The Royal Borough of Windsor & Maidenhead

Auditor's Annual Report for the years 2021/22 and 2022/23

Issued 13 December 2024

Contents

Purpose of this report

Our Auditor's Annual Report presents our commentary on the Royal Borough of Windsor and Maidenhead's ('the Council') arrangements to secure economy, efficiency and effectiveness in the use of resources ('Value for Money', 'VfM'), for the years ended 31 March 2022 and 31 March 2023. Our work only considers the arrangements in place up to 31 March 2023. Your auditors from 2023/24 onwards, Grant Thornton LLP, are responsible for considering and reporting on arrangements from 1 April 2024.

We prepared this report in accordance with the National Audit Office's ("NAO") 2024 Code of Audit Practice, and its supporting Local Audit Reset and Recovery Implementation Guidance, and Auditor Guidance Notes ('AGNs'). These are available from the NAO website. This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

Our VfM commentary is based on our assessment of the adequacy of the arrangements the Council has put in place. The extent of our work is determined by our risk assessment, and whether we have identified any risks of significant weakness in arrangements. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering, or its services represent, value for money. Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Council's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03: Value for Money, where we identify a significant weakness, or
- Other recommendations, which we have indicated as "insights" (and which are summarised in Appendix 1).

The significant weaknesses in the Council's VFM arrangements and related recommendations are set out on pages 9 to 22.

Explanation of the backstop arrangements and disclaimers of opinion

There is a significant backlog in the publication of audited accounts of local authorities in England. National bodies have been working together to address the backlog, as summarised in the Financial Reporting Council's accessible guide to the overall programme of work, Local Audit Backlog - Rebuilding Assurance.

The government has introduced a legislative backstop date by which local authorities must publish their final accounts, including the audit report, even if the financial statement audit is not yet complete. For financial years up to 2022/23, the backstop date is 13 December 2024. The Financial Reporting Council has published an accessible guide to the overall programme of work to recover the backlog of local authority audits.

The backstop date limited the time available to complete our financial statement audit, and obtain sufficient, appropriate audit evidence to form an opinion for the financial years 2021/22 and 2022/23. These limitations are significant and pervasive in extent, and auditing standards therefore require us to issue a disclaimer of opinion in our audit reports for the financial years 2021/22 and 2022/23.

Our audit reports explain the issues giving rise to the disclaimer of opinion (in addition to the introduction of the backstop), including the significant weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control, and the availability of information to test collection fund balance sheet amounts. Our audit reports also detail the material misstatements that we are aware of in the financial statements. We reported the extent of work performed, and findings, to the Audit Committee on 9 December 2024.

Key Messages (1)

Audit report on the financial statements

2021/22 and 2022/23 Council financial statements	We issued audit reports with a disclaimer of opinion on the Royal Borough of Windsor & Maidenhead (the Council) financial statements for both years on 13 December 2024, in accordance with the national ‘backstop’ provisions established by the Accounts and Audit (Amendment) Regulations 2024, and National Audit Office’s Code of Audit Practice. Our opinion reported material known misstatements in respect of issues identified through the Council’s ‘balance sheet reconciliation and review’ process as part of the 2023/24 accounts process, and inconsistencies within the financial statements. Our audit report included a disclaimer of opinion, because it was not possible to complete the financial statement audits for these years by the statutory “backstop” date of 13 December 2024, as well as the significant weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control. In addition, we note that even in the absence of these circumstances, limitations on the availability of information to test collection fund balance sheet amounts would have resulted in a 'limitation of scope' qualification to our audit opinion.
2021/22 and 2022/23 Pension Fund financial statements	We issued an unmodified opinion on the 2021/22 Berkshire Pension Fund financial statements on 13 December 2024, having completed our audit for that year. We issued an audit report with a disclaimer of opinion on the 2022/23 pension fund financial statements on 13 December 2024. This was because it was not possible to complete the financial statement audit for this year by the statutory “backstop” date of 13 December 2024.

The Council’s arrangements to secure Value for Money in the use of resources

2021/22 and 2022/23	We identified risks of significant weakness for both years in respect of: • Financial planning, in particular in relation to managing financial risks. • Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control. • Governance arrangements, in particular in respect of informed decision making and risk management. **We have concluded our work and reported significant weaknesses in the Council's arrangements in each of these areas in 2021/22 and 2022/23, as detailed on pages 9 to 23.**

Key Messages (2)

Overview of key issues	
Financial sustainability *How the body plans and manages its resources to ensure it can continue to deliver its services*	In February 2023, the council set a balanced budget for 2023/24. Although the Council has not yet published its outturn report for 2023/24, we understand management project an overspend on its budgeted net expenditure on services by £11.7m, and an overall overspend of £15.6m (reflecting errors in income assumptions) before the effect of capital accounting adjustments identified through management's 'balance sheet reconciliation and review' process. The principal area of overspend was on adult social care services. We have reported on a significant weakness in planning of finances in this area (page 9). In addition to overspends on service budgets reported through the council's in-year budget monitoring processes, we understand that the council has identified: an error in its original estimate for business rates income; and accounting errors across 2023/24 and the previous two years as a result of mispostings which had not been identified and corrected as balance sheet control account reconciliations had not been carried out. The council believes that as a result of the combination of overspending on services budgets and errors identified in local taxation estimates and in the accounting records, the council's general fund reserves (including earmarked reserves) may have fallen into deficit during 2023/24 which could have resulted in the need to issue a "section 114" notice had this been identified at the time (if Emergency Financial Support was not available). The adjustments would have used all of the unallocated general fund balance, and would therefore have required use of earmarked reserves previously allocated for specific matters. The council is also projecting an overspend on its service budgets in 2024/25 (estimated to be £16.2m at Month 7, reducing to £14.5m after taking account of non-service budget items). In the longer term, the Council has been borrowing for a number of years to fund its capital programme, with the intention to repay borrowings using capital receipts from various developments. The Council's total borrowings increased from £58.7m at 31 March 2014 to £234.2m at 31 March 2023. The dependence on longer term projects means that these are sensitive to changes in economic conditions, costs of construction and the overall approved form of final developments, which can affect both the value and timing of proceeds (and so the Council's plans for timing of repayment of borrowings, and which can also affect the timing of any payments required by the Council over the course of the project). For example, the Maidenhead golf club development originally had assumed proceeds of £205m, compared to £105m currently forecast from land sales, and the St Cloud Way project's initial land valuation of £26.7m reduced to £15.8m in more recent assumptions. We have previously reported significant weaknesses in Council's governance of its capital programme. We also made recommendations in respect of identification and quantification of risks to the financial plans (including consideration of sensitivity of forecasts and their impact on medium / long term financial sustainability), and over the Council's longer term financial planning and how this is considered by members. These continue to form part of the significant weaknesses that we have reported in 2021/22 and 2022/23, as described on page 9 onwards.

Key Messages (3)

Overview of key issues (continued)	
Financial sustainability (continued)	The council also faces structural challenges in its financial planning, in particular its relatively low level of council tax income, reflecting historic decisions not to increase council tax by the maximum permitted in previous years and has comparatively low reserves to absorb unexpected variations in income and expenditure. Whilst risks in relation to financial sustainability had been identified and listed in decision reports, an assessment of the size and likelihood of each risk had not been provided and a sensitivity analysis to demonstrate the possible range of outcomes had not been presented. In the current challenging environment, it is important that there is a clear understanding of assumptions and financial risks to support decision-making, including on mitigation strategies and to structure subsequent management of risks. Based on the council's financial position at 31 March 2024 and the ongoing demand pressures, the Council began discussions with the Ministry for Housing, Communities and Local Government for Exceptional Financial Support in May 2024, and is waiting on the outcome of that process. The Council also requested CIPFA perform a Financial Resilience Review, reporting in October 2024. This concluded that a s114 notice is likely to be required in 2024-25, even with action to mitigate overspends, unless the Council receives Exceptional Financial Support. We understand that the formal application for Exceptional Financial Support is dependent on provision of detailed financial information to MHCLG, and the formal application had not been submitted as of 29 November 2024. **As detailed on pages 9 to 13, we have identified significant weaknesses in arrangements to ensure financial sustainability in respect of arrangements for identifying and managing risks to financial sustainability.**
Governance *How the body ensures that it makes informed decisions and properly manages its risks*	The council reported during 2021/22 on the completion of action plans in response to independent reviews of financial governance in 2019. We have repeated a recommendation to monitor the ongoing operation of new or changed processes and procedures and their effectiveness, pointing, for example, to the improvements needed to the management of the capital programme (Recommendation 1). We also recommended the council review its arrangements against the CIPFA Financial Management Code and CIPFA's recent guidance on the operation of audit committees (Recommendation 3). The council received a report on wider governance matters from the LGA corporate peer review team in January 2022 which reported on improvements needed to performance management; the scrutiny process; the governance of the arms-length Council entities; and delivery arrangements for the council's transformation agenda, and received a progress report from the team in October 2022. The progress the Council has made against the action plan for the 2020/21 Annual Governance Statement highlighted improvements in some areas but, as set out in more detail on pages 14 to 22, other actions were not implemented until 2022/23 or later or the council identified further action was needed to embed the changes which had been made.

Key Messages (4)

Overview of key issues (continued)

Governance (continued)

We reported last year on serious and pervasive weaknesses in the financial accounting process and system of internal control, resulting in material errors identified in the 2020/21 accounts and which caused the delay in the audit process until April 2024. The council has also needed to make material adjustments to versions of the 2021/22 and 2022/23 financial statements, published for the exercise of public inspection rights, to update for the carryover effect of errors identified and corrected in the 2020/21 financial statements. The council reported in November 2023 that progress had been made on the council's action plan to address the causes of these issues, but a number of actions were still in progress, in particular, in response to our recommendation to address gaps in the capability and capacity of the finance function (including in respect of the Council's ability to deliver a high-quality statement of accounts and supporting working papers and support the subsequent audit on a timely basis). We understand that the availability of suitable permanent staff in the recruitment market, and the time required from the existing team alongside other requirements, presents challenges in developing a suitable team and managing workloads to support retention of staff.

Officers have undertaken a 'balance sheet reconciliation and review' process following issues identified in the 2023/24 financial statement close process. This has identified a number of significant issues, some of which also affected 2021/22 and 2022/23, which result from ongoing weaknesses in financial accounting controls.

Due to capacity and capability challenges in the finance function, and in the context of the backstop, officers have focussed upon determining adjustments required at 31 March 2024, rather than making corrections to the 2021/22 or 2022/23 financial statements. Management therefore has not identified the detailed correcting entries for preceding years, and the adjustments have not been subject to audit.

In some cases, adjustments do clearly relate to earlier periods – the impact of these adjustments would be to reduce the general fund by £8.1m at 31 March 2022 and £9.7m at 31 March 2023. There are a further £5.6m of adjustments impacting the general fund that management have made in 2023/24, which may include amounts that should have been corrected in 2021/22 or 2022/23. As the impact of these items is material to the financial statements, and has not been corrected, we have reported these misstatements in our audit report as part of our disclaimer of opinion.

The weaknesses in controls have contributed to uncertainty over the council's financial position and caused the council to delay publication of its draft 2023/24 accounts for inspection purposes to well beyond the deadline of 31 May 2024.

The scope of internal audit's programme was very limited in 2021/22. In 2022/23, following a change in provider, the new head of internal audit was able to provide only limited assurance in their annual opinion on the council's management of risks and system of internal control in 2022/23. The programme included an individual report on risk management with a 'limited assurance' rating.

As detailed on pages 14 to 22, we have identified two areas of significant weakness in the Council's governance arrangements:

- **Arrangements for reliable and timely financial reporting and maintaining a system of internal control**
- **Governance arrangements in respect of informed decision making and risk management.**

Auditor’s work on Value for Money arrangements

The Section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Council is required to annually review the effectiveness of the system of internal control, including VfM arrangements, and report upon this as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. The National Audit Office’s Code of Audit Practice sets out three reporting criteria for the auditor to consider. Under the backstop provisions, the areas to consider in respect of these criteria have been amended, and we are not required to report against ‘improving economy, efficiency and effectiveness’, and we therefore only report against two criteria:

Financial Sustainability	*How the body plans and manages its resources to ensure it can continue to deliver its services*
Governance	*How the body ensures that it makes informed decisions and properly manages its risks*

In this report, we set out the findings from the work we have undertaken.

We identified three risks of significant weakness, which are set out with our conclusions and recommendations in the following pages.

Our overall VfM commentary on financial sustainability and governance are set out on page 23 onward.

We performed a range of procedures to inform our VfM commentary, including:

- **Interviews with council officers**
- **Review of Council and committee reports and attendance at Audit & Governance meetings**
- **Reviewing reports from third parties including internal audit.**
- **Review of the Council’s Annual Governance Statement and Narrative Report**

Significant weakness: planning finances (1)

Risk title	1. Arrangements for planning finances
Relevant VFM criteria per AGN03	*Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services* • *How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.*
Risk description	The overall financial position of the council, with relatively higher borrowings due to the size of the capital programme, relatively lower level of council tax income (which also reduces the absolute effect of increases in council tax, as there are restrictions on the percentage increase each year), relatively low funding levels in the Pension Fund, and relatively low levels of reserves to manage variations in income and expenditure, increase its exposure to financial pressures including increasing demand for services. We noted in our Annual Auditor's Report for 2020/21 that the wider economic environment had significantly changed since 2021, which, together with ongoing demand pressures on services (particularly social care) had resulted in the council forecasting an overspend in 2023/24 and funding shortfall in 2024/25. There is a risk of significant weakness in arrangements to respond to, and on an ongoing basis plan for, the developing pressures on the council's financial sustainability.
Work performed	We have: • Reviewed the Annual Governance Statement and other documentation relating to the planning and monitoring of the council's finances. In our AAR for 2020/21, we reported on weaknesses in arrangements for managing risks to financial resilience. We warned that the environment had deteriorated significantly after the year end. Those weaknesses were also present in 2021/22 and 2022/23. In particular, whilst the council identified risks in relation to its budget and forecast estimates in the budget report in February 2022 and February 2023, these were not quantified and the council did not use techniques such as sensitivity analysis to support its consideration of their impact on financial plans, including to inform development of mitigation plans, approval of the financial plans and design of monitoring reports.

Significant weakness: planning finances (2)

Risk title	1. Arrangements for planning finances (continued)
Work Performed (continued)	• Reviewed the budget reports for 2022/23 and 2023/24 and updates to the MTFS in February 2022 and February 2023 in the context of budget setting and monitoring. The budget setting process during financial year 2021/22 was for 2022/23, and during 2022/23 was for 2023/24. The council set balanced budgets for 2022/23 and 2023/24, with a planned contribution to general fund reserves in 2023/24 of £0.8m, as well as setting aside a contingency of £2.4m in each year. The February 2023 refresh of the MTFS identified a requirement for further savings of £10.2m over the remaining four years of the MTFS forecast period. Transformation is a key priority for the council. The council agreed a transformation strategy and plan and made changes to its transformation service over the period. As a result of budget pressures, savings in the MTFS refresh in February 2023 were focused on the year ahead, rather than large scale corporate transformation. • Reviewed the financial outturn against budget for 2021/22 and 2022/23 and latest forecast outturn against budget for 2023/24 to assess the outcome of the council's arrangements for planning and monitoring its finances. Although the Council has not yet published its outturn report for 2023/24, we understand management project an overspend on its budgeted net expenditure on services by £11.7m, and an overall overspend of £15.6m (reflecting errors in income assumptions) before the effect of capital accounting adjustments identified through management's 'balance sheet reconciliation and review' process. The principal area of overspend, based on the latest published reporting for 2023/24 at Month 11, was adult social care (overspent by £7.0m, of which £5.3m related to placement costs) due in particular to over optimistic assumptions on demand. The council also projected at Month 11 that it will overspend on children's services by £1.5m, in particular due to the strength of demand for services, and parking income will be £1.2m below budget due to optimistic assumptions about the recovery of this income stream to pre-pandemic levels. This follows a period in which the council had sought to start to rebuild its reserves, with reported underspends in 2021/22 and 2022/23 of £3.8m and £1.5m, respectively. However, these reported increases were before identification or correction of issues from the 'balance sheet reconciliation and review' process in 2024. The council believes that as a result of the combination of overspending on services budgets and errors identified in local taxation estimates and in the accounting records, the Council's general fund reserves may have fallen into deficit during 2023/24, which would have resulted in the need to issue a "section 114" notice had this been identified at the time. The adjustments would have used all of the unallocated general fund balance, and would therefore have required use of earmarked reserves previously allocated for specific matters. Given the reduced level of reserves, and overspends in 2024/25, the Council and CIPFA consider a section 114 notice is highly likely to be required if the Council's application to MHCLG for Exceptional Financial Support is not approved.

Significant weakness: planning finances (3)

Risk title	1. Arrangements for planning finances (continued)
Work Performed (continued)	• Made enquiries about and reviewed documentation relating to the council’s planning and monitoring of expenditure on adult social care, in particular in relation to placements. The council’s adult social care system in use in 2021/22 and 2022/23 did not contain information on commitments in a form which could be extracted for financial planning and monitoring purposes and instead relied on maintenance of a standalone, spreadsheet-based model for those purposes. The finance team reported to Cabinet through 2023/24 on uncertainty over the council’s financial plans caused by concerns over data quality issues over this arrangement. The council is in the process of replacing the adult social care system which it expects will support improved financial planning and monitoring. The budget agreed in March 2023 for 2023/24 assumed that case numbers which had risen during the pandemic would start to fall. We did not see evidence that this assumption had been appropriately challenged. • Reviewed the council’s longer term treasury forecast. The council has comparatively high borrowings as a result of past decisions on capital spending which the council planned to repay from receipts generated from development schemes. The Council’s total borrowings increased from £58.7m at 31 March 2014 to £233.5m at 31 March 2023. The dependence on longer term projects means that these are sensitive to changes in economic conditions, costs of construction and the overall approved form of final developments, which can affect both the value and timing of proceeds (and so the Council’s plans for timing of repayment of borrowings). The principal scheme is a housing development on the Maidenhead golf course site. The timing and amount of receipts from this scheme are uncertain. We understand that estimates of receipts were prepared by the council’s property company subsidiary and we were unable to obtain records showing the council’s scrutiny and challenge of this information (or an explanation of how this was done). The information is included in the council’s treasury management strategy which is presented to Cabinet/full council for approval, but is not accompanied by a commentary on the assumptions and identification of risks which supports challenge and informed decision-making, and we have not seen evidence of consideration of a sensitivity analysis of potential outcomes from the project. There has been an accumulated shortfall in the amount of receipts to 31 March 2023 compared to the forecast made in February 2021 and the amount of capital receipts forecast for the period 1 April 2023 to 31 March 2029 has fallen by £76m between the February 2022 refresh and the latest refresh in February 2024. We have previously reported significant weaknesses in Council’s governance of its capital programme, and made recommendations in respect of identification and quantification of risks to the financial plans (including consideration of sensitivity of forecasts and their impact on medium / long term financial sustainability), and over the Council’s longer term financial planning and how this is considered by members.

Significant weakness: planning finances (4)

Risk title	1. Arrangements for planning finances (continued)
Conclusion	We have identified a significant weakness in arrangements for managing risks to financial sustainability (how the Council plans and manages its resources to ensure it can continue to deliver its services) in respect of 2021/22 and 2022/23. This weakness relates to how the Council identifies and manages risks to financial sustainability, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans. This is because: • Whilst risks were identified in the decision reports for the budget and MTFS refresh agreed in March 2022 and March 2023, the risks were not quantified and only very limited sensitivity analysis or similar was performed to support consideration of the possible impact of identified risks to the council's financial sustainability. • There is insufficient evidence that assumptions in the Council's longer- term treasury forecast and plans were sufficiently challenged (including in respect of assumptions on capital proceeds prepared by the property company, which are required to repay the borrowings that are being incurred to fund capital projects). • There is insufficient evidence that assumptions made in relation to adult social care were challenged or widely understood. • The council developed and monitored its financial plan for adult social care placements using a standalone spreadsheet model which is not linked to systems recording care and related funding decisions. There was uncertainty over the accuracy of information generated by the model as a result of weaknesses in underlying data quality. • Accounting errors, arising due to the significant weaknesses in timely and reliable financial reporting and maintaining a sound system of internal control, meant that the Authority's available General Fund reserves were materially lower than was reported in budget and monitoring reports. • The council discovered an error in its original estimate for business rates income in its 2023/24 budget. The weakness is significant, as the Council recorded overspends on services, in particular on adult social care, in financial plans agreed in 2021/22 for 2022/23 and in 2022/23 for 2023/24, which, taken together with the accounting issues identified in the reported financial position of the Council, materially reduce the reserves position of the Council. The Council is now forecasting a funding shortfall in 2024/25, unless MHCLG approves Exceptional Financial Support. The overall financial position of the council, with relatively higher borrowings due to the size of the capital programme, relatively lower level of council tax income (which also reduces the absolute effect of increases in council tax, as there are restrictions on the percentage increase each year), relatively low funding levels in the Pension Fund and relatively low levels of reserves to manage variations in income and expenditure, increase its exposure to these pressures.

Significant weakness: planning finances (5)

Risk title	1. Arrangements for planning finances (continued)		
	Does a weakness exist in 2021/22 and/or 2022/23? Yes - as set out above we have concluded that there is a significant weakness in the council's arrangements to secure financial sustainability in both 2021/22 and 2022/23.	**Is a recommendation required in 2021/22 and/or 2022/23?** Yes – recommendations have been set out below.	**Has this matter been referred to in our audit report for 2021/22 and/or 2022/23?** Yes - the significant weakness identified and our recommendations were referred to in our audit reports for 2021/22 and 2022/23.
Recommendation	We recommend the Council: • Continues with its plans to replace the existing care system with one which provides greater functionality and which supports the financial planning process and subsequent budgetary control; • Increases oversight and challenge of the assumptions over future capital receipts; • Provides greater detail in decision reports on key assumptions to support challenge; • Issue guidance in relation to budget preparation, including checks to be performed on individual budget estimates; • Implements previous external audit recommendations in relation to financial reporting as part of ensuring that the financial plans are established on the correct reported financial position; • Provides information on officers' evaluation of financial risks, including sensitivity analysis and risk mitigation plans in decision reports on the budget/MTFS; and • Implements the recommendations of the CIPFA Financial Resilience review, and related actions in the Council's Financial Improvement and Sustainability Plan.		

Significant weakness: financial reporting and internal control (1)

Risk title	**2. Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control**
Relevant VFM criteria per AGN03	*Governance: how the body ensures it makes informed decisions and properly manages its risk* • *How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.*
Risk description	In our 2020/21 audit report, we reported that there were: "Significant weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control, due to significant deficiencies in internal control identified during the 2019/20 and 2020/21 audits of the Council and the Berkshire Pension Fund, and findings of the CIPFA Review of Financial Governance issued June 2020, that had not been addressed during 2020/21 or had only been addressed for part of the period". There is a risk that significant weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control continued into later years.
Work performed	We have: • Reviewed the Annual Governance Statements for 2021/22 and 2022/23, including the outcome of the council's annual review of the effectiveness of the system of internal control and other governance arrangements as well as other documentation relating to reliable and timely financial reporting and maintaining a sound system of internal control. The Annual Governance Statement for 2022/23 reports the head of internal audit's overall opinion on the internal control environment which was that significant gaps, weaknesses or non-compliance had been identified and improvement was required to the system of governance, risk management and control to effectively manage risk to the achievement of objectives. The Annual Governance Statement for 2022/23 concludes that, although the council has improved many elements of its governance system in the past year, the head of internal audit's opinion clearly shows that significant improvements are required. The Annual Governance Statement for 2022/23 also comments that the appointment of a new internal auditor has introduced a new level of scrutiny which has allowed the council to identify gaps and weaknesses in its governance arrangements. It is likely that many of these gaps and weaknesses were also present during 2021/22.

Significant weakness: financial reporting and internal control (2)

Risk title	2. Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control
Work performed	• Considered the key findings from our audit of the financial statements for the year ended 31 March 2021, in particular control findings relating to the operation of the council's accounts closure process during 2021/22 and our observations on the quality of the financial statements prepared during that closure process. This included issues in retention of breakdowns in respect of the National Non-Domestic Rates debtor and creditor balances, which resulted in a limitation of scope in our audit opinion for 2020/21. As identified during our risk assessment, we reported in our final report to the audit and governance committee on the findings from our audit for the year ended 31 March 2021, that we had identified significant control deficiencies. These included deficiencies relating to the accounts closure process which operated during 2021/22 in respect of the closure of the 2020/21 accounts. • Considered progress during 2021/22 and 2022/23 on action plans to address control findings reported from previous audits. The council prepared and has reported to the audit and governance committee in November 2023 on its action plan to address weaknesses in financial reporting arrangements identified in our reporting in respect of the 2020/21 accounts. As a result of the delay in that audit, and the audit for the preceding year, implementation of a number of the actions was reported to be in progress at November 2023. Management considers that key recommendations had not been fully implemented by 31 March 2024, and therefore these control issues have affected the council's accounts preparation process for 2021/22, 2022/23 and 2023/24. In some cases, such as maintaining appropriately prepared and reviewed balance sheet reconciliations, this also impacts upon the council's understanding of its financial position in year, including its General Fund position. In response to our recommendation to review the capability and capacity of the finance function to deliver a high-quality statement of accounts and supporting working papers and support the subsequent audit on a timely basis, the council reported that this recommendation was ongoing as the council had lost a number of staff who had been involved in the production of the 2020/21 statement of accounts and has had to back fill these positions with interim staff. The council has experienced subsequent turnover in finance staff impacting the 2023/24 accounts preparation process. The issues in retention of breakdowns that affected 2020/21 would also have impacted 2021/22 and 2022/23 audits and resulted in a limitation of scope for those years.

Significant weakness: financial reporting and internal control (3)

Risk title	2. Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control (continued)
Work performed	• Considered the findings from the council's internal audit programme for 2021/22 and 2022/23. As identified during our risk assessment, the new head of internal audit concluded in her opinion for 2022/23 that she could provide only limited assurance on the council's systems of internal control and was able to provide only limited or no assurance on 12 out of the 17 individual internal audit reviews undertaken as part of the 2022/23 internal audit programme. Internal audit undertake their work on a cyclical basis and therefore it is likely that the weaknesses which led to the head of internal audit's opinion for 2022/23 were also present in 2021/22. • Reviewed the progress against the action plans in response to the CIPFA review of financial governance, as reported on in our 2020/21 Annual Auditor's Report. The council reported on the closure of its action plan during 2021/22. There are a number of related and ongoing actions which are now being monitored as part of the Annual Governance Statement process. • Considered matters arising from our work on the financial statements and associated publication and approval processes for the 2021/22 and 2022/23 statement of accounts. As identified during our risk assessment, the council was not able to comply with the statutory timetable for the publication of its statement accounts for the purpose of exercise of public rights in 2022/23 or for publication of the audited accounts for 2021/22 and 2022/23. Material changes were required to the 2021/22 and 2022/23 financial statements which had been published for the exercise of public rights to take account of the resolution of issues identified during the audit of accounts for earlier periods. • Considered matters reported to the full council in July 2024 and to Cabinet in October 2024 from the 2023/24 accounts closure process, and management's consequent 'balance sheet reconciliation and review' process. Officers reported to full council in July 2024 that they had identified, in the course of closing the accounts for 2023/24, that there were issues arising over the preceding three years and adjustments to correct for posting errors dating back to 2021/22 and 2022/23 were now required. The Council had identified that appropriate controls had not operated over balance sheet amounts for 2021/22, 2022/23 or 2023/24. The Council undertook a 'balance sheet reconciliation and review' process over the summer to identify adjustments required to the 31 March 2024 balance sheet. The work was in progress at July 2024, but errors identified had contributed to a fundamental reassessment of the council's financial position. Reports to the October 2024 Cabinet set out key findings from this review.

Significant weakness: financial reporting and internal control (4)

Risk title	2. Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control (continued)
Conclusion:	We have identified a significant weakness in arrangements in respect of governance (how the Council ensures that it makes informed decisions and properly manages its risks) in respect of financial years 2021/22 and 2022/23. This weakness relates to how the Council ensures effective processes and systems are in place to ensure budgetary control (including monitoring of savings plans); to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed. Significant deficiencies in internal control identified in relation to the accounts closure process contributed to material errors identified in the draft 2020/21 financial statements. The correction of these material errors also required material corrections to the accounts for 2021/22 and 2022/23. The audit process for 2020/21 was significantly delayed and whilst there were a number of factors involved, weaknesses in arrangements, in particular the capability and capacity of the finance team in relation to financial reporting and the quality of the financial statements and supporting working papers including the quality of the audit trail between the accounting records and the financial statements contributed significantly to the delay in the audit of those accounts. This included issues in retention of breakdowns in respect of the National Non-Domestic Rates debtor and creditor balances, which resulted in a limitation of scope in our audit opinion for 2020/21. The issues in retention of breakdowns that affected 2020/21 also would have impacted the 2021/22 and 2022/23 audits and resulted in a limitation of scope for those years. The delay in the audit of the 2020/21 accounts has meant that it was not possible to start the audit of the 2021/22 accounts during 2022/23, or of the 2022/23 accounts during 2023/24. The Council's 'balance sheet reconciliation and review' process, as part of the 2023/24 accounts closure process, has identified material adjustments to the Council's financial position, including to its General Fund reserves. Although this process was not designed to quantify or correct for the impact on the financial position at 31 March 2022 and 31 March 2023, the impact is material to the financial statements in both years. The financial statements have not been adjusted to correct for these items, and so the reported financial position is materially misstated (including material misstatements impacting the General Fund and so budgetary position). Given the presence of material errors in the 2020/21 to 2022/23 accounts and the long period of delay in concluding the audit of the 2020/21 accounts, the consequent effect on the audit of the accounts for subsequent years, and the issues identified and reported by internal audit, we conclude that the weaknesses in arrangements which has contributed to this position are significant. We will therefore report this as an exception to our VFM conclusion in respect of both 2021/22 and 2022/23.

Significant weakness: financial reporting and internal control (5)

Risk title	**2. Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control (continued)**		
	Does a weakness exist in 2021/22 and/or 2022/23? Yes - as set out above we have concluded that there is a significant weakness in the council's governance arrangements in both 2021/22 and 2022/23.	**Is a recommendation required in 2021/22 and/or 2022/23?** Yes – recommendations have been set out below.	**Has this matter been referred to in our audit report for 2021/22 and/or 2022/23?** Yes - the significant weakness identified and our recommendations were referred to in our audit reports for 2021/22 and 2022/23.
Recommendation	We recommend: • The council addresses the gaps in the capability and capacity in the finance function (including the capability and capacity to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit). This should include ensuring that there is sufficient capacity and capability to respond to audit queries during the audit period, as well as to ensure reliable in year reporting and operation of effective accounting control processes, and to address the other recommendations made. • The council continues to progress actions to address other control recommendations we have reported for both the Authority and Pension Fund, including recommendations from previous years. • The Audit and Governance Committee strengthens its oversight of corrective action taken in response to internal and external audit recommendations.		

Significant weakness: informed decision making and risk management (1)

Risk title	**3. Governance arrangements in respect of informed decision making and risk management**
Relevant VFM criteria per AGN03	*Governance: how the body ensures it makes informed decisions and properly manages its risk* • *How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance*
Risk description	In our 2020/21 audit report, we reported that there were: "Significant weaknesses in governance arrangements in respect of informed decision making and risk management, due to findings identified in the CIPFA Review of Governance, the independent Review of Pension Fund Governance (issued July 2020), Annual Governance Statement action plans, the Local Government Association Corporate Peer Challenge reports in 2022, and in internal audit reviews, which had not been addressed during 2020/21 or had only been addressed for part of the period." There is a risk that significant weaknesses in arrangements in respect of informed decision making and risk management, including how the council gains assurance over the effective operation of controls to mitigate those risks, continued into later years.
Work performed	We have: • Reviewed the 2021/22 and 2022/23 Annual Governance Statement and progress against the 2020/21 action plan; and reviewed other documentation relating to informed decision making and risk management. The council did not complete certain action points in its 2020/21 AGS action plan and carried these forward to 2021/22 AGS action plan for completion in 2022/23 or later, such as launch of its procurement toolkit, adoption of a new engagement approach, review of risk management and implementation of the council's action plan to improve its governance of its property company subsidiary. The council also recognised in its 2021/22 Annual Governance Statement that further action was needed to develop and embed actions in the 2020/21 action plan, such as embedding the new performance management framework, further developing the scrutiny function with members and rolling out the leadership programme. • Reviewed progress against the action plan which had been prepared to address weaknesses identified by an independent review of governance of the Berkshire pension scheme administered by the council. The council had actioned 14 of the 21 recommendations in the original report in 2020/21. The council reported in December 2021 that the remaining 7 recommendations had been actioned or arrangements made for their implementation in the final quarter of 2021/22. The remaining actions taken or to be taken in 2021/22 included: changes to the membership of the pension board; updating the investment strategy statement to check and ensure that it met the requirement to provide a performance level that will reduce the funding deficit of the scheme; and changes to the model of investment advice.

Significant weakness: informed decision making and risk management (2)

Risk title	3. Governance arrangements in respect of informed decision making and risk management (continued)
Work performed (continued)	• Reviewed progress against the action plan in response to findings from the Local Government Association corporate peer challenge review carried out in January 2022 and progress report in October 2022. Areas for improvement identified in the original LGA corporate peer challenge report in January 2022 included: o A finding that performance management within the council was not yet fully mature and the council should prioritise embedding the corporate plan across the council, including the establishment of a new performance framework which links service plans and priorities to budget and risks over the medium term. In the October 2022 progress report, the LGA peer team recognised that good progress had been made and agreed with the council that there was more to do to align budget and risk with priorities in the context of a constrained economic environment. Further alignment was needed between the finance and performance dashboards. o Whilst the scrutiny process was improving and becoming less party political, there was room for improvement and the current model of scrutiny needed to be reviewed to align with the corporate plan and the service delivery arrangements. In the October 2022 progress update report, the LGA peer team reported that scrutiny had been reconstituted in line with their recommendation and training had been provided but changes needed to be embedded. o The council needed to develop a clear and consistent framework on the role and governance of the arms-length Council entities. The LGA peer team reported that the council intended to progress this across the remainder of 2022/23. o Transformation was a priority for the council but large-scale corporate transformation was not yet evident and the strategy did not feel strongly linked to helping deliver the savings needed in the MTFS. In the October 2022 progress update report, the LGA peer team noted that as a result of significant changes to the economic environment, the council had needed to focus in the period since the original report on its response to macroeconomic challenges, including sound financial management, but had restructured the transformation service with the intention of driving forward transformation in a more cohesive way and was considering through its budget setting process those areas to invest in. • Considered the findings from the council's internal audit programme for 2021/22 and 2022/23. Due to a change in internal audit provision (in part due to previous recommendations from external reviews), the scope of internal audit work in 2021/22 was limited, and focused upon follow-up reviews. The new head of internal audit concluded in her opinion for 2022/23 that she could provide only limited assurance on the council's systems of internal control and was able to provide only limited or no assurance on 12 out of the 17 individual internal audit reviews undertaken as part of the 2022/23 internal audit programme. Internal audit undertake their work on a cyclical basis and therefore it is likely that the weaknesses which led to the head of internal audit's opinion for 2022/23 were also present in 2021/22. In addition, following the change in internal audit provider in 2022/23, there was a lack of clarity over responsibilities for counter fraud work in that year.

Significant weakness: informed decision making and risk management (3)

Risk title	3. Governance arrangements in respect of informed decision making and risk management
Work performed (continued	An internal audit review of the council's risk management arrangements identified weaknesses and internal audit were able to provide only limited assurance over these arrangements. The audit was performed as part of the internal audit programme for 2022/23 but it is likely that some or all of these weaknesses were also present during 2021/22. • Reviewed progress on actions arising from the CIPFA review of financial governance. Officers presented a closeout report on the financial governance action plan to the meeting of cabinet in December 2021 which reported that all planned actions were complete. A recommendation in relation to monitoring of capital projects was marked as complete, but while capital monitoring reports to Cabinet in the two-year period under audit identified over and under spends and slippage, they did not provide insight into the reasons for these and therefore were not helpful in enabling Cabinet members to identify trends and issues and challenge performance. Slippage in the capital programme remained significant across the two-year period (£26.2m delivered in 2021/22 out of a capital budget of £68.2m; and £21.7m delivered in 2022/23 out of a budget of £76.6m). The Council has recognised that the finance team needed to provide closer and better support (and has upgraded the relevant role subsequently), and that wider changes in Council's approach to management of the capital programme are required. The Council considers some of the challenges in management of the capital programme arise from the division of responsibilities with RBWM Property Company Limited and its impact on Council visibility on the programme, and are reviewing possible changes to these arrangements with input from CIPFA. Some of the themes in the original CIPFA review of financial governance have been picked up by the subsequent LGA peer review and included in the Annual Governance Statement action planning process across 2021/22 and 2022/23. The Council had not formally reviewed its compliance with the CIPFA Financial Management Code for which the first full year of compliance was 2021/22.
Conclusion	We have identified a significant weakness in arrangements in respect of governance (how the Council ensures that it makes informed decisions and properly manages its risks) for 2021/22 and 2022/23. This weakness relates to how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance. *(continued on the next page)*

Significant weakness: informed decision making and risk management (4)

Risk title	3. Governance arrangements in respect of informed decision making and risk management		
Conclusion (continued)	The assessment and monitoring of risks are core processes within the scope of proper arrangements specified by the Code of Audit Practice. The findings from internal audit's review indicate a significant weakness in the design and operating effectiveness in the risk management framework. Whilst the internal audit review forms part of the internal audit programme for 2022/23, given the timing and nature of findings it is likely that the weaknesses identified were also present in 2021/22. Similarly internal audit is a key process within the council's arrangements for monitoring the effectiveness of the system of internal control and the arrangements in 2021/22 were not sufficient to identify the gaps in controls which were identified in the subsequent year. Significant weaknesses in arrangements have been identified through external and internal review processes (including by CIPFA and LGA peer reviews) during 2021/22 and 2022/23 as well as in preceding years and actions to address these weaknesses were ongoing over this period. Together this provides evidence of a significant weakness in governance arrangements in relation to risk management and informed decision making		
	Does a weakness exist in 2021/22 and/or 2022/23? Yes - as set out above we have concluded that there is a significant weakness in the council's governance arrangements in both 2021/22 and 2022/23.	**Is a recommendation required in 2021/22 and/or 2022/23?** Yes – recommendations have been set out below.	**Has this matter been referred to in our audit report for 2021/22 and/or 2022/23?** Yes - the significant weakness identified and our recommendations were referred to in our audit reports for 2021/22 and 2022/23.
Recommendation	We recommend the Council: • Completes the implementation of the council's action plan to respond to internal and external reviews of financial and wider governance, including internal audit's review of risk management, and thereafter ensures on-going maintenance and monitoring of the operation of the new processes and procedures; and • Carries out a review of the council's compliance with the CIPFA Financial Management Code and reports on the results in the Annual Governance Statement.		

VfM arrangements: Financial Sustainability (1)

Approach and considerations	Commentary
We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including: • How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium term plans and builds these into them • How the Council plans to bridge its funding gaps and identifies achievable savings • How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities • How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.	Budget reports are produced periodically for Cabinet which identify over or underspends compared to budget. The council reported net underspends against budget of £3.8m in 2021/22 and £1.5m in 2022/23 before transfers to or from earmarked reserves. However, these reported increases were before identification or correction of issues from the ‘balance sheet reconciliation and review’ process in 2024, discussed on page 7. The council refreshes its medium term financial strategy alongside its annual budget setting process for the year ahead. These plans are taken to Cabinet and then to full Council in February each year. The medium term financial strategy provides a preliminary assessment of the budget gaps for later years and informs decisions on the scale of savings which the council needs to find. The preparation of estimates of funding for later years of the strategy is complicated by the absence of a multi-year government funding settlement but arrangements would be improved by providing greater clarity on the assumptions made for later years. During 20221/22 and 2022/23, the council did not present a projection of its reserves alongside its budget and medium term financial strategy or set out in the budget report how it views the various earmarked reserves for the purpose of its financial management. We recommend this is done consistently going forwards (Recommendation 1). In February 2023, the council set a balanced budget for 2023/24. Although the Council has not yet published its outturn report for 2023/24, we understand management project an overspend on its budgeted net expenditure on services of £11.7m. This was partially reduced by a centrally held contingency in the budget as well as underspends on other corporate budgets, resulting in an overall overspend of £15.6m (which included use of earmarked reserves), before the effect of capital accounting adjustments identified through management’s ‘balance sheet reconciliation and review’ process. The principal area of overspend was on adult social care services (£7.0m overspent, based on the latest published projection for 2023/24 at Month 11), which we therefore considered in more detail: • We found little detail in decision reports to explain assumptions, such as in relation to the decision in February 2023 to base the council’s estimate for a growth item for placements on current activity without making allowance for future trends. • The council’s assessment of current activity levels was derived from summaries of care packages recorded in a series of standalone spreadsheets. During 2023/24, officers have reported to Cabinet on inconsistencies between these spreadsheets and the care system and concerns over potential data quality issues in both sources, resulting in unquantifiable uncertainties over financial projections of expenditure on care packages and related funding. These uncertainties were not referenced in decision reports on the 2023/24 budget.

VfM arrangements: Financial Sustainability (2)

Commentary

- The budget included planned savings for adult social care of £3.4m from a variety of saving schemes such as reducing the need for placements by making improvements to the reablement service. Information on these schemes provided as part of the decision report on the budget was limited (for example it did not include a business case) and an assessment of the risk of non-delivery of these, and other items in the savings programme was not presented.

In addition to overspends on service budgets reported through the council's in-year budget monitoring processes, the council discovered: an error in its original estimate for business rates income; and accounting errors across 2023/24 and the previous two years as a result of mispostings which had not been identified and corrected as balance sheet control account reconciliations has not been carried out.

The council believes that as a result of the combination of overspending on services budgets and errors identified in local taxation estimates and in the accounting records, the council's general fund reserves may have fallen into deficit during 2023/24 which would have resulted in the need to issue a "section 114" notice had this been identified at the time.

The council is also projecting an overspend on its service budgets in 2024/25 (estimated to be £16.2m at Month 7, reducing to £14.5m after taking account of an unallocated contingency and changes to the funding budget).

Based on the council's financial position at 31 March 2024 and the ongoing demand pressures, the council applied for emergency financial support in May 2024 and is waiting on the outcome of that process.

Historically the council has held comparatively low levels of general fund reserves for its type and size. Whilst good financial management can be achieved with relatively low reserves, this circumstance implies a higher risk to the council's future financial sustainability. For this reason, the council has included a contingency of £2.2m, rising to £2.4m, within its annual budget for 2021/22, 2022/23 and 2023/24 with the intention that any unused amount would be used to build reserves. This strategy contributed, in the reported outturn, to an increase in the unallocated general fund reserve over the two-year period to 31 March 2023 of £3.1m to £10.2m. This reported closing reserves position represented 9% of net expenditure and was close to the range of 10-15% which in February 2023 the then Chief Financial Officer concluded was optimal. We understand the adjustments identified through management's 'balance sheet reconciliation and review' process would reduce the unallocated general fund balance at 31 March 2023 by at least £16.0m, and so would leave limited remaining reserves. (The adjustments would have used all of the unallocated general fund balance, and would therefore have required use of earmarked reserves previously allocated for specific matters).

Even before any adjustments, the overspends in 2023/24 would have caused the unallocated general fund reserve at 31 March 2024 to fall well below the council's optimal range.

VfM arrangements: Financial Sustainability (3)

Commentary

The council also faces structural challenges in its financial planning, in particular its relatively low level of council tax income, reflecting historic decisions not to increase council tax by the maximum permitted in previous years. In addition:

- The council has a relatively high level of debt compared to its income. The amount of debt is planned to fall over the period of the treasury management strategy through expected proceeds from development projects, but these will be received over a number of years and there are uncertainties as to phasing and amount. These uncertainties were not detailed in the treasury management strategy which accompanied the refresh of the MTFS in February 2022 and February 2023; there has been an accumulated shortfall in the amount of receipts to 31 March 2023 compared to the forecast made in February 2021; and the amount of capital receipts forecast for the period 1 April 2023 to 31 March 2029 has fallen by £76m between the February 2022 refresh and the latest refresh in February 2024. Estimates of receipts from residential developments (which forms the majority of capital receipts in the forecast period) are prepared by the council's property company subsidiary and we were not able to obtain an explanation or see evidence of how the estimates had been challenged for the purpose of refresh exercises in February 2022 and February 2023. We recommend these estimates are challenged and risks set out in member decision reports on the treasury management strategy (Recommendation 1).
- In common with other local authorities, council spend on social care as a proportion of the council's budget has increased sharply since the start of the pandemic. As these services are demand led, this means there is now less flexibility in managing overall budgets.

The council increased resourcing of its transformation and digital development teams during the two-year period under audit, but an LGA corporate review team reported in 2022 that the arrangements were "unlikely to be sufficient for large scale organisational transformation which embeds smarter ways of working and effective demand management and prevention" and savings agreed in the two-year period were substantially short term, tactical, target driven and insufficient in scale. Savings plans included in the budget report were not presented with a risk assessment and monitoring reports lacked clarity on how savings recorded as "unachieved" were to be dealt with.

In our 2020/21 Auditor's Annual Report, we commented that, whilst risks in relation to financial sustainability had been identified and listed in decision reports, an assessment of the size and likelihood of each risk had not been provided and a sensitivity analysis to demonstrate the possible range of outcomes had not been presented and recommended that the council consider doing this. Since 2020/21, the economic environment has worsened; there has been a rise in demand for social care for both adults and children; government pandemic funding has been scaled down and ended; and the council's ability to withstand variations in income and expenditure is limited by the structural issues described above and the lower level of the council's reserves. In these changing circumstances it is important that there is a clear understanding of assumptions and financial risks to support decision-making, including on mitigation strategies and to structure subsequent management of risks. Therefore, and taking account of our comments on the specific area of adult social care, and the identification of errors in the estimates for local taxation as a result of a lack of effective review process, we have identified the council's identification and management of risks to financial sustainability as areas of significant weakness in 2021/22 and 2022/23.

VfM arrangements: Financial Sustainability (3)

Commentary

We note that the Royal County of Berkshire Pension Fund is one of the least well-funded pension schemes nationally (with a funding level of 86% based on the 31 March 2022 valuations), and is the lowest funded based on the Local Government Pension Scheme Advisory Board metrics among local authority schemes. This increases the pressure upon the Council to fund pensions for their members of the scheme, even with the relatively long deficit recovery end point of 2040 agreed for the scheme. The Government Actuary's Department review of 2022 fund valuations for Local Government Pension Schemes noted a number of risk flags remain for the scheme, including being one of two schemes they highlight specifically over the deficit recovery period. However, they also note improvements since their 2019 review, including increases in contributions from employers.

The Council's consideration of its financial commitments and of the interaction of capital expenditure, borrowing, and proceeds from property disposals, requires consideration of transactions which go beyond the term of the MTFS. We recommend that the Council documents at least high-level longer-term planning assumptions and interactions, to ensure longer-term commitments and risks are fully understood and considered by members (Recommendation 1 and Insight 5).

VfM arrangements: Financial Sustainability (4)

Commentary

Due to the significance of the Council's longer term plans to its on-going financial sustainability, we have summarised below some key observations on the Council's capital strategy. Our observations relate to our responsibilities in respect of:

- the Council's arrangements to plan and manage its resources, and make informed decisions and properly manage its risks;
- the lawfulness of items of account; and
- whether items are appropriately accounted for and disclosed in the financial statements.

Overall RBWM capital strategy

- The Council's overall capital programme in recent years has been based around an assumption of future capital receipts, in particular from the Maidenhead regeneration programme.
- As set out in its budget papers, the Council has borrowed to fund its capital programme in advance of these capital receipts. The Council's total borrowings increased from £58.7m at 31 March 2014 to £234.2m at 31 March 2023.
- CIPFA noted a number of findings in their 2020 report relating to the capital programme, and assumptions on future capital receipts. The overall investment and regeneration plans (at the time, for £200m of investment, funded by capital receipts and grants over the period to 2035/36) had not been articulated in the Capital Strategy, and had not been appropriately reflected in consideration of affordability or in a Medium Term Financial Strategy. These issues were reflected in the qualification of our 2019/20 audit report in respect of financial sustainability. (Our audit report also included separate qualifications in respect of governance arrangements).
- As part of budget setting for 2020/21, a number of actions were taken including review and update of the MTFS for the issues noted by CIPFA, although with actions still required in respect of management of the capital programme. We reported significant weaknesses in respect of governance arrangements, including in respect of maintaining a sound system of internal control, and in respect of informed decision making and risk management.
- Our VfM commentary in the 2020/21 Auditor's Annual Report included observations on the level of longer term analysis considered in the approval of the Council's budgets. The report included recommendations for improvement in:
    - longer term financial planning and the interaction of capital expenditure, borrowing and proceeds from property disposals; and
    - the quantification of financial sustainability risks, including use of sensitivity analysis, in considering medium and long term sustainability of the Council.

VfM arrangements: Financial Sustainability (5)

Commentary

Maidenhead Golf Course development and assumed capital receipts

- The Council's capital planning for a number of years has assumed proceeds from the development of the Maidenhead Golf Course site. The proceeds from the development formed part of the assumptions for repayment of the Council's borrowing.
- In July 2016, RBWM and the Maidenhead Golf Club had agreed a surrender agreement for the lease the golf club held. This would enable RBWM to take back possession of the site and enable development.
- The Council's approach to development of the site was to do so with a joint venture partner. RBWM entered into a development agreement with Cala Homes in December 2018.
- As a long-term project, the proceeds from the development are sensitive to economic developments, changes in property prices, and changes in the planned size and structure of the development. A range of values have been projected for the project over its life reflecting these changes.
- At the point the Council entered into the agreement with Cala Homes, the projected proceeds for the Council were £205m. Following changes to the extent of the planned development, and movements in property valuations, the Council's current estimate of capital receipts from the project is £105m. The Council also anticipates receiving £9m of project management fees under its agreement with Cala Homes.
- The agreement with Cala Homes included a 'longstop' date of 31 August 2023, providing each of the Council and Cala Homes with the option to terminate the agreement if various requirements for proceeding with the project had not been met. If terminated, the Council would have needed to repay the £750k management fee it had received.
- In November 2022, the Council extended the longstop date to 31 December 2025. If the longstop date had not been extended, the Council could in principle have exited the agreement in August 2023. However, choosing to do so would have meant that the Council would not receive the planned capital receipts from the development, which are a material element of its overall financial strategy.
- The principal financial risk to the Council relating to the development is the risk that, if the project does not proceed, the Council will not receive the planned income from this project, which forms a material element of the Council's overall financial strategy and its plans for repayment of its borrowings. This risk is inherent to the Council participating in a development project (rather than making a land sale to a developer), and is not due to the Council's contractual arrangements with Cala Homes – the nature of a development project is that if the project does not proceed, the Council will not receive the income from the project.

VfM arrangements: Financial Sustainability (3)

Commentary

Maidenhead Golf Course development and assumed capital receipts (2)

- There has been on-going discussion and debate on the development, including in response to a public petition in July 2024. If a decision were taken to seek to stop the planned development, there would be potential legal risk from the Council breaching the contract it has entered into with Cala Homes. The Council's assessment, as set out in the papers to the 17 July 2024 Council meeting, is that:
  - The Council would need to repay £0.75m management fees received to date. (This would also be the case had the agreement terminated at the original longstop date).
  - The Council would forego the future income it had planned on receiving of £9m of project management fees and £105m of proceeds from land sales (based on the current estimates of proceeds). (This would also be the case had the agreement terminated at the original longstop date).
  - Cala Homes may seek to recover c£5m of planning fees incurred on the project.
  - Cala Homes may seek compensation for loss of profit from the Council's breach of the agreement.
- As noted on the previous page, the primary risk of not proceeding with the project is the loss of planned income because of this decision. If the Council chose to voluntarily breach its contractual arrangements with Cala Homes, then it could be subject to claims for repayment of costs incurred to date, or for loss of profits from this decision.
- As the Council intends to proceed with the development, it has concluded that the likelihood of a potential liability as a result of breaching the contract is remote. Therefore the Council has not recorded a contingent liability (or earmarked reserve) in respect of this.

Other developments and forecast capital receipts

- The Council has other developments and projects that are assumed to generate capital receipts in the coming years, including St Cloud's Way and Nicolson's Quarter. These plans had also included capital receipts from York Road, which is no longer proceeding.
- As noted above, the dependence of the Council's strategy on longer term projects means that these are sensitive to changes in economic conditions, costs of construction and the overall approved form of final developments, which can affect both the value and timing of proceeds (and so the Council's plans for timing of repayment of borrowings) (and can also affect the timing of any payments required by the Council over the course of the project). We have previously reported significant weaknesses in Council's governance of its capital programme, and made recommendations in respect of identification and quantification of risks to the financial plans (including consideration of sensitivity of forecasts and their impact on medium / long term financial sustainability), and over the Council's longer term financial planning and how this is considered by members. These form part of the significant weaknesses that we have reported in 2021/22 and 2022/23, as described on page 9 onwards.

VfM arrangements: Governance (1)

Approach and considerations	Commentary
We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including: • How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud; • How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed; • How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and.	The Council has a risk management policy and risk register that is reviewed and updated on a periodic basis. The council identified a need to review its risk management arrangements in the 2020/21 Annual Government Statement and a review was carried out by internal audit as part of their 2022/23 internal audit programme. This found: weaknesses in the arrangements to ensure that corporate risks were current and aligned to corporate objectives; limited evidence of regular reviews of risks at both strategic and operational levels; and staff and members were not properly supported by guidance in the risk management strategy or training. These findings were taken into account in us identifying a significant weakness in governance arrangements in respect of informed decision making and risk management. The Council has agreed a set of fraud policies, including an Anti Fraud and Anti Corruption Policy. The Audit and Governance Committee has oversight over counter fraud and corruption activities and received periodic reports from its internal audit providers in 2021/22 and 2022/23 on their counter fraud activities. The Audit and Governance Committee did not receive information to enable it to review the fraud risk profile and was not provided with information on estimated fraud losses. The Committee was provided with a summary of the planned internal audit activity but did not seek assurance over whether it was in line with the strategy and fraud risk profile. Internal audit carried out a baseline assessment of maturity in relation to fraud in October 2022 which concluded that there was no evidence that the council had made a proper assessment of its fraud and corruption risks or that these were considered in its risk management processes. We recommend the council considers what further information should be provided to enable the Committee to assess the overall performance of counter fraud activities. The CIPFA guidance on the preparation of the Annual Governance Statement also recommends that the council's assessment of the adequacy of counter fraud arrangements using the CIPFA counter fraud code is reported in the Statement. We recommend this is done before approval of the final version of the Annual Governance Statement in future (Insight seven). We note the Council has appointed a counter fraud provider from 2024/25. During 2021/22 internal audit carried out post assurance requirements of the funding department for a number of covid-19 grant schemes and did not report any significant issues to the Audit and Governance Committee. Cabinet received periodic budget updates on projected outturn position during 2021/22 and 2022/23.

VfM arrangements: Governance (2)

Commentary

CIPFA carried out a review of financial governance in 2019 which identified significant weaknesses which we referred to in our 2019/20 and 2020/21 reporting. Cabinet received a closure report in December 2021 confirming completion of the council's action plan in response to the issues raised in CIPFA's original report. We recommended in our 2020/21 Annual Auditors' Report that the council monitor the ongoing operation of new or changed processes and procedures and their effectiveness.

For example, the council's action plan included actions to improve the management of the capital programme including improved monitoring of the capital budget and the council concluded that these actions were complete. Our review of an example budget monitoring report found reporting on individual variances to be limited and insufficient to show that the reasons for slippage had been understood. The council reported slippage against its capital budgets for 2021/22 and 2022/23 of £42.0m (62% of the capital budget) and £54.9m (72%).

The first full year of compliance with the CIPFA Financial Management Code was 2021/22. To support the council in continuing to make improvements, we recommend the Audit and Governance Committee receive a report on the council's compliance with this Code and that the council report on the outcome of this review in its Annual Governance Statement. We recommend this is done before approval of the Annual Governance statement for future years (Insight six).

The council also received a closure report in 2021/22 on the completion of its action plan in response to recommendations in an independent report on the council's governance of the Berkshire Pension Scheme, as well as progress reports on the action plans reported in the Annual Governance Statements for 2020/21 and 2021/22.

The council made changes to its reporting on performance during the two-year period, with the Corporate Overview and Scrutiny panel taking over responsibility for scrutinising progress on delivery of the corporate plan (alongside regular performance updates through lead member briefing and making performance information more generally available to members and public). These arrangements were changed again in 2023/24 so that performance reports are now considered by Cabinet, as a group.

We also reported in our 2020/21 Annual Auditor's Report on the findings from a report from the Local Government Association corporate peer review process in January 2022 and update report in October 2022 which included recommendations for improvements in: performance management; the scrutiny process; the governance of the arms-length Council entities; and delivery arrangements for the council's transformation agenda.

Internal audit undertakes a risk-based programme of audits. The Audit and Governance Committee approves the annual Internal Audit Plan and receives updates at committee meetings throughout the year. The council appointed a new external provider with effect from 1 April 2022. This was on the basis of a finding in CIPFA's report on financial governance and reported as an area for improvement in the council's 2020/21 Annual Governance Statement. In the final year of the previous provider's appointment, the scope of internal audit activity was limited as it contained few full scope audits and few audits outside of the internal audit of core financial systems.

VfM arrangements: Governance (3)

Commentary

The new head of internal audit was able to provide only limited assurance on the council's management of risks and system of internal control in 2022/23. This was informed by limited or no assurance opinions on 12 (67%) individual audits in their 2022/23 internal audit programme. The council concluded in its 2022/23 Annual Governance Statement that the appointment of a new internal auditor had introduced a new level of scrutiny which had allowed the Council to identify gaps and weaknesses in its governance arrangements. We have concluded that weaknesses in arrangements to obtain assurance over the operation of internal controls during 2021/22 formed part of the significant weakness in governance arrangements during that year.

We reported in our 2020/21 Annual Auditor's Report on significant weaknesses in financial reporting arrangements which had resulted in material errors in the original version of the financial statements prepared during 2021/22, as well as the quality and timeliness of supporting information and explanations given in respect of the 2020/21 financial statements which had contributed to delays in completing the audit during 2021/22 and 2022/23. We also qualified those accounts as a result of a limitation of scope in relation to business rates as relevant reports had not been generated and retained during the closure process for the 2020/21 financial statements during 2021/22. The council has also needed to make material adjustments to versions of the 2021/22 and 2022/23 financial statements published for the exercise of public inspection rights to update for the carryover effect of errors identified and corrected in the 2020/21 financial statements.

We made recommendations to address control weaknesses and the Audit and Governance Committee received a report on the status of the council's implementation of these in November 2023. A number of actions had not been undertaken during 2021/22 and 2022/23 and were reported as being in progress still. In particular, in response to our recommendation to review the capability and capacity of the finance function to deliver a high-quality statement of accounts and supporting working papers and support the subsequent audit on a timely basis, the council reported that this recommendation was ongoing as the council had lost a number of staff who had been involved in the production of the 2020/21 statement of accounts and has had to back fill these positions with interim staff. We understand that the financial position of the Council and resource constraints in response to the budgetary position affected the ability to hire additional staff at that time.

We had also reported on significant control deficiencies in respect of the 2020/21 accounts relating to control account reconciliations, including a separate weakness identified in the bank reconciliation process. Officers' November 2023 update report to the audit committee reported that action on these recommendations was in progress, but was not clear about what gaps remained and the planned actions to close them. Following changes in the finance team, officers reported to full council in February 2024 that they had identified a significant backlog in balance sheet reconciliations which extended across 2023/24 and the two-year period now under audit and in bringing these reconciliations up to date had uncovered significant additional costs.

VfM arrangements: Governance (4)

Commentary

In implementing their responses to identified significant weaknesses, we recommend the audit committee improve its oversight of corrective action on financial reporting weaknesses by requesting that more frequent updates on progress are provided; challenging officers on the process undertaken to validate the information given in each update; requesting clearer reporting on whether actions have been retrospectively applied to all open years of account (and if not officers' assessment of the risk of not doing so and how that risk has otherwise been mitigated); and requesting greater clarity on remaining gaps and the further planned actions and target completion dates (Recommendation two).

Further comments are made on pages 14 to 18 in relation to the significant weakness reported in relation to financial reporting.

The progress the Council has made against the action plan for the 2020/21 Annual Governance Statement highlighted improvements in some areas but other actions were not implemented until 2022/23 or later or the council identified further action was needed to embed the changes which had been made.

The Council publishes and maintains its Constitution which details the structure and workings of the Council, including the rules and procedures under which it operates. The Constitution sets out who makes decisions, how they are made and the rights of citizens to obtain information and influence decisions. Relevant member and officer decisions are supported by structured reports which include the results of internal consultations on financial, legal and other considerations. Internal audit reported as part of their 2022/23 internal audit programme on the need for improvements to the recording of officer decisions.

The council has a dedicated audit committee - the audit and governance committee – which is responsible for ensuring there is sufficient assurance over governance, risk and control. Its terms of reference give the committee oversight over the internal audit plan, the external audit plan, the counter fraud plan and the outcome of this work. The committee had oversight of risk management. In addition to these core responsibilities, the committee also had wider responsibilities in relation to treasury management and capital strategy. The committee receives the annual governance statement including the scope and outcome of the annual review of effectiveness of the system of internal control. The constitution did not allow for the appointment of co-opted members during 2021/22 and 2022/23, but it was agreed in February 2023 to amend the constitution to allow for appointment of up to 2 independent members from 1 July 2023. CIPFA has issued recent guidance on audit committees and we recommend the Audit and Governance Committee receive a report on how the operation of the Committee compares to recommended practice and whether there are further improvements which can be made, including how the committee's terms of reference compare to the example terms of reference in the guide and oversight of implementation of internal audit recommendations where we noted scope for improvement (Insight eight).

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that includes our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed under the Code of Audit Practice.

The scope of our work

Our observations are developed in the context of our audit work.

We described the scope of our work in our reports to the Audit Committee.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Deloitte LLP

London | 13 December 2024

Appendix 1: Recommendations and insights (1)

We have summarised below the recommendations we have made in respect of significant weaknesses in the Council's VfM arrangements and Deloitte insights where there are opportunities to strengthen arrangements to secure economy, efficiency and effectiveness in the use of resources. These observations reflect the arrangements in place during 2021/22 and 2022/23.

For completeness, we have repeated the insights from our 2020/21 Auditor's Annual Report and have included a summary of the control recommendations we have reported to the audit committee in our reporting.

Recommendation 1

Arrangements for planning and managing finances

Observation – As documented on page 9 onwards, we have concluded that there is a significant weakness in the Council's arrangements in this area.

Recommendation – We recommend the Council:

- Continues with its plans to replace the existing care system with one which provides greater functionality and which supports the financial planning process and subsequent budgetary control;
- Increases oversight and challenge of the assumptions over future capital receipts;
- Provides greater detail in decision reports on key assumptions to support challenge;
- Issue guidance in relation to budget preparation, including checks to be performed on individual budget estimates;
- Implements previous external audit recommendations in relation to financial reporting as part of ensuring that the financial plans are established on the correct reported financial position;
- Provides information on officers' evaluation of financial risks, including sensitivity analysis and risk mitigation plans in decision reports on the budget/MTFS; and
- Implements the recommendations of the CIPFA Financial Resilience review, and related actions in the Council's Financial Improvement and Sustainability Plan.

Recommendation 2

Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control

Observation – As documented on page 13 onwards, we have concluded that there is a significant weakness in the Council's arrangements in this area.

Recommendation – We recommend:

- The council addresses the gaps in the capability and capacity in the finance function (including the capability and capacity to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit). This should include ensuring that there is sufficient capacity and capability to respond to audit queries during the audit period, as well as to ensure reliable in year reporting and operation of effective accounting control processes, and to address the other recommendations made.
- The council continues to progress actions to address other control recommendations we have reported for both the Authority and Pension Fund.
- The Audit and Governance Committee strengthens its oversight of corrective action taken in response to internal and external audit recommendations.

Appendix 1: Recommendations and insights (2)

Recommendation 3
Governance arrangements in respect of informed decision making and risk management

Observation – As documented on page 17 onwards, we have concluded that there is a significant weakness in the Council's arrangements in this area.

Recommendation – We recommend the Council:

- Completes the implementation of implementation of the council's action plan to respond to independent reviews of financial and wider governance, and thereafter ensures on-going maintenance and monitoring of the operation of the new processes and procedures; and
- Carry out a review of the council's compliance with the CIPFA Financial Management Code and report on the results in the Annual Governance Statement.

Insight one:

Documentation of arrangements about funds held on behalf of other entities
The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership. In 2020/21, the Council used cash to fund Council capital expenditure rather than borrowing from other sources (while recognising amounts due to other entities as borrowings in the financial statements).

We recommend the Council puts in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements.

(Previously reported in our 2020/21 Auditor's Annual Report)

Appendix 1: Recommendations and insights (3)

Insight two:

Monthly management accounts process

The Council's management accounts process and monthly monitoring is focussed on net outturn (rather than review of income and expenditure values against budget, or of the balance sheet and cashflow movements in the period). Although this approach is common in local government, this means that the review processes are less able to detect fraud or error, and we do not consider this to be in line with best practice.

We recommend management consider implementing a full monthly management account process, with review against budget for income and expenditure by type, and review of the balance sheet position. This may require consideration of which accruals processes are appropriate to operate each month (or quarter), and which are appropriate as annual processes.

(Previously reported in our 2020/21 Auditor's Annual Report)

Insight three:

Accounts inspection process

In relation to public inspection period for the accounts, the Council did not fully comply with the Local Audit and Accountability Act 2014 (Regulation 15) as it did not include its Annual Governance Statement (AGS) within the draft financial statements when uploading the document on its website – the Annual Governance Statement was separately published in committee papers.

We recommend that Council ensures the AGS is included within the draft financial statements when it is made available for public inspection on the website.

We also note that, although the Council is only required to publish notice of the inspection period on its website, the Council may wish to consider whether other notice mechanisms could improve accessibility for members of the public who may not have internet access.

(Previously reported in our 2020/21 Auditor's Annual Report)

Appendix 1: Recommendations and insights (4)

Insight four:

Quantification of financial sustainability risks

The Council's financial planning process includes identification of risks to the financial plan. Where risks have been identified by the Council in relation to financial sustainability, these have not been quantified. We recommend that management consider whether the extent of quantification and sensitivity analysis used in financial planning and approval, to support consideration of their potential impact on the medium/long term financial sustainability of the Council.

(Previously reported in our 2020/21 Auditor's Annual Report. This now forms part of Recommendation 1 in respect of arrangements for planning finances. We understand the Council's budget monitoring now includes a risk log with quantification on in year items.)

Insight five:

Longer-term financial planning

The Council's consideration of its financial commitments and of the interaction of capital expenditure, borrowing, and proceeds from property disposals, requires consideration of transactions which go beyond the term of the MTFS. We recommend that the Council documents at least high level longer-term planning assumptions and interactions, to ensure longer-term commitments and risks are fully understood and considered by members.

(Previously reported in our 2020/21 Auditor's Annual Report. This now forms part of Recommendation 1 in respect of arrangements for planning finances)

Appendix 1: Recommendations and insights (5)

Insight six:

Review of compliance with the CIPFA Financial Management Code

The first full year of compliance with the CIPFA Financial Management Code was 2021/22. To support the council in continuing to make improvements, we recommend the Audit and Governance Committee receive a report on the council's compliance with this Code and that the council report on the outcome of this review in its Annual Governance Statement. We recommend this is done before approval of the Annual Governance statement for future years.

Insight seven:

Reporting on counter fraud arrangements

The CIPFA guidance on the preparation of the Annual Governance Statement also recommends that the council's assessment of the adequacy of counter fraud arrangements using the CIPFA counter fraud code is reported in the Statement. We recommend the council considers what further information should be provided to enable the Committee to assess the overall performance of counter fraud activities, and that the Committee should consider the adequacy of counter fraud arrangements before approval of the final version of the Annual Governance Statement in future.

We note the Council has appointed a counter fraud provider from 2024/25.

Appendix 1: Recommendations and insights (6)

Insight eight:

Review of Audit and Governance Committee terms of reference

Following CIPFA guidance on recommended practice for audit committees, and in the Council's current context, we recommend reviewing how the terms of reference and operation of the Audit and Governance Committee compares to CIPFA guidance. Areas to consider in respect of the terms of reference include the committee's role in monitoring progress in implementing recommendations, and in monitoring arrangements and preparations for financial reporting to ensure that statutory requirement and professional standards can be met.

We recommend reporting the results to the Audit and Governance Committee and summarising in the Committee's annual report to Full Council.

Appendix 1: Recommendations and insights (5)

Control findings reported to the Audit Committee

We have reported internal control and risk management findings, and recommendations to address them, in our reports to the Audit & Governance Committee.

Control recommendation	Year first communicated	Priority
Quality of draft financial statements	December 2019	High
Maintenance of debtors listing (Council Tax and business rates)	November 2023	High
Accounts closure	December 2019	High
Capacity and capability in the finance function and other functions to support the financial reporting and close process	November 2023	High
Missing declaration of interest forms	November 2023	High
Journal controls review audit trail	December 2019	High
Review of completeness of Investment properties valued by Valuers	March 2023	High
Trial balance and financial statements preparation	September 2022	High
Review of property valuation reports	December 2019	High
Review of capital spending classifications	September 2022	High
Review of information provided to property valuation experts	September 2022	High
Preparation of accounting papers	September 2022	High

Appendix 1: Recommendations and insights (6)

Control findings reported to the Audit Committee

Control recommendation	Year first communicated	Priority
Assessment of impairment of receivables and loans	November 2023	Medium
NNDR debtor and appeals provisioning	November 2023	Medium
Taxation debtors provisioning	November 2023	Medium
Redundancy provisions	November 2023	Medium
Monthly management accounts review process	November 2023	Medium
Review of Covid-19 grants	November 2023	Medium
Fixed asset system (review of fixed asset system and report set up protocols)	September 2022	Medium
Consideration of sale of assets (Nicholson's Shopping Centre valuation)	September 2022	Medium
Public approval of transfer of assets to RBWM Property Company Limited	September 2022	Medium
Balance sheet reconciliations review controls	November 2023	Medium
Reclassification of assets under construction when the assets are completed	December 2019	Medium

Appendix 1: Recommendations and insights (4)

Control findings reported to the Audit Committee

Control recommendation	Year first communicated	Priority
Ledger structure and preparation of the CIES and reserves notes not structured to support the requirements of the financial statements.	September 2019	Medium
Documentation of arrangements about funds held on behalf of other entities.	November 2023	Medium
Review of Capital additions during Capital Review Board meetings and approval by Cabinet.	November 2023	Medium
Lack of audit trail for the review of pension reports.	November 2023	Medium
Those in charge in governance lack significant influence over financial reporting internal controls	November 2023	Medium
Recording of accruals and payables in the general ledger	November 2023	Medium
User Access reviews	November 2023	Medium
Agresso application passwords configurations	November 2023	Medium
Change management	September 2022	Medium
Compliance with LAA2014 (Regulation 15)	September 2022	Medium
Controls over the calculation of the Capital Financing Requirement disclosure	December 2024	Medium

Appendix 2: Council’s responsibilities

Public bodies spending taxpayers’ money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer, as Section 151 Officer of the Council, is responsible for the preparation of the Council’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting. In preparing the Statement of Accounts the Chief Financial Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The Chief Financial Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for tax payers, regulators and stakeholders to assess the Council’s performance, business model and strategy.

The Chief Financial Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Chief Financial Officer has applied the ‘continuing provision of services’ approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The Chief Financial Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council’s resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is legally required to publish its draft Statement of Accounts and the Annual Governance Statement by 30 September each year, even if the audit of the preceding year has not been completed. The Council met this requirement for 2021/22 and 2022/23.

The Accounts and Audit (Amendment) Regulations 2024 establish a backstop date by which the Council is required to publish its Statement of Accounts (other than in specific circumstances). The next statutory backstop date is 27 February 2025 for the 2023/24 Statement of Accounts.

Appendix 3: Auditor's responsibilities

Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in November 2024, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the 2024 Code of Audit Practice, our work for 2021/22 and 2022/23 has only considered arrangements in respect of two reporting criteria (financial sustainability and governance), in line with the national requirements for audits affected by the backstop arrangements.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

Auditor's responsibilities for the audit of the financial statements

Where it is not possible to complete the audit of the financial statements by the relevant "backstop" date established by the Accounts and Audit (Amendment) Regulations 2024, the auditor is required to issue an audit opinion with a limitation of scope or with a disclaimer of opinion (depending on the extent of assurance it is possible to obtain by that date.

A description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is: about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- issue a report in the public interest.