

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

## **MINUTES**

### **Present:**

Councillor Juma Begum (Chair), Councillor Andrew Fry (Vice-Chair) and Councillors Imran Altaf, Tom Baker-Price, Michael Chalk, Luke Court, Sharon Harvey and Timothy Pearman

### **Also Present:**

Councillor Karen Ashley – Portfolio Holder for Finance and Enabling  
Jackson Murray – Engagement Lead for Grant Thornton (on Microsoft Teams)

### **Officers:**

Andy Bromage (on Microsoft Teams), Peter Carpenter, Claire Felton (on Microsoft Teams) and Michelle Howell

### **Democratic Services Officers:**

Mat Sliwinski

#### **54. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received from the Feckenham Parish Council Representative, Hugo Hammersley (co-opted member).

#### **55. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **56. MINUTES**

The minutes of the Audit, Governance and Standards Committee meeting held on 26<sup>th</sup> January 2023 were submitted for Members' consideration.

Chair

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**RESOLVED that**

**the minutes of the Audit, Governance and Standards Committee meeting held on 26<sup>th</sup> January 2023 be approved as a true and correct record and signed by the chair of the meeting.**

**57. PUBLIC SPEAKING**

There were no public speakers who had registered to speak in advance of the meeting.

**58. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

The Head of Legal, Democratic and Property Services presented the Monitoring Officer's report and in doing so reported that complaints from Members regarding other Members' use of social media had continued and the situation was not improving. It was suggested that an item on elected members' social media complaints should be included on the agenda at the first Committee meeting in the new municipal year.

It was noted that Member Support Steering Group had continued to meet since the last meeting of the Committee and most recently met on 22<sup>nd</sup> March 2023. It was also reported that a suite of training was being prepared for Members and invitations to these training events would be sent out after the elections.

Following the presentation, Members discussed the need for training sessions on code of conduct to be provided on regular basis in the new municipal year. Members also suggested that all elected members should be required to attend such training. Concern was also expressed that offensive and inappropriate social media comments posted by Councillors represented a reputational damage to the Council.

Some Members commented that the effectiveness of members' standards and code of conduct training needed to be reviewed, both in terms of frequency and content, to ensure that such training addressed up-to-date issues and was effective in driving positive behaviour change. It was further suggested that the Council's code of conduct be reviewed to effectively address recommendations of the recent Local Government Association (LGA) Peer Review.

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

**59. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT  
- STANDARDS REGIME**

As the Feckenham Parish Council Representative had submitted his apologies, there was no update presented to the Committee.

**60. SUBMISSION OF STATEMENT OF ACCOUNTS - VERBAL  
UPDATE**

The Head of Finance and Customer Services provided an update on submission of 2020-21 Statement of Accounts. It was reported that information for periods 1-10 and period 11 up to the 7<sup>th</sup> February of the financial year 2020-21 that had been transferred from the old eFin system into the new TechOne finance system after the system change on 8<sup>th</sup> February 2021 had not been fully documented at the time. This included screenshots or a record of transactions derived directly from the old system and on the new system on day one. Furthermore, there was no audit trail of the standing and transactional data as of when the old Civica system was being decommissioned (the last day) and of the starting point when the new TechOne finance system was introduced. Instead, this data was recorded in spreadsheets. As such evidence for the periods 1-10 of 2020-21 and for when the finance system was replaced had to be backtracked.

It was reported regarding the 2020-21 Statement of Accounts that the external auditor had to be satisfied with the data take-on balances before full audit of the Accounts could take place. It was anticipated that due to this the Accounts would be submitted to the auditors in late April and the main audit work would commence in July 2022.

Officers reported that work had begun on the 2021-22 Statement of Accounts but further progression depended on the outcome of audit work of 2020-21 Accounts. It was noted that training sessions on end-of-year closure and other finance aspects were available for Officers (requisitioners and managers) and attendance at those training sessions was high.

It was noted that the 2022-23 Ledger Book was to close on 28<sup>th</sup> April 2023 and an outturn report would be taken before the Executive Committee in July.

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Following the update, several questions were asked of Officers and the External Auditor to which the following answers were provided:

- The External Auditor reported that deficiencies would be reported around data take-on as the original transfer of data from the old to the new finance system did not take place correctly and now necessitated Officers having to recreate the evidence trail.
- Due to considerable additional work expected around the audit of finance system data migration, a significant variation to the audit fee for 2020-21 Accounts was expected. It was reported that the external auditor's proposed variation to the audit fee would be submitted to the Public Section Audit Appointments (PSAA) panel before the fee would be determined.
- For 2019-20 Accounts, the Council's audit fee amounted to an additional £20,000 above the standard fee.
- Officers reported that determination of the amounts in reserves for the 2020-21 Accounts period remained to be agreed with the auditor as did the amounts going into suspense. It was reported that difficulties were also expected in deriving transactional samples for auditing.
- The External Auditor noted that the auditors became aware of additional work required in auditing 2020-21 Accounts in Autumn 2022
- Officers had worked on rectification of 2020-21 Accounts issues for 2-3 months in August-October 2022 in parallel with work on rectification of the cash receipting module, which was now resolved.
- Members sought assurance that the Council would not be the last in the country to sign-off 2020-21 Statement of Accounts. It was reported that in total there were around 20 other local authorities which had not finalised 2020-21 Accounts yet.
- Mandatory suite of training was being delivered for managers in the Council around financial awareness and budget process. It was reported that training provision was needed to improve finance skills in the authority.
- The Council remained the only local authority in the Country using the TechOne cash receipting module.

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The Committee received the Internal Audit Progress Report from the Head of Worcestershire Internal Audit Shared Service. The report before the Committee summarised progress made against the delivery of the Internal Audit Plan 2022/23 up to 31<sup>st</sup> January 2023. Members were advised that Appendix 2 to the report provided a complete overview of the Plan.

It was noted that since the last Committee meeting, two internal audit reports on Debtors and Main Ledger had been finalised. The recommendations arising from these two reports had been acknowledged by Council's management. Another review into Workshop Licensing Compliance had now been cleared and it would be reported at the next Committee meeting.

It was reported that National Fraud Initiative (NFI) data set uploads were completed on time and results of these data matches were now being received by the various Service areas.

A complete overview of the follow-up review programme undertaken during 2022-23 was provided at Appendix 4, which enabled Members to take a holistic view of the internal audit programme.

It was reported that meetings on the finance system between the Head of Worcestershire Internal Audit Shared Service and the Council's Head of Finance had continued in order to monitor progress on rectifying issues.

Two final internal audit reports relating to Core Financials were included in the agenda pack documents, which related to General Ledger 2022-23 and Accounts Receivable. It was highlighted that Accounts Receivable received limited assurance and assurance could not be provided with regards to General Ledger at the current time due to a backlog in submissions of the Statements of Accounts and a backlog with resolving reconciliations and finance system data transfers. The Interim Director of Finance commented that he agreed with the internal audit's assessment and noted that assurance could not increase until the backlog was remedied.

Following the presentation, Members queried what the bus operator grant related to and it was explained that this represented audit returns for a County Council grant that was spent on fuel for the Council fleet, including dial-a-ride and other Services using vehicles. The purpose of the audit was for assurance to be gained

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that funds were being spent to make vehicles and operations fuel efficient and that fuel consumption figures were reported accurately.

Some Members asked, in relation to a follow-up internal audit report on GDPR-Document Retention, about the printing from home policy and Docmail. In particular they questioned whether the ICT policy with regards to home printing had now changed and those who had access and used home printing on work devices were now unable to print at home. Officers undertook to contact the ICT Manager and the Head of Transformation and Organisational Development and report back to Members on this matter.

In response to a question relating to the need for further follow-up audit of GDPR-Document Retention, it was reported that one recommendation from that audit was fully implemented and a further two were partially implemented. Progress on implementation of these recommendations would be reviewed in July. It was further noted that reviews of Core Financials would be finalised before the next Committee meeting.

Officers concluded by stating that it was anticipated that the 2023-24 Internal Audit Plan would be presented to the Committee in June/July 2023.

**RESOLVED that**

**the report be noted.**

## **62. ACCOUNTING POLICIES REPORT**

Members were informed that the Accounting Policies report before the Committee provided details of the financial and budget policy framework under which the Council operated and as was set out in the Council's constitution. Financial procedure rules were provided at Appendix B. In addition, it was reported that as Redditch and Bromsgrove Councils shared their service arrangements and had both been served with Section 24 Notice for non-delivery of 2020-21 Statement of Accounts, a final report undertaken by the Bromsgrove District Council Audit Task Group into the issuing of Section 24 Statement at Bromsgrove was provided for Members in the agenda document pack.

It was deemed necessary for updates on Accounting Policies to become a standard item at Audit, Governance and Standards Committee meetings in order to facilitate Members' assurance

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around Council's financial governance arrangements. It was further noted that internal finance team protocols were included in the agenda document pack, and these documents defined performance expectations of the Council's service areas. It was noted that training staff to appropriate level, especially in purchasing and invoicing, was essential. Currently training was provided for staff, particularly in finance, around closure of accounts and staff interest in this training meant four separate sessions had been arranged.

Members were informed that six Audit, Governance and Standards Committee meetings would take place in 2023-24 which would enable Members to be updated on each of the key financial legislative deliverable. This would result in Committee receiving oversight of all financial aspects of the Council.

Officers reported that of the Government Returns that the Council was required to submit, the Revenue Outturn Estimates remained a significant risk until the draft 2020-21 Accounts had been submitted. At this point the 2020-21 RO forms could be produced. It was noted that most other Government Returns were now being completed on time; the timely and accurate completion of those returns, however, needed to be embedded within the organisation.

Following the presentation, some Members commented to the effect that recommendations of the Bromsgrove District Council Audit Task Group were logical and sensible. It was suggested in that respect that joint work of the audit committees at Bromsgrove and Redditch could be undertaken, provided that joint overview and scrutiny had been undertaken in the past by the two Councils.

An amendment to the recommendations as proposed in the report was put forward by Councillor Fry. This included a change to recommendation 4 to read that any improvements arising from the recommendations in the Bromsgrove District Council Audit Task Group Report into the issuing of the Section 24 Statement be adopted by the Executive Committee, and an inclusion of an additional recommendation that a formal note of thanks be sent to the Bromsgrove District Council Audit Task Group by the Executive Committee. This amended recommendation was seconded by Councillor Baker-Price.

Members continued to debate this report, made a number of suggestions and asked a number of questions, to which the following responses were provided:

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- With regards to implementation of the TechOne Enterprise Resource Management (ERP) system it was stated that an investigation by the Bromsgrove Audit Task Group showed that the staff who carried out its implementation did not have the necessary skillset to carry out this project. Not enough consideration of this was given by Officers responsible for decision-making at the time. It was added that many members of finance staff were put under significant stress in simultaneously undertaking the implementation and completing their 'day' jobs, which was a contributing factor to many members of finance staff leaving the organisation.
- It was reported that investigation of the Bromsgrove Audit Task Group revealed other failures in the implementation of the TechOne system:
  - It was not realised before agreement was made that TechOne did not have a cash receipting solution in place and instead the company intended to develop this jointly with the Council during implementation phase.
  - Issues with the new finance system, for example with cash receipting module, were reported by staff but were not being escalated at senior officer level.
  - There were instances where programme actions were reported in the minutes of senior officer meetings as completed but which did not actually take place.
  - There was a lack of a Programme Board, approved by the Corporate Management Team, which would monitor the implementation of the finance system.

Some Members asked why TechOne did not take part in the review carried out by the Bromsgrove Audit Task Group, and it was suggested that this was due to conflict of interest that participation in the review would present for the company.

Members queried the reasons why most finance staff members who implemented the system transfer on 8<sup>th</sup> December 2021 subsequently left the organisation and it was explained that the vast majority of those who left did so because of stress caused by the initial stages of implementing the TechOne ERP system. Those who left were key members of staff who had the knowledge of how the system worked and this knowledge had been lost when they left.

It was highlighted that most features of the TechOne system worked to a good standard and it outperformed competitors in some features.



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Following discussion, the amended set of recommendations as proposed by Councillor Fry was put to the vote and was carried.

## **RESOLVED that**

- 1) the Accounting Policies being used their Source and associated Governance Arrangements be noted.**
- 2) the Accounting Policies report be considered at each Audit, Governance and Standards Committee meeting to alert Members to possible no compliance issues.**
- 3) Bromsgrove District Council Audit Task Group Report into the issuing of the S24 Statement be noted.**

## **RECOMMENDED that**

- 4) any improvements arising from the recommendations in the Bromsgrove District Council Audit Task Group Report into the issuing of Section 24 Statement be adopted by Executive.**
- 5) a formal note of thanks be submitted to the Bromsgrove District Council Audit Task Group.**

## **63. ACTUARIES REPORT - PENSIONS FUND**

The Interim Director of Finance presented a report on the latest Worcestershire Pension Fund revaluation, which took place in 2022, and in doing so reported that this triannual revaluation resulted in a significant saving to the Council's base budget for the next three years. The saving represented the largest item of saving in the Council's Medium Term Financial Plan (MTFP) for 2023-24 to 2025-26.

It was estimated in the 2022 Actuarial Valuation that the Pension Fund's assets stood at £126.9m and its liabilities at £132.0m, which represented a deficit of £5.1m. This was an improvement of £15.2m on the deficit position of £20.3m in 2019. Based on the employer's future rate of payment into the fund of 19.6 per cent of salary levels, it was predicted that the present deficit would be cleared within twelve-year period and deficit contributions would cease in the 2035-36 financial year.

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It was reported that for Redditch Borough Council there were 355 active members of the Pension Fund, a reduction of 34 from the 2019 figure, 677 deferred pensioners, a reduction of 19 from the 2019 figure, and 864 pensioners and dependents, an increase of 77 from the 2019 figure.

Concern remained about the number of active members of the Pension Fund within the Council as the average age of staff was forty-nine. There was a possibility that many current employees could leave before they reached retirement age which would increase the Council's liability as Pension Fund payments were based on the number of active members.

Following the presentation of the report, Members made a number of observations and asked a number of questions, which were answered as follows:

- It was explained that active members were defined under the pension fund as those still employed by the Council and paying pension fund contributions, deferred members as those who were employees of the Council at some point and who had not yet drawn on their pension pot. A member of the scheme could access their pot from the age of 55, however, only 55 per cent of the full pension value as a lump sum.
- Officers provided reassurance that the figures provided took into account the possibility of deferred members over 55 accessing their pension pot at any time.
- The overall 19.6 per cent contribution of the Council to the Worcestershire Pension scheme represented a significantly greater contribution amount than those for pension funds in the private sector and meant that the Council as an organisation contributed 19.6 per cent and individual members up to 12 per cent to each member's overall pension contribution.
- Some Members commented that the Funding Level of the Worcestershire Pension scheme of 96.1 per cent represented an impressive figure. The Members concerned queried whether each organisation's assets and liabilities within the overall Pension Fund Scheme were demarcated.
- Officers responded that this was the case, and thus the Redditch Borough Council's pension assets and liabilities were demarcated from those of other councils within the Worcestershire Pension Fund scheme.
- It was noted that currently the Worcestershire Pension Fund scheme was outperforming many other schemes.

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**RESOLVED that**

**the Background to the reductions in budget, and associated assumptions from the 31<sup>st</sup> March 2022 Actuarial Valuations be noted.**

**64. RISK CHAMPION UPDATE**

The Council's Risk Champion, Councillor Baker-Price, provided a risk update and in doing so reported that on the day of the first Audit, Governance and Standards Committee meeting of the new municipal year, training on risk would be provided to Members of the Committee with matters including the Council's risk appetite to be discussed.

The Council's Risk Champion commented that risk and its management should be one of the first items on the Committee's agenda as it would enable Members to discuss this in more detail at each meeting.

Committee Members were again encouraged to look at the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond Review) from 2020 as well as the more recent review undertaken by the House of Commons Committee of Public Accounts into the Local Government Finance System published in February 2022. Both reviews highlighted national themes with regards to where local government audit function could be improved.

It was highlighted that the Committee would hold six meetings in the municipal year 2023-24.

**RESOLVED that**

**the Risk Champion Update be noted.**

**65. COMMITTEE WORK PROGRAMME**

The Interim Director of Finance provided a provisional list of standing items that could be considered as part of agendas at Committee meetings in 2023-24, and the order in which they should preferably be considered. The list was as follows:

1. Monitoring Officer's Report – Standards Regime

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2. Feckenham Parish Council Representative's Report - Standards Regime
3. Risk Report
4. Accounting Policies Update
5. Risk Champion Election (update at subsequent meetings)
6. Update on submission of Statement of Accounts for 2020-21, 2021-22 and 2022-23.
7. Internal Audit Plan (Progress Report at subsequent meetings)
8. Budget Book (at first meeting of 2023-24)

Members were in agreement that the list represented a sensible proposal as to the items which should be included on the agendas of Audit, Governance and Standards Committee meetings. Members commented that reports on risk should be considered at the beginning of each meeting in order to devote a sufficient amount of meeting time to this important issue.

It was reiterated that six meetings of the Committee would be held in 2023-24.

## **RESOLVED that**

**the Committee Work Programme and the list of proposed agenda items for meetings in the municipal year 2023-24 be noted.**

The Meeting commenced at 7.00 pm  
and closed at 8.22 pm