focus resources on implementing past control recommendations. For the 2023/24 accounts, the backstop deadline would be 31st May 2025.

The Chair thanked Jonathan Gooding for the comprehensive update and suggested that it would be beneficial for a short briefing note to be supplied with the agenda, to allow Committee Members to see the information in advance and come prepared with questions.

Jonathan Gooding said that he was happy to provide a summary for future Committee meetings.

Councillor Sharpe requested information on the buildings in the borough which were affected by RAAC concrete and the changes in valuation.

Andrew Vallance, Deputy Director of Finance, confirmed that there were no buildings owned by the council that were affected by RAAC concrete.

Jonathan Gooding explained that Deloitte was trying to comprehend whether there was a material impact on the valuation. The council had assessed which buildings could be at risk and the likelihood of RAAC concrete being present, but Deloitte were yet to conclude in this area.

Councillor Sharpe asked if asbestos was also taken into account.

Benjamin Sheriff, Deloitte, said that asbestos was already considered as part of the initial valuation whereas the concerns over RAAC concrete had occurred only recently.

Councillor Cross asked if any information could be shared around the objections which were currently being worked through.

Jonathan Gooding said there had been a similar number of potential objections as had been received in the past. A summary would be provided once the formal investigation process had concluded.

Councillor Bond clarified that Deloitte were close to completing their work for the first two audits but would not be able to complete their work before the backstop deadline for 2022/23. He asked if the new external auditors would have a firm basis to start their work for the 2023/24 audit. Councillor Bond considered whether Deloitte could complete the base audit for 2022/23 instead of focusing on 2021/22.

Jonathan Gooding confirmed that neither the 2021/22 or the 2022/23 audits would be completed, it would only be the value for money work and the objections. This was not dissimilar to a number of other local authorities across the country. Guidance would be provided around opening balances for future audits. The plan was to complete the 2020/21 audit but not the full audit for the subsequent two years.

Councillor Wilson questioned that if the new auditors focused on the closing balance sheet for March 2024, if there could be an audit completed and opinion given.

Jonathan Gooding said that the audit was completed on the year end balances but there were issues with the opening balances.

Benjamin Sheriff continued that the government recognised that there were issues affecting previous years audits and that there was an aim for all councils to get back to a clean auditing opinion.

Andrew Vallance said that there were a number of consultations currently live and the final position was not yet clear. There had been discussions around the backstop being in place for a number of years to not only clear the backlog but also ensure that local authorities were able to keep on top of audits in future.

Councillor Sharpe asked if there could be a situation where the closing balance for one year of accounts would not match the opening balance of the following year.

Andrew Vallance explained that if the previous year's audit had not been completed, the external auditors would not be able to determine that the next year's opening balance was correct.

Councillor Wilson wondered if there were options available which could move to a more simplified approach to the accounts.

Andrew Vallance said that high value assets had been valued each year.

The Chair noted that the Committee had signed off the 2020/21 accounts, he asked if they would need to be reconsidered.

Jonathan Gooding confirmed that they did not need to come back to the Committee.

The Chair asked what needed to happen for the 2021/22 audit to be signed off.

Jonathan Gooding said that the value for money and objections work needed to be completed and this was planned in the next couple of months. This work would also take place for the 2022/23 audit and they would both form part of the same report to the Committee, subject to the consultation on changes to auditing for local authorities being approved. In September 2024, when the backstop would come in, Deloitte would issue its final audit opinion and report on the 2021/22 and 2022/23 audits.

Benjamin Sheriff said that this depended on new legislation being put in place. The 2021/22 and 2022/23 audits did not correspond to the closing balance of the 2020/21 audit and these needed to be updated before the Committee could approve these accounts.

Councillor Sharpe commented that it was a problematic situation nationally for all local authorities. If accounts could not be audited, it potentially showed that council finances were out of control. Councillor Sharpe felt that the public could not trust what was being published as there was no way of ensuring that opening and closing balances were correct.

Elizabeth Griffiths, Executive Director of Resources, did not agree with the point made on the accounts being inconsistent. If the accounts were unaudited, the consistency would not have been confirmed. It was an issue for a number of local authorities, the requirements for audits had been escalating. The new external auditors were aware of the situation and considering how best to manage the situation when there would be two years of unaudited accounts. By implementing the backstop, it would allow all local authorities that were behind on their accounts to catch up again.

The Chair raised the point that accounts which were a number of years out of date did not add much value as things that would be discovered could have since changed. An example was RAAC, which had always been present but was now flagged as a concern.

Councillor Cross asked how confident the auditors were that all areas of concern had been reviewed.

Jonathan Gooding said that over the time that Deloitte had been auditing the council's accounts, a number of issues had been raised along with significant control recommendations. It was critical that this leaning was implemented for the 2023/24 accounts and should help to mitigate some of the risk.

Councillor Sharpe believed that the work done by Deloitte had been useful and shaped how the council treated finances and accounts, with more controls being implemented.

Councillor Wilson asked for clarification that once a set of accounts had been prepared, the closing balance would be used for the following year's opening balance. He questioned whether the value for money audit could be reviewed for its own value for money, for example whether the current process was based on old processes.

Benjamin Sheriff explained that there was a proposal to reduce the value for money audit scope down to the minimum level.

Jonathan Gooding said that if there were known issues with the accounts they needed to be corrected before the audit was concluded in September.

AGREED UNANIMOUSLY: That the Audit and Governance Committee noted the update provided by the external auditors.

Internal Audit Progress Report Q3 2023/24

Lisa Fryer, South West Audit Partnership, presented the Committee with the latest progress report on internal audit. Three more audits had been finalised and SWAP was making good progress towards the planned delivery of the audit plan. Changes to the plan were welcomed and there were a number of audits that had been deferred. SWAP followed a risk-based approach and work was in progress on the majority of the strategic risks. In the first year of SWAP being the council's internal auditors, there had been a number of audits with limited assurance and three high corporate risks. These audits had been followed up this year and remaining actions would be monitored. Information had been provided on the limited assurance opinion period for the housing rent system. This was an addition to the original plan and had been reviewed as it was a new housing rent system. Follow up audits had taken place on corporate debt management and fleet safety compliance checks.

Councillor Sharpe asked for further information on the audit on the RBWM Property Company.

Lisa Fryer explained that the audit was based on the governance of property leases. Weaknesses would be subject to regular monitoring.

The Chair asked about the housing rent audit and what the remedial action would be.

Lisa Fryer said that a new system had been brought in which was why the audit had taken place. The system was sound and there was a good audit trail in place, but the policies and procedures around the system needed to be developed.

The Chair considered the corporate debt management follow up review and which areas were still remaining open.

Lisa Fryer said it was around policies and guidance on recovering debt. There was no policy around suppression and monitoring, the follow up highlighted that progress had been made but full delivery was not yet in place.

The Chair wondered how many of the audits would be completed by the end of the next quarter.

Lisa Fryer felt that she had a team of resources in place to deliver the plan and that she was confident the remainder of the plan could be delivered.

Councillor Sharpe commented that internal audit highlighted where more controls or attention was needed.

Councillor Wilson asked what the 2024/25 internal audit plan would look like.

Lisa Fryer said that a lot of work had already taken place on the creation of the plan and a significant amount of internal consultation had taken place with lead officers at the council. The plan would be considered and approved by the Committee at the next meeting.

AGREED UNANIMOUSLY: That the Audit and Governance Committee noted the internal audit progress report.

Council Trusts

This item was not ready to be considered and was therefore deferred to the next Committee meeting.

Work Programme

The Committee considered the work programme.

Councillor Bond asked if the treasury management strategy should be on the work programme.

Elizabeth Griffiths said there would be regular update reports on the treasury management strategy. The strategy would be going to Full Council next week for approval.

Councillor Sharpe suggested that the Committee should consider data security, to ensure that the council was taking the right steps in this area.

Elizabeth Griffiths said that it was on the risk register. She would check with the Assistant Director of HR, Corporate Projects and IT to see when this was last reviewed. System upgrades that were part of the capital programme were focused on IT security.

ACTION – Elizabeth Griffiths to explore with the Assistant Director of HR, Corporate Projects and IT to see when this area had last been audited.

The meeting, which began at 7.00 pm, finished at 8.15 pm

Chair.....

Date.....