

# **Audit, Governance & Standards Committee**

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Thursday, 27th January,  
2022

## **MINUTES**

### **Present:**

Councillor Jennifer Wheeler (Chair), and Councillors Salman Akbar, Tom Baker-Price, Luke Court, Julian Grubb, Emma Marshall, Timothy Pearman and David Thain

### **Also Present:**

Councillor Mike Rouse – Portfolio Holder for Finance and Enabling (via Microsoft Teams)  
Jackson Murray - Engagement Lead for Grant Thornton

### **Officers:**

Andy Bromage, Claire Felton and James Howse.

### **Democratic Services Officers:**

Jo Gresham

## **27. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillor Juliet Brunner.

## **28. DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

## **29. MINUTES**

The minutes from the previous meeting of the Audit, Governance and Standards Committee held on 28<sup>th</sup> October 2021 were

Chair

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submitted for Members' consideration. During consideration of this item the scheduling of the Recruitment of the Independent Member item was queried by some Members. It was confirmed that at the last meeting held in October 2021 it was agreed that the item would be considered at the Committee meeting due to be held in April 2022. It was also confirmed that the item was included on the Committee's Work Programme.

Councillor Jenny Wheeler welcomed Councillor David Thain to the Committee.

## **RESOLVED that**

**The minutes from the meeting held on 28<sup>th</sup> October 2021 were a true and accurate record.**

### **30. PUBLIC SPEAKING**

There were no registered public speakers on this occasion.

### **31. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

The Head of Legal, Equalities and Democratic Services presented the Monitoring Officer's report for the Committee's consideration and in doing so highlighted the following:

- There had been no new Member complaints received since the last meeting of the Committee and there were non-ongoing.
- Significant progress had been made in implementing a pan-Worcestershire New Model Code of Conduct and that an update would be provided to the Committee at the meeting scheduled for 14<sup>th</sup> April 2022.
- In light of the removal of Plan B Guidelines, the Council continued to take a risk assessed approach to Council meetings and thanked Members for their continued support in this area.

## **RESOLVED that**

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**The Monitoring Officer's report be noted.**

## **32. GRANT THORNTON - SECTOR UPDATE**

The Engagement Lead for Grant Thornton provided Members with the Sector Update report for the consideration of Members. In doing so Members' attention was drawn to the following:

- The Financial Reporting Council published its annual reports in October 2021. It was explained that the Financial Reporting Council were the 'Auditor of the auditors' and reviewed nine of Grant Thornton's audits for the financial year 2020/21. Of the nine audits that were reviewed; six files were graded as 'Good' and three as 'Improvements Required'. None of the files that were reviewed were graded as 'Significant Improvements required'. In addition to this Members were informed that in respect of Value for Money work carried out, a high standard of delivery continued and of the six reviews undertaken by the Financial Reporting Council all were graded as 'Good with Limited Improvements'.
- The Quality Assurance Department (QAD) team from the Institute of Chartered Accountants in England and Wales (ICAEW) carried out annual reviews of non-major local audits. The five Grant Thornton audits reviewed by the ICAEW for the financial year 2020-21 were all found to be 'Satisfactory/ Generally Acceptable'.
- The importance of Public Interest Reports (PIRs) in order to understand the issues facing Local Government following a difficult two years as a result of the Covid-19 pandemic.

The Chair thanked the Engagement Lead for Grant Thornton for a straightforward report.

**RESOLVED that**

**The Grant Thornton Sector Update report be noted.**

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## 33. GRANT THORNTON - ANNUAL AUDIT LETTER 2019/20

The Engagement Lead for Grant Thornton presented the Annual Audit Letter for 2019/20 to the Committee and in doing so Members' attention was drawn to the following:

- The Annual Audit Letter 2019-20 summarised the key findings arising from the work carried out by Grant Thornton to the year ending 31<sup>st</sup> March 2020. It was explained that this was a public facing document that was available to relevant stakeholders.
- An unqualified opinion was given on the Council's financial statements on 8<sup>th</sup> November 2021. Included in this opinion was an emphasis of matter paragraph regarding the property and land valuations. It was confirmed that this issue had been reported to Members at the last meeting of the Committee and was in respect of a small piece of land that had been sold but had not been included in the Fixed Asset Register (FAR). It was reiterated to Members that the relevant officers had provided Grant Thornton with appropriate assurance that this was an isolated occurrence. Members were concerned about this conclusion; however, they were reassured that this was an anomaly and that it was hoped that next year's working papers would be of a higher quality in order to inform the audit.
- A Variation of Fees had been proposed by Grant Thornton as a result of the extra work that had been undertaken. It was reported that the proposed fee for the year ending 2019/21 was £76,379. This variation had been submitted to the Public Sector Audit Appointments (PSAA) to be reviewed. Further information was provided to Members regarding the variation of fees and the Committee was informed that an additional £8k had been included in the fees which was to cover the extra work and time that been necessary due to the Covid-19 pandemic and associated lockdowns. Some Members were interested in what the 'New accounting standards' fee related to. It was explained that these were fees that had been introduced as a result of the proposed implementation of IFRS16. Although the

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implementation IFRS16 had now been postponed until 2023-24, preparatory work had been carried out by Grant Thornton which had resulted in necessity to include in the £1.5k to cover this work.

- The draft Statement of Accounts for 2020-21 were expected by 31<sup>st</sup> March 2022 and it was acknowledged that this could potentially mean that the final Statement of Accounts would be almost a year later than outlined in the External Audit Plan 2020-21.

During the discussion Members concluded that this had not been a normal year in which to carry out an audit and thanked officers for their hard work. It was noted by the Chair that, it was hoped that, as a result of the new Enterprise Resource Planning system the future working arrangements for external audits would be more efficient and that this would result in fewer costs. This was reiterated by the Executive Director of Resources who stated that he hoped that for future audits the quality of papers would drive the timeline for the audit which should result in the costs being lower.

## **RESOLVED that**

**The Grant Thornton Annual Audit Letter 2019/20 be noted.**

### **34. DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PSAA**

The Executive Director of Resources presented the report in respect of the Decision to opt into the National Scheme For Auditor Appointments Managed by PSAA. He reported that Members were being asked to vote on the recommendation included in the report, which was, to accept the invitation to opt into the sector-led option for the appointment of external auditors for a period of 5 years from 2023. It was confirmed that there were other options that Members could consider if they so wished. This included procurement of their own auditor rather than a PSAA appointed auditor which would require additional resource.

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It was stated to Members that some of the information included in the report was from the Local Government Association (LGA) who, it was noted, strongly supported the PSAA option. In addition to this the following was highlighted for Members' consideration:

- Quality vs price – although it was acknowledged that were the Council to procure an auditor outside of the National Scheme for Auditor Appointments it may result in lower costs however the quality of the audit would also likely to be lower, particularly as there was a limited supply of auditors who were experienced in carrying out audits at Local Authorities. Members agreed that the level of quality was hugely important and therefore accepted that this could result in higher fees, regardless of procurement route. However as clarified by the Executive Director of Resources, given the bulk buying power of the National Scheme for Auditor Appointment, a quality audit procured in this way is likely to be more cost effective.

## **RECOMMENDED that**

**the Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for a procurement period of five financial years from 1 April 2023 (that is to say from 2023/24 to 2027/28) be accepted.**

## **35. INTERNAL AUDIT PROGRESS REPORT**

The Committee received the regular Internal Audit Progress report from the Head of Worcestershire Internal Audit Shared Service. It was explained that this report was for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> December 2021 against the performance indicators agreed.

During the presentation of the report the following was highlighted for Members' attention:

- Four reviews, including General Data Protection Regulations (GDPR) and Worcester Regulatory Services, had been

completed since the last meeting of the Committee in October 2021. Two reviews, Budget Monitoring and Benefits, were at clearance stage.

- One high priority recommendation had been identified as part of the GDPR review. This recommendation was in respect of the two-factor authentication for third parties who were not internal employees of Redditch Borough Council. Members were very keen to get this high priority recommendation addressed as soon as possible due to the high level of associated risk. It was reported that this was identified in November 2021 and was being followed up by the Data Protection Officer who was working on appropriate mitigations in this area. It was also confirmed to Members that all recommendations were appropriately monitored however it was noted that there had been some slippage in this instance however there would be further updates provided in February and March 2022.
- A nationwide cyber issue, LOG4J, had been experienced late in 2021 which had not been included in the review. It was considered to be a potential security threat. It was clarified to Members that this threat was not specific to Redditch Borough Council and that many organisations had experienced this cyber issue.

At the end of the report the Chair thanked the head of Internal Shared Service for his thorough report.

**RESOLVED that**

**The Internal Audit Progress Report be noted.**

**36. RISK CHAMPION UPDATE - COUNCILLOR BAKER-PRICE**

During the Risk Champion update, Councillor Baker-Price highlighted to Members what the potential risks over the coming year might be to the Council. These were as follows:

- Pressure of inflation – this would be a risk that presented itself for this and future years.

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- Changes to the rules on borrowing for Local Authorities.
- Training for Members – due to the changes in rules from Chartered Institute of Public Finance and Accountancy (CIPFA) it was important that Members understood any new changes and that in order to better understand this he felt that Audit, Governance and Standards training would be necessary. The Executive Director of Resources agreed with this and undertook to work with officers in order to get this underway.

**RESOLVED that**

**The Risk Champion Verbal Update be noted.**

## **37. COMMITTEE WORK PROGRAMME**

The Senior Democratic Services Officer present confirmed that any additional items that had been identified by Members during the course of the meeting, would be added to the Committee's Work Programme.

**RESOLVED that**

**the contents of the Committee's Work Programme be noted.**

The Meeting commenced at 7.00 pm  
and closed at 8.17 pm