



Audit, Governance & Standards Committee

Thu 15 Dec
2022
7.00 pm

Council Chamber
Redditch Town Hall

REDDITCH BOROUGH COUNCIL

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**If you have any queries on this Agenda please contact
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GUIDANCE ON FACE-TO-FACE MEETINGS

At the current time, seating at the meeting will be placed in such a way as to achieve as much space as possible for social distancing to help protect meeting participants.

If you have any questions regarding the agenda or attached papers, please do not hesitate to contact the officer named above.

GUIDANCE FOR ELECTED MEMBERS ATTENDING MEETINGS IN PERSON

Members and Officers who still have access to lateral flow tests (LFTs) are encouraged to take a test on the day of the meeting. Meeting attendees who do not have access to LFTs are encouraged not to attend a Committee if they have any of the following common symptoms of Covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

The meeting venue will be fully ventilated, and Members and officers may need to consider wearing appropriate clothing in order to remain comfortable during proceedings.

PUBLIC SPEAKING

The usual process for public speaking at Committee meetings will continue to be followed subject to some adjustments which allow written statements to be read out on behalf of residents and the virtual participation of residents at meetings of Audit, Governance and Standards Committee. Members of the public are encouraged to log in virtually, either to speak or observe meetings wherever possible.

Members of the public will be able to access the meeting if they wish to do so. Seating will be placed in such a way as to achieve as much space as possible for social distancing to help protect meeting participants. It should be noted that members of the public who choose to attend in person do so at their own risk.

Members of the public who still have access to lateral flow tests (LFTs) are encouraged to take a test on the day of the meeting. Meeting attendees who do not have access to LFTs are encouraged not to attend a Committee if they have any of the following common symptoms of Covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

Notes:

Although this is a public meeting, there are circumstances when Council might have to move into closed session to consider exempt or confidential information. For agenda items that are exempt, the public are excluded.

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2022

7.00 pm

Council Chamber Town Hall

Agenda

Membership:

Cllrs:

Juma Begum
(Chair)
Andrew Fry (Vice-
Chair)
Salman Akbar
Imran Altaf
Tom Baker-Price

Michael Chalk
Luke Court
Sharon Harvey
Timothy Pearman

1. Apologies and named Substitutes

2. Declarations of Interest

To invite Councillors to declare any Disclosable Pecuniary Interests and/or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. Minutes (Pages 1 - 12)

The minutes of the meetings of the Audit, Governance and Standards Committee held on 27th October and 10th November 2022 will be considered at this meeting.

The minutes of the meeting held on 10th November 2022 will follow in an Additional Papers Pack.

4. Public Speaking

Members of the public have an opportunity to speak at meetings of the Audit, Governance and Standards Committee. In order to do so members of the public must register by 12 noon two days prior to the meeting. This is 12 noon on Tuesday 13th December for this meeting. A maximum of 15 minutes will be allocated to public speaking.

5. Annual Governance Statement 2020-21 (Pages 13 - 26)

6. Statement of Accounts 2020-21 (Pages 27 - 32)

Appendix A to the report, the draft Statement of Accounts 2020/21, will follow in an Additional Papers pack.

7. Committee Work Programme (Pages 33 - 34)



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MINUTES

Present:

Councillor Juma Begum (Chair) and Councillors Imran Altaf, Luke Court, Timothy Pearman, Bill Hartnett and Joanna Kane

Also Present:

Jackson Murray, Engagement Lead for Grant Thornton (on Microsoft Teams)

Officers:

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

Democratic Services Officers:

Jo Gresham and Mat Sliwinski

15. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Salman Akbar, Tom Baker-Price, Michael Chalk, Andrew Fry, and Sharon Harvey. It was confirmed that Councillor Bill Hartnett was attending as Councillor Fry's substitute and Councillor Joanna Kane as Councillor Harvey's substitute.

16. DECLARATIONS OF INTEREST

There were no declarations of interest.

17. MINUTES

RESOLVED that

Chair

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the minutes of the meeting of the Audit, Governance and Standards Committee held on 28th July 2022 be approved as a true and correct record and signed by the Chair.

18. PUBLIC SPEAKING

There were no registered public speakers on this occasion.

19. 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 confirmed that several Members' complaints had been received regarding use of social media by other elected Members. These complaints were being dealt with locally by the Monitoring Officer in conjunction with the Group Leaders.

Members were advised of an urgent request for dispensation to be granted by this Committee to Members who were private sector landlords so that they could take part in and vote on the matters relating to national private sector landlord regulations.

RESOLVED that:

- 1) the Monitoring Officer's report be noted; and**
- 2) a dispensation be granted to Members who are private sector landlords to make decisions on national private sector landlord regulations.**

20. ANNUAL REVIEW LETTER OF LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

The Committee considered a report on the Local Government Ombudsman's Annual Review Letter, which set out the statistics for complaints made against the Council for the year ending 31st March 2021 and for the year ending 31st March 2022.

Members requested that the errors contained in sections 5 and 6 of the report with regard to strategic and other implications be corrected. Officers undertook to make the appropriate changes to those sections of the reports for future meetings.

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RESOLVED that

the report be noted.

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

The representative for Feckenham Parish Council (FPC) addressed the Committee and stated there were no matters concerning the standards regime to update the Committee on at this meeting. The FPC representative confirmed that he held a conversation with the Interim Section 151 Officer on the terms of reference of the Audit, Governance and Standards Committee, including what matters fell within the remit of the standards regime and could be reported at this forum.

22. GRANT THORNTON EXTERNAL AUDIT SECTOR UPDATE

The Committee received a local government audit sector update from Jackson Murray, Engagement Lead for Grant Thornton. It was drawn to the Committee's attention that in its response to the local audit consultation, the Department for Levelling Up, Housing and Communities (DLUHC) announced plans for introducing a statutory requirement for local authority audit committees to appoint at least one independent member. This was to be introduced subject to parliamentary time.

The Committee reiterated their collective support for appointing an independent member but highlighted that past attempts had been unsuccessful, mainly due to lack of remuneration provided for the post. Some Members thus sought detail on how the DLUHC was planning to support local authorities in funding the independent member post.

The Interim Director of Finance commented that local authorities across the country struggled to appoint independent members, and the problem was exacerbated by the need for candidates to be suitably qualified and experienced in financial management and corporate governance. In contrast, even with high qualification requirements there was not the same problem with filling of independent member posts where levels of remuneration were high, as was the case for independent persons at pension funds.

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The Interim Director of Finance added that Worcestershire Councils' Directors of Finance would work in collaboration on the new recruitment process for audit committees' independent members and he would put this on a future directors of finance meeting agenda.

RESOLVED that

the updates as included in Appendix 1 to the report, as now submitted, be noted.

23. INTERNAL AUDIT PROGRESS REPORT

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 as of 31st August 2022 and provided copies of finalised audit reports completed since the previous progress report presented to the Committee. It was noted that one such report had been finalised and included as an appendix: Critical Review – GIS and Gazetteer (Land Charge Project) 2022/23.

The Head of Worcestershire Internal Audit Shared Service reported that data sets continued to be uploaded to the central database as part of the National Fraud Initiative (NFI) matching exercise. The next major upload of data sets was scheduled for October and November 2022. There were no exceptions to report in terms of fraud risk at this Committee.

It was reported that Q3 2022 would be devoted to auditing Core Financial Systems. Within this a priority was assigned to the rectification work on the Borough Council's finance IT system, debtors and budget monitoring, as these areas received limited assurance in 2021/22.

The Interim Director of Finance reported that since the Committee met in July, Q1 budget monitoring had been completed. Disappointment was expressed, however, that the Council had not closed its 2020/21 Annual Accounts yet. It was hoped these Accounts would be finalised by the end of November. The team were hoping to implement the final part of the cash receipting rectification in the next few days in liaison with the suppliers of the Enterprise Resource Planning (ERP) back-office system, TechnologyOne.

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The Interim Director of Finance highlighted that an additional meeting was now scheduled for the first part of November to consider the External Auditors' Annual Report.

The Head of Finance provided the possible timescales for completion of both the 2020/21 and 2021/22 Statements of Accounts, reporting that the aim was to produce the Audited Statement of Accounts for 2021/22 by the end of this financial year.

During the consideration of the report, the following responses had been provided in relation to Members' feedback and questions:

- Officers commented that cash receipting function was a major weakness of the TechnologyOne finance system, mainly due to the fact that the Council were the only Local Government implementer to date. In other areas the system was more intuitive than those offered by competitors.
- It was reported that nationally there remained a number of authorities which had not had their 2020/21 Accounts finalised. Officers stressed that audit delays were due to the capacity issues in both the external audit market and among the internal finance officers in local authorities. The Interim Director of Finance indicated that 142 councils remained without their draft 2020/21 Accounts externally audited as at the end of June.
- It was clarified that ten days were assigned for internal audit of Rubicon Leisure for 2022/23 as it was an arms-length company, and these audit days were currently scheduled for Q4 of 2022/23.
- Members queried why there was no risk register reference against Rubicon Leisure, and Officers responded that this would be investigated. It was added that for Rubicon Leisure the 2021/22 Accounts were being finalised and as an arms-length company it had to comply with Companies House accounting deadlines, which differed from those for public bodies (which meant no extension was provided for in the legislation as was the case for local authorities).
- Members queried the meaning of the following statement found in paragraph 3.1 of the Final Internal Audit Report on GIS and Gazetteer (Land Charge Project) 2022/23: 'As this is a critical review there is no level of assurance given.' The Head of Worcestershire Internal Audit Shared Service clarified that this statement did not mean there was no assurance given in this area but rather that, as a critical friend review, no

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audit opinion level of assurance was assigned against the report. The Officer undertook to provide appropriate clarification on this statement in future reports.

- The Interim Director of Finance reported that a separate meeting of the Committee would be set up in December to consider the finalised draft of 2020/21 Statement of Accounts, as these needed to be finalised by the end of November. Members expressed their concerns about the consequences of not delivering by the end of November.
- Members expressed frustration at the delays and lack of progress in finalising the accounts. The Interim Director of Finance apologised for this state of affairs and explained that Officers were equally frustrated. It was not possible to accelerate the work on cash receipting by replacing the current finance system as all transactions were recorded on this system, which added to the rectification work required as the finance team needed to manually check and ensure every transaction on the system was filed correctly.

RESOLVED that

the report be noted.

24. HOUSING REVENUE ACCOUNT S151 OFFICER UPDATE

The Committee received an update from the Interim Director of Finance with respect to the Housing Revenue Account (HRA). The following was highlighted for Members' attention:

- Table at paragraph 2.2 of the report (page 72 of the agenda pack) set out the present monitoring position for revenue expenditure at Quarter 2 2022/23, with the projected variance at year end of £141k surplus, which was arrived as explained in paragraph 2.3 of the report.
- The HRA capital budget was £14.180m with the expected spend during the year of £10.137m, resulting in slippage of £4.043m. The spend to Q2 stood at £6.724m against a pro rata budget of £7.090m, which was £0.366m below budget.
- The main projected variances for the second half of the year were noted as internal refurbishments, Housing 1-4-1 replacements, HRA compartmental work, disabled adaptations new contract award and the High Trees project.
- The Council's HRA base plan assumptions indicated that the investment required in Council stock could be delivered from resources currently available to the Council and the base

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plan demonstrated the long-term financial viability of the HRA in Redditch.

- The Council had provided a response to the Department of Levelling Up, Housing and Communities (DLUHC) consultation on social housing rent increases. The Interim Director of Finance noted that the Council's response was a preference for a 5 per cent rent increase as a 3 per cent increase would not be sufficient to cover inflationary and other costs incurred by the Council, whilst a 7 per cent increase was discarded as the Council tried to minimise cost increases to social tenants as far as possible.
- It was noted that the Council had recently finalised a process of Tranche 1 of the budget for General Fund Services and a need for a 10 per cent increase in most Fees and Charges was identified, given the drastic rise in expenses as a result of likely increase in workforce costs due to pay awards, inflation at over 10 per cent, fuel inflation at over 100 per cent (up to 400%) and a limit on raising Council Tax of 1.99 per cent.

After the consideration of the report, the following issues were queried by Members:

- Some Members judged the projected expenditure of £170k for Provision of Bad Debts as a modest figure given the total size of tenancies managed by Redditch Borough Council. It was explained that this figure was arrived at based on historical data.
- It was added that the Council was proactive in helping social tenants. Examples of proactiveness in this regard included the distribution of the Discretionary Housing Payment Grant for 2022/23 by the end of August and the provision of leaflets to signpost people to help.
- Officers undertook to provide Members with a figure for Recharges of Tenants' Repairs which was not included in the report.
- Members asked if the 40 year offset for Right to Buys was still a realistic figure and the Interim Director of Finance noted responded that the number of social tenants buying through the scheme had reduced over the last 8 years and this trend was likely to continue.
- With regards to consultation on social housing rent increases, it was noted that local authorities would be free to raise the rent amount by up to the Government set figure of 7 per cent, if this was the figure set following the

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consultation. Some Members commented they were surprised to see the Council had not decided that a full 7 per cent increase would be necessary but expressed satisfaction that a 5 per cent increase would provide a good balance between allowing the Council to afford improvements to its social housing stock whilst easing the burden on the tenants.

RESOLVED that

the updates on the HRA Position and the response to the recent Consultation on proposed rent increase by the Government be noted.

25. QUARTERLY RISK UPDATE (Q1 & Q2 2022)

The Interim Director of Finance presented the Quarterly Risk Update report and in doing so highlighted that a third round of Officer Risk Board quarterly meetings had now taken place since the meetings were established in April 2022. It was explained that each department within the Council had to nominate a representative to the Risk Board who would report back to their respective management teams – this facilitated with identification of risk owners. The process was now resulting in more risks being registered and mitigated.

The Interim Director of Finance highlighted that as of end of September the number of departmental risks had reduced to 83 compared to 96 recorded at the end of June, and 119 at the original baseline of April 2022.

There were currently four red departmental risks, which included two IT-related risks, a revenue performance indicator data risk, and a risk of failure to deliver a service to the Care Quality Commission (CQC) requirements at St. David's House. In particular, Members' attention was drawn to the significant likelihood of the Council being unable to obtain cyber security insurance after the current policy ended. This was deemed to be a great risk given that government agencies had been particularly exposed to cyber-attacks.

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The Interim Director of Finance reported that one additional risk had been added to the Corporate Risk Register, relating to the delivery of Levelling Up, UK Shared Prosperity Fund (UKSPF) and Towns Fund projects. This was due to the resource implications and the requirement to spend all funding before April 2025 (UKSPF) and April 2026 respectively. The conditions of the funds stipulated that any unspent monies had to be returned, and the risk of not spending the allocated funds was exacerbated as nationally local authorities would be competing for a limited number of contractors to undertake the projects.

Following the presentation of the report, Members queried why the table of corporate risks presented in the report did not include a name of risk owner and target resolution date against each risk. In response, the Interim Director of Finance explained that this was included in the working version of the corporate risk register and would be included in the versions to be provided to Members at subsequent meetings.

It was requested that the motion be moved by the Committee with regards to recommending to the Executive that it write to the Local Government Association (LGA) about finding a solution to facilitate the future-years provision of cyber security insurance for the local government sector.

[The Committee adjourned between 20:18 and 20:23 as suitable wording for the motion was prepared.]

The wording of the motion was then agreed as follows:

‘that the Executive Committee, given the possibility of no Cyber Security insurance in future years, recommend to the Local Government Association (LGA) that they facilitate a process to help local government cover this deficiency.’

On being put to the vote this recommendation was carried.

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A further vote was then carried out in respect of the recommendations contained within the report, which were also carried.

RECOMMENDED to the Executive Committee

- 1) **given the possibility of no Cyber Security insurance in future years, recommend to the Local Government Association (LGA) that they facilitate a process to help local government cover this deficiency.**

RESOLVED that

- 2) **the present list of Corporate Risks be noted, and;**
- 3) **the progress made on the Action Plan approved by the Corporate Management Team (CMT) on the 16 March 2022 be noted.**

26. RISK CHAMPION UPDATE

This item was deferred as the Risk Champion, Councillor Baker-Price, had submitted his apologies and was not present to deliver the update.

27. COMMITTEE WORK PROGRAMME

The Interim Director of Finance noted that an extra meeting of the Committee was required in November to consider the External Auditors' Annual Report. It was also noted that a separate meeting was required in December for approval of the Council's Statement of Accounts for 2020/21, but this would be confirmed at the next meeting.

RESOLVED that

an extra meeting of the Committee be held in November 2022 to consider the External Auditor's Annual Report.

**Audit,
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Standards
Committee**

Thursday, 27th October, 2022

The Meeting commenced at 7.00 pm
and closed at 8.25 pm

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AUDIT, GOVERNANCE & STANDARDS

15th December 2022

ANNUAL GOVERNANCE STATEMENT

Relevant Portfolio Holder	Cllr. Karen Ashley, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
Report Author	Job Title: Head of Finance & Customer Services email:michelle.howell@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. SUMMARY OF PROPOSALS

- 1.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise but a corporate overview of the processes and procedures adopted by the Council to manage its affairs.

2. RECOMMENDATIONS

Audit, Governance and Standards Committee are Recommended to:

- Note the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement;
- Review and comment on the Draft Annual Governance Statement including any areas which should be considered; and
- Subject to changes identified above, agree and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.

3. Background

Introduction

- 3.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2020 / 2021 reporting year. Set out in the Appendix A is the Draft AGS.

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- 3.2 This report includes the AGS for Audit, Governance & Standards Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.
- 3.3 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
- The Council's policies are implemented in practice;
 - High quality services are delivered efficiently and effectively;
 - The Council's values and ethical standards are met;
 - Laws and regulations are complied with;
 - Required processes are adhered to;
 - Its financial statements and published information are accurate and reliable; and
 - Human, financial and other resources are managed efficiently and effectively.

Arrangements for compiling the Annual Governance Statement

- 3.4 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government.

Supporting Evidence

- 3.5 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the Borough Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.

Internal Audit

- 3.6 The annual Internal Audit Opinion is contained in the Statement of Accounts. Due to the global COVID-19 pandemic, 2020/21 was a very challenging year regarding governance. Changes in the way services needed to be delivered and staff deployed saw a move from traditional office-based working to remote working. This created many challenges with a move to an almost total reliance on back-office ICT solutions for those staff having to work from home. Appropriate and proportionate remote access to files and systems was a necessity to ensure the services could continue to be delivered during the national lockdowns experienced during 2020/21.

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- 3.7 Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2020/21 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, risk remains present which could jeopardise this in the future regarding certain areas and emerging risks will need to be identified and managed. Close monitoring of deployed measures is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2020/21 will be critical to create better transparency, expectation and accountability. This will be necessary to ensure the Borough can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk.

External Auditors

- 3.8 Our External Auditors Grant Thornton issued the Council with a Section 24 Statutory Recommendation on the 31st October 2022 due to non-delivery of the Statutory Accounts for 2020/21. This Statutory Recommendation was debated by the Audit, Governance & Standards Committee on the 10th November and Full Council on the 14th November. At both meetings, the Statutory Recommendation was accepted as was the management action plan to rectify that position. This Governance Report, along with the Statement of Accounts Report, both address this Statutory Recommendation and by presenting these to Audit, Governance & Standards Committee the draft Statement of Accounts can now be Audited by the External Auditors.
- 3.9 In addition, the External Auditors also presented the Council with its Interim Auditor's Annual Report on the 31st October. This report had 6 Key Recommendations and 13 Improvement Recommendations. The 6 Key Recommendations along with the Statutory Recommendation, and associated Management Action Plans to rectify the situation are set out in the governance issues and risks for the Council in the Governance Statement in Appendix A.

Internal Control and Governance Self-Assessment

- 3.10 Internal Audit issued each Service Area with the Internal Control Assurance Statement and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. Heads of Service completed this Assurance Statement which didn't highlight any further areas of risk / concern.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS**15th December 2022**Risk Management**

- 3.11 Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives. Risk Management had a limited assurance Audit. This has been rectified via a rectification plan since March 2022. Risk Management is overseen through a separate Risk Management Board which has representatives of all Services as well as specific risk specialists such as the Insurance Manager. Meeting on a quarterly basis, it is chaired by the Interim Director of Finance. Risks at a Directorate level are discussed on a monthly basis and those considered strategic escalated through to Corporate Management Team in line with the risk appetite. A report is also submitted to Audit Committee on a quarterly basis.

Corporate Governance

- 3.12 Regular updates on governance arrangements are reported through Corporate Management Team, Executive, Audit, Governance & Standards Committee and ultimately to Full Council. This covers all aspects of governance – from constitutional changes, operational procedures such as Financial or Contract regulations or standards issues. Significant governance issues established in the AGS are reported to the Audit, Governance & Standards Committee.

4. IMPLICATIONS**Financial Implications**

- 4.1 Financial implications are set out in section 3.

Legal Implications

- 4.2 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

- 4.3 Outputs of Governance Reports must be addressed by Services.

Customer / Equalities and Diversity Implications

- 4.4 Outputs of Governance Reports must be addressed by Services, however this will reflect best practice.

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5. RISK MANAGEMENT

5.1 Contained in section 3.11 above

6. APPENDICES and BACKGROUND PAPERS

Appendix A – Annual Governance Statement 2020/21

6.1. BACKGROUND PAPERS

None.

7. KEY

None

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS**15th December 2022**Redditch ANNUAL GOVERNANCE STATEMENT 2020/21****Scope of Responsibility**

Redditch Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and provides value for money. Redditch Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Redditch Borough Councils policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

The Governance Framework

The framework to deliver good governance across the Councils services in delivering the Strategic Purposes encompass a number of elements;

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Councils aims to deliver the purposes to our

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community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.

- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined.
- Financial Regulations and Contract Procedure Rules have been approved by Council. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross party Member Development Steering Group and includes; induction, chairmanship and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the scheme of delegation to officers.
- Decision making is carried out through Executive, Planning Committee and Audit, Governance and Standards Committee . Overview and Scrutiny Board has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and 4th tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Robust financial management arrangements are in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. A new enterprise system was approved in 2018/19 to improve functionality of the systems and access for managers, this was implemented on the 8th February 2021. Existing arrangements were in place on the legacy system through to Quarter 3 of the 2020/21 financial year.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.

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- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2020/21.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.
- Regular press releases are submitted and on line information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Redditch has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Redditch Borough Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Executive, Overview and Scrutiny Committee and Audit, Governance and Standards Committee all of which have fully understood governance responsibilities.

Throughout 2020/21, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

Audit, Governance and Standards Committee

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of regular progress reports from Internal Audit and reports and updates from the External Auditors.

Internal Audit

RBC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources.

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During 2020/21 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems audits which were designed to suitably assist the external auditor to reach their ‘opinion’ and other corporate systems for example governance, and,
- a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

Internal Audits' work programme helps to assure Audit, Governance and Standards Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon,
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the RBC governance process.

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit, Governance and Standards Committee for further scrutiny. At the time of writing this opinion in relation to the 16 reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of ‘limited’.

As a result of the Covid-19 pandemic the Council quickly put in place:

- An emergency operations structure
- Movement of staff and resources to cover new pandemic delivery priorities;
- Arrangements to track the financial implications of the pandemic on the Councils resources; and
- Arrangements for the democratic decision making in line with the Council’s Constitution and emergency legislation including remote decision making.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address:

Area of Assurance	Assurance Gap/Proposal to Mitigate	Progress
Delivery of the 2019/20 Audit Opinion significantly later than planned and inconsistent levels of working papers.	Assignment of staff to specific working papers with a consistent template to follow, plus management of a full closure timetable to deliver the Accounts to statutory deadlines. This is part of the financial recovery process.	Accounts were not delivered to statutory timescales in 2020/21 due to implementation of a new financial system and loss of key financial staff. Following recruitment of new finance staff during the summer of 2022 draft 2020/21 Accounts will be approved by Audit Committee in December 2022.

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		The 2021/22 Accounts process will start in December 2022 and so will also be late. This issue will remain until 2022/23 accounts are submitted.
The implementation of a new Finance system on the 8th February 2021.	Ensure data migration is fully documented and signed off, that staff are fully trained to use and support the system to deliver financial information to the required standards. Cash Receipting is not working as expected and so rectification with software providers Tech1 is required to ensure accounts for 2020/21 and subsequent years can be progressed. This is part of the financial recovery process	Financial recovery process highlighted the critical path for recovery and rectification of the Cash Receipting issue, which went live over the weekend of the 5/6 November 2022. Opening balances have been back engineered and await audit signoff. Training did take place with business on key AP/AR processes but still require full embedding
The loss of significant numbers of finance staff during 2021	Recruitment campaign planned for Fall of 2021.	Recruitment campaign was not successful and only 3 staff onboarded. Subsequent recruitment campaign undertaken in Spring of 2022 where 10 staff have been onboarded by August.
Delivery of Services during Covid-19	Ensure processes are in place to keep staff and customers safe while delivering existing and additional services to all stakeholders.	Revised arrangements for service delivery set up with majority of staff working remotely. ICT enabled this to happen quickly. Additional Grants for individuals and business community allocated and BEIS and DLUHC compliance regimes met.

The following Governance recommendations were highlighted in the S24 Report and Interim Auditors Annual Report 2020/21 submitted on the 31st October 2022

Area of Assurance	Assurance Gap/Proposal to Mitigate	Progress
Section 24 issued due to inadequate arrangements relating to issues with financial systems which further impact on key	Full mitigation steps set out in the S24 Report. Key items include rectification of the Cash Receipting Issue and delivery of the 2020/21	Cash Receipting issues rectified over the 5th/6th November. 2020/21 Accounts being drafted for presentation to Audit,

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statutory returns and related financial governance. The non-delivery of the 2020/21 financial statements is a key reason for the S24 Recommendation	accounts. Full process set out in the finance recovery process which was presented to Executive in September 2022.	Governance and Standards Committee on the 15 December 2022
The Council needs to ensure that the Medium Term Financial Plan presented to Members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.	Full mitigation steps set out in the Interim External Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.	MTFP is being produced in 2 Tranches in 2023/24. First Tranche, with full backing papers, went to Executive on the 25th October. Second Tranche will take place following the Local Government Settlement in January 2023 when all variables are understood. Existing 2022/23 unallocated savings allocated as part of the Quarter 2 Finance and Performance monitoring report.
The Council needs to ensure that key reports and appropriate supporting documentation are provided to Members in a timely way and in an accordance with relevant Codes and Practice	Full mitigation steps set out in the Interim External Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.	2022/23 Capital Strategy, Treasury Management Strategy, and MRP Policy presented to Executive for approval and then Council in July 2022.
The Council needs to improve management of key projects, such as the financial ledger implementation, to ensure that expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.	Full mitigation steps set out in the Interim External Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.	Additional working groups (Back Office and 4th Tier) set up to ensure that projects are properly identified and "gatekept". Key projects reviewed by CMT on a quarterly basis. Full learning process will be run following the closure of the 2020/21 account in relation to lessons learnt.
The Council should review and implement effective governance arrangements in respect of performance	Full mitigation steps set out in the Interim External Audit Report. Full process set out in the finance recovery	Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS**15th December 2022

monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice per year.	process which was presented to Executive in September 2022.	presented to Members on a quarterly basis. This includes Corporate Plan KPI's.
The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standing item on the Audit, Governance and Standards Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.	Full mitigation steps set out in the Interim External Audit Report. Full process set out in the finance recovery process which presented to Executive in September 2022.	Risk Management now reported to Audit, Governance and Standards Committee on a quarterly basis with updates in the new format in July and October 2022. This includes a revised definition of a "corporate risk"
The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.	Full mitigation steps set out in the Interim External Audit Report. Full process set out in the finance recovery process which presented to Executive in September 2022.	Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Leader of the Council & Chief Executive on behalf of Redditch Borough Council

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AUDIT, GOVERNANCE & STANDARDS

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DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Relevant Portfolio Holder	Cllr. Karen Ashley, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
Report Author	Job Title: Head of Finance & Customer Services email:michelle.howell@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the draft 2020/21 accounts for approval by Audit, Governance & Standards Committee prior to Audit.

2. RECOMMENDATIONS

Audit, Governance and Standards Committee are Recommended to:

- Approve the draft Statement of Accounts prior to the commencement of the Audit.

3. Background

Introduction

- 3.1 The Council is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which facilitate the production of accounts in a standardised and consistent format across all industries, public and private sectors, providing greater transparency to all stakeholders.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2020/21 Code of Practice (the Code) and are followed in the preparation of the 2020/21 Statement of Accounts.

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- 3.3 The 2020/2 Statement of Accounts is the first set of accounts to meet the requirements and timeline for approval as contained in The Accounts and Audit (Coronavirus) Amendments Regulations 2020. The Ministry of Housing, Communities and Local Government (MHCLG) have made changes to the Accounts and Audit Regulations 2015 due to Coronavirus. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2020/21 and the publication date for audited accounts will move from 31 July to 30 November 2021 for all local authority bodies
- 3.4 Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit, Governance and Standards Committee.
- 3.5 The Accounts must be signed and certified by 30 November 2021 by the Council's Section 151 officer / Chief Finance Officer (CFO), in accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2021. The Audit Committee is required to approve the Accounts no later than 30 November 2021 following, and in the knowledge of, the audit findings.
- 3.6 The Council has not been able to deliver to this timetable which has resulted in a Section 24 Statutory Recommendation being issued to the Council on the 31st October 2022. This report kicks off the Audit process for 2020/21 by approving the draft accounts for Audit through this report.
- 3.7 As per the Section 24 Statutory Recommendation, the Council has only now been able to deliver the 2020/21 Statement of Accounts. The most significant issues that have held up the compilation of the Statement of Accounts have been: the implementation of a new financial system on the 8th February 2021; the loss of all but 4 of the original finance team in place who delivered the 2019/20 Accounts; and the C-19 pandemic which significantly affected service delivery during this period.
- 3.8 The most significant technical issue has been implementation of the new financial system, and in particular the Council to date being the only Council to implement the Tech1 Cash Receipting solution. Issues with this module were only finally rectified in the "live" system on the 5th and 6th November. The issue has resulted in significant volumes of transactional items ending up in suspense instead of being coded to the correct nominal codes. The items in suspense, some with limited means of identifying their correct place of allocation, have needed to be cleared and a key part of the audit will be the agreement of the treatment of these balances with the External Auditors.

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- 3.9 The Finance team will continue to review the accounts after Committee agenda despatch, working towards the Chief Finance Officer (CFO) certification. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.

Key Points in the draft 2020/21 Accounts

- 3.10 The 2020/21 draft Statement of Accounts is shown in Appendix A.
- 3.11 The presentation of the draft Statement of Accounts provides Audit, Governance & Standards Committee the opportunity to review the accounts and ask relevant questions so that they are better informed before being asked to formally approve the audited accounts at a later Audit, Governance and Standards Committee meeting.
- 3.12 Whilst under regulations the Council's Audit, Governance & Standards Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for Members to review and comment on the accounts prior to the CFO certification.
- 3.13 For the Accounts to be presented to this Committee, the S151 Officer must be satisfied that the accounts comply with legislation. As highlighted in 3.8 above, significant work has been required to reallocate balances in the Council's suspense accounts and the method of this reallocation is a risk that will need signoff by the external auditors as part of the overall Audit process.
- 3.14 Our External Auditors will also see the movement from our existing financial system to Tech1 on the 8th February 2021 as a risk and will be reviewing all the Council's data take balance reports to assure themselves that a complete transfer of data did take place at that time.
- 3.15 The key contents of the various sections are as follows:
- **Narrative Report** - provides a fair, balanced and understandable guide (previously known as the Explanatory Foreword);
 - **Statement of Responsibilities** – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts;
 - **Comprehensive Income and Expenditure Statement** – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
 - **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council;
 - **Balance Sheet** – shows the value of the assets and liabilities recognised by the Council as at 31 March 2021;

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- **Cash Flow Statement** – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2020/21;
- **Notes to the Financial Statements** - the various statements are supported by technical Notes and by the Statement of Accounting Policies;
- **The Collection Fund & Notes** – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates;
- **Statement of Accounting Policies** – outlines the accounting policies adopted by the Council; and
- **Group Accounts** – This includes the accounts of Rubicon: and
- **Annual Governance Statement** – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts following its approval.

Next Steps - Approval, Signing, Inspection and Audit

- 3.16 At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2020/21.

Consultation

- 3.17 No external consultation, other than with the Council's External Auditors, Grant Thornton, is taking place. However, the accounts will be open to public inspection

4. **IMPLICATIONS**

Financial Implications

- 4.1 Financial implications are set out in section 3 above.

Legal Implications

- 4.2 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

- 4.3 Outputs of Governance Reports must be addressed by Services.

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Customer / Equalities and Diversity Implications

- 4.4 Outputs of Governance Reports must be addressed by Services; however, this will reflect best practice.

5. RISK MANAGEMENT

- 5.1 Contained in Annual Governance section 3.15 above.

6. APPENDICES and BACKGROUND PAPERS

Appendix A – Statement of Accounts 2020/21 (to follow)

6.1 BACKGROUND PAPERS

Statement of Accounts 2019/20

Auditors S24 Statement – AGS Committee November 10th 2022

7. KEY

None

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AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Work Programme 2022-23

15 December 2022

- Annual Governance Statement 2020/21
- Statement of Accounts 2020/21
- Audit, Standards and Governance Committee Work Programme

26 January 2023

- Monitoring Officer's Report
- Feckenham Parish Council Representative's report - Standards Regime
- External Audit Plan 2022/23
- Grant Thornton External Audit Progress Report and Sector Update
- Internal Audit Progress Report
- Financial Savings Monitoring Report
- Treasury Management Strategy and Capital Strategy Report
- Corporate Risk Register
- Risk Champion Update
- Audit, Standards and Governance Committee Work Programme

23 March 2023

- Statement of Accounts 2021/22
- Monitoring Officer's Report
- Feckenham Parish Council Representative's report - Standards Regime
- External Audit - Audit Findings Report
- Grant Thornton External Audit Progress Report and Sector Update
- Internal Audit Progress Report
- Accounting Policies report
- Quarterly Risk Update (Q3 and Q4 2022)
- Risk Champion Update
- Audit, Standards and Governance Committee Work Programme

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