



# **Audit, Governance & Standards Committee**

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Tuesday, 30th May, 2023

## **MINUTES**

### **Present:**

Councillor Juma Begum (Chair), Councillor Ian Woodall (Vice-Chair) and Councillors Salman Akbar, Karen Ashley, Andrew Fry, Sharon Harvey (as substitute), Chris Holz, Anthony Lovell and Emma Marshall. Hugo Hammersley (Feckenham Parish Council Representative)

### **Also Present:**

Councillor Luke Court – Portfolio Holder for Finance and Enabling (on Microsoft Teams)  
Kirsty Lees – Manager, Grant Thornton (on Microsoft Teams)  
Jackson Murray – Key Audit Partner, Grant Thornton (on Microsoft Teams).

### **Officers:**

Peter Carpenter, Claire Felton, Michelle Howell and Andy Bromage

### **Democratic Services Officers:**

Mat Sliwinski

## **1. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillor Spilsbury. Councillor Harvey attended the meeting as Councillor's Spilsbury named substitute.

## **2. DECLARATIONS OF INTEREST AND OF PARTY WHIP**

There were no declarations of interest nor of party whip.

## **3. MINUTES**

Chair

# **Audit, Governance & Standards Committee**

---

Tuesday, 30th May, 2023

The minutes of the Audit, Governance and Standards Committee meeting held on 23<sup>rd</sup> March 2023 were submitted for Members' consideration.

## **RESOLVED that**

**the minutes of the meeting of the Audit, Governance and Standards Committee held on 23<sup>rd</sup> March 2023 be approved as a true and correct record and signed by the Chair.**

### **4. PUBLIC SPEAKING**

There were no registered public speakers on this occasion.

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

The Head of Legal, Democratic and Property Services presented the Monitoring Officer's report and highlighted that another four Borough Council complaints all relating to the same incident had been received. Whilst the complaints had been managed locally, they were again related to the Members' use of social media. In response, training for new Members had been reinforced and additional more targeted training was to be delivered throughout the municipal year, including a bespoke training with member of the police force.

Members were updated on the position regarding an Independent Person for the Council the purposes of section 27 (7)(a) of the Localism Act 2011. It was noted that the Independent Person assisted and supported the Monitoring Officer in the complaint investigation process. The term of the existing Independent Person for Bromsgrove District Council, Mr Mel Nock (who also served the Redditch Borough Council and Feckenham Parish Council as and when required), had come to an end.

The options under consideration by the Monitoring Officer were either carrying out a local recruitment process or arranging for the Council to join the existing retained pool of Independent Persons that was set up by six other authorities in Worcestershire working together in 2012. Options were being considered moving forward but it was proposed that the Council retain the independent services of Mr Nock to support the Monitoring Officer in the management of Member to Member complaints. A report on the option appraisal with regards to the Independent Person would be submitted to a future meeting of the Committee. In the interim it was noted that Mr

# **Audit, Governance & Standards Committee**

---

Tuesday, 30th May, 2023

Nock agreed to continue in the formal Independent Person role on a temporary basis to cover the transition period.

Members also received an update on Member training and it was reported that following the local elections in May 2023, a comprehensive Member training programme had been arranged for both new and returning Members.

It was underlined in response to a question that local complaints would always try to be resolved locally in the first instance. With regards to training it was reported that the view of the Group Leaders and the Monitoring Officer was that Member training should be hybrid where necessary, with both in person and remote attendance options, to make it convenient for Members to fit training attendance around their work commitments.

**RESOLVED that**

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

## **6. GENERAL DISPENSATION REPORT**

The General Dispensation Report was presented for Members' consideration and it was explained that purpose of this report is to provide members with an opportunity to consider and agree a number of general dispensations for all Councillors.

It was noted that as the first Committee meeting of the municipal year was taking place earlier in the year than normally, there was not enough time to discuss and consider with Members any individual dispensations they might wish to apply for. As a result a separate report on individual member dispensations would be brought to the next meeting of this Committee.

**RESOLVED that:**

- 1) the previously granted general dispensation in relation to allowing Members to address Council and Committees in circumstances where a member of the public may elect to speak be re-granted under section 33 (2) of the Localism Act 2011, to allow Members to**

# **Audit, Governance & Standards Committee**

---

Tuesday, 30th May, 2023

participate in and vote at Council and Committee meetings when considering these matters;

- 2) subject to the caveat set out in paragraph 3.6 of this report in relation to setting the Council's Budget, the Audit, Governance and Standards Committee grants dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of:
  - a) the Budget;
  - b) Council Tax;
  - c) Members' Allowances;
  - d) Council Rents; and,
  - e) Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the Borough;
- 3) it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and
- 4) it be noted that any new or re-granted dispensations will remain valid until the first meeting of the Audit, Governance and Standards Committee following the next Borough Council Elections in 2024.

## **7. ANNUAL UPDATE REPORT ON REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

The Committee received the Annual Update Report on the Regulation of Investigatory Powers Act 2000 (RIPA). It was noted that the Council had not exercised its powers under RIPA since changes in legislation introduced in 2012.

**RESOLVED that:**

- (1) the Council's RIPA Policy (version 8.2) be endorsed; and
- (2) the update on RIPA activity as described in this report be noted.

# **Audit, Governance & Standards Committee**

---

Tuesday, 30th May, 2023

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

The Feckenham Parish Council Representative confirmed that he had no announcements or comments to make on this occasion.

**9. GRANT THORNTON - EXTERNAL AUDIT PROGRESS REPORT  
AND SECTOR UPDATE**

The External Auditors from Grant Thornton presented a report on progress in delivering the external audit function for the Council and provided a wider audit sector update.

It was recalled that in October 2022 Redditch Borough Council was issued with statutory recommendations under Section 24 of the Local Audit and Accountability Act 2014 for non-delivery of the 2020-21 Statement of Accounts. This was reported to be caused primarily by issues with the cash receipting module of the Council's current TechnologyOne ledger system and issues relating to data migration from the legacy financial ledger, eFinancials, to the Council's current ledger.

Members were informed that the Council's Section 151 Officer had not signed off the draft 2020-21 Statement of Accounts to date and thus financial statements for 2020-21 had not yet been submitted to the External Auditor.

The External Auditor reported that testing had been performed on the data migration event from the Council's legacy to the new financial ledger system. The migration of 25 transactions was manually tested and it was confirmed that these transactions were migrated correctly. The External Auditor explained, however, that the number of transactions tested represented a negligible volume of total transactions processed in the data migration event and the External Auditor had been unable to gain sufficient on this basis of this testing that the whole data migration event was performed correctly.

Automated solutions for gaining assurance over the transferred data through testing back-ups taken from the eFinancials system were currently considered as this would provide a much broader coverage of data than could be tested manually. The Interim Director of Finance commented that enquiries had been made with the legacy financial ledger provider, eFinancials, about re-gaining

# Audit, Governance & Standards Committee

---

Tuesday, 30th May, 2023

access to transactional reports from that system. This would necessitate a contract extension.

It was reported that the Council's subsidiary, Rubicon Leisure, had issued a disclaimer opinion for the company's 2021-22 financial statements. The External Auditor needed to consider the impact of this on the audit of Council's 2020-21 and subsequent financial statements. The Interim Director of Finance commented that the main reason behind the disclaimer opinion lied with the issues with the cash receipting module of the new financial ledger, with all receipts recorded under one entity instead of being directed to one of three separate entities (Redditch Council, Rubicon Leisure, Bromsgrove Council) depending on the transaction. This issue was unresolved throughout the 2021-22 financial year which impacted on the audit of Rubicon accounts.

The External Auditor reported on their Value for Money responsibilities and in doing so noted that an Interim Auditor's Annual Report for the 2020-21 financial year was provided to the Committee in November 2022, and it was anticipated that a joint Interim Auditor's Annual Report for financial years 2021-22 and 2022-23 would be issued later in the year. It was also noted that certification work on the Housing Benefit subsidy claim for 2021-22 was almost completed.

It was reported that there was a likelihood of external audit fee variation due to the impact of delays in financial reporting and the impact of the Section 24 Notice being issued to the Council. The original fee proposed for 2020-21 audit by the External Auditor in April 2022 was £71,292. It was reported that given the work requirements the final proposed fee could exceed £100,000. Any proposed fee variations would be subject to discussions with council management and would have to be submitted for consideration by Public Sector Audit Appointments Limited (PSAA) in their capacity as an external auditor appointer under the audit appointments scheme.

A question was raised with regards to making interim payments on the audit fee. It was explained that a baseline fee for the years 2020-21 and 2021-22 had already been invoiced and this was the fee set by PSAA. However, The External Auditor could not issue an invoice on fee variations until they had been agreed by PSAA.

It was also noted that the last Audit Plan from the external auditors had been presented to the Committee only on the proposed

# Audit, Governance & Standards Committee

---

Tuesday, 30th May, 2023

approach to auditing 2020- 21 financial statements. The External Auditor explained that currently there was no requirement for an Audit Plan as the outstanding financial statements had to be audited in the first instance. It was added that any reporting of audit fee process and any discussion on fee variation would best be reported before the Committee through the external audit update reports at each meeting rather than a formal annual report.

Indicative dates for completion of overdue audits of Statements of Accounts were discussed and it was reported that the aim was to conclude the audit of 2020-21 Statement of Accounts in November 2023, and the 2021-22 Accounts by May-June 2024. It was reported, however, that meeting this indicative date would be challenging as the issue with cash receipting module (which resulted in transactions being posted and coded incorrectly) affected the whole 2021-22 financial year. It was hoped that the audit of 2022-23 Accounts could be concluded by end of November 2024, thereby clearing the backlog of unaudited years. However, it was highlighted that the timescales provided were the best-case scenario and would be reviewed at future meetings.

Several further questions were asked by Members to which following responses were provided:

- It was reported that as Redditch Borough Council was not a highways authority (this being a County Council function), the risks identified with auditing of infrastructure assets would be of less concern and were less likely to have a material effect on the Council's balances. However, pockets of footways and other similar assets would still need to be looked at for how depreciation was calculated on these assets.
- It was clarified that the recommendations stemming from the Grant Thornton report into the reasons for delayed publication of audited local authority accounts did not concern the Council in particular but highlighted national issues that needed resolution.
- Officers present undertook to check and report back to Members regarding the situation around the Council's Climate Change Officer/Manager.
- With regards to decommissioning of the previous ledger system, Officers reported that the data take-on from the old to the new system had not been undertaken in an appropriate manner and as such Officers had currently no way of accessing the final data from the old system at the

# Audit, Governance & Standards Committee

---

Tuesday, 30th May, 2023

time of decommissioning. It was reported that Officers were in contact with the legacy financial ledger provider, eFinancials, about re-gaining access to transactional reports from that system.

- It was reported that issues with the cash receipting had now been resolved and the move from 1 back office to 3 back office entities for Redditch Council, Rubicon Leisure, and Bromsgrove Council respectively had been implemented from late 2022.
- Members queried the likelihood of issues with accounts for future years and the strategy to ensure that the Council would have balanced accounts in the upcoming years. In response it was reported that as part of the recent Local Government Association (LGA) Peer Review it was judged that the Council had sufficient, if not high, levels of reserves at present, and that the audit work was moving in the right path with data take-on balances to be signed jointly by the Section 151 Officer and the auditor as to avoid the possibility of qualified statement being issued on 2020-21 Statement of Accounts.
- In response to questions concerning the investigation and lessons learned from the transfer between the ledger systems and the implementation of the Authority's current financial system, Officers reported that an investigation into this had been undertaken by the Bromsgrove Audit Task Group and a final report of that Task Group had been provided to the Committee at the last meeting and would be recirculated to Members.
- Members queried the no assurance of Rubicon Leisure Accounts and the overall financial position of Rubicon and its effect on the Council. In response, it was stated that the level of Council subsidy to Rubicon had been smaller than accounted for in the Council's budget, particularly with regards to the pandemic period. It was further reported in relation that the volume of income coming in through the cash receipting system that related to Rubicon in 2020-21 would be low and 2021/22 was much higher and as such the process of gaining assurance that Rubicon transactions were in Rubicon accounts would take longer to reach assurance.

During the discussion of this item, Councillor Marshall proposed a recommendation in respect of requesting the Portfolio Holder for Finance and Enabling to write to central government with regards to issuing three-year, instead of the current one-year, local government financial settlements. This recommendation was



# Audit, Governance & Standards Committee

---

Tuesday, 30th May, 2023

substantiated on the basis that a local government settlement covering the period of three years would provide a greater degree of funding certainty for the local government sector and thus enable longer-term planning for funding council services and projects. Councillor Lovell seconded the recommendation.

Some Members commented that whilst this recommendation would represent a positive step, the issue of overall real term reductions in funding to the local government sector had to be considered too.

The Portfolio Holder for Finance and Enabling addressed the Committee, saying he would investigate the recommendation and would wish to see and take part in an all-sector action on the issue of local government financial settlements.

On being put to the vote, this recommendation was carried.

## **RECOMMENDED that**

**The Portfolio Holder for Finance and Enabling write to an appropriate government minister to ask for a 3-year local government financial settlement to provide certainty for the local government sector and enable residents to receive a council service that they deserve.**

## **10. RISK MANAGEMENT REPORT**

The Interim Director of Finance presented the Risk Management Report and in doing so highlighted that this was now the fourth cycle of reviewing Corporate and Departmental Risks since the original baselining of risks in April 2022. It was also the fourth management report on risk presented to the Committee since the original baselining of risks.

It was reported that currently there were 12 Corporate Risks, including a risk related to the Cost of Living Crisis. Since last reporting, a new Corporate Risk had been included which related to the replacement process of the Councils existing Customer interface, which was also linked to significant budgetary savings in the 2025/26 financial year.

As of 22<sup>nd</sup> March 2023, there were now 58 Departmental Risks of which 1 was a red risk related to Revenues - Performance Indicator data that was not deemed robust as it could not be system generated. It was reported that it was unlikely that the number of

# **Audit, Governance & Standards Committee**

---

Tuesday, 30th May, 2023

risks could be further reduced on the risk register as they were now mostly linked to compliance.

It was stressed that in the opinion of the internal auditor, from the follow up audit carried out earlier this year, the process applied for 'moving' risks from departmental to corporate and vice versa was logical. The Internal Audit risk level had improved to Moderate Assurance in this audit.

Following the report presentation, questions and comments were made by Members to which following responses were provided:

- In relation to customer interface providing a one-stop portal to all Council services, it was reported that market testing of suppliers was currently taking place and a report would be submitted before the Executive Committee in the near future.
- Members queried the amount of oversight that Audit, Governance and Standards Committee and the Council more widely had over capital projects such as those under the Towns Fund – for example the Town Hall refurbishment. In response, it was noted that details on capital projects were reported to the Executive quarterly through the financial and performance monitoring reports. The Committee also had the option to set up a Task Group to scrutinise the Towns Fund projects more closely. The Council was also selected as one of 5 per cent of local authorities where a 'deep dive' into Towns Fund projects would be undertaken by the Department for Levelling Up, Housing and Communities (DLUHC).
- In relation to temporary accommodation (TA), it was noted that it was a high-pressure area and that an internal audit would soon be undertaken on this service.

## **RESOLVED**

**that the present list of Corporate and Departmental Risks be noted.**

### **11. FINANCIAL COMPLIANCE REPORT INCLUDING PROGRESS UPDATE ON STATEMENTS OF ACCOUNTS**

Members were informed that the Accounting Policies report before the Committee provided details of the financial governance framework under which the Council operated and the legislative

# **Audit, Governance & Standards Committee**

---

Tuesday, 30th May, 2023

reporting requirements for reporting to central government in respect of financial compliance.

It was reported that the key risk to the Council's financial compliance remained the closure of the 2020-21 financial statements. A number of key legislative returns, including the Revenue and Capital Outturn forms for 2022-21 and 2021-22 had not yet been submitted to the Government as these were dependent on the Council's closure of accounts for 2020-21. Although the Government now allowed these returns to be completed based on estimates, the level of uncertainty due to the issues with the cash receipting module of the Council's ledger system meant that returns could not be submitted until the External Auditors had signed off the Council's take on balances and the organisation provided the draft accounts to Audit for each Council (Redditch and Bromsgrove).

It was reported with respect to submission of financial statements for 2020-21 that more detailed testing of the data take on balances and associated processes had to be undertaken before submission of the Accounts could be made to the External Auditors.

It was noted that at the last meeting of the previous municipal year it was agreed by the Committee for updates on Financial Compliance to become a standard item at Audit, Governance and Standards Committee meetings to facilitate Members' assurance around Council's financial governance arrangements.

## **RESOLVED that**

- 1) the Accounting Policies being used their Source and associated Governance Arrangements be noted;**
- 2) this report to come to each Audit, Governance and Standards Committee meeting to alert Members to possible no compliance issues;**
- 3) that progress on the 2020/21 Audit process be noted.**

## **12. INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION 2022-23**

The Head of Internal Audit Shared Service for Worcestershire Internal Audit Shared Service (WIASS) presented the 2022/23 Internal Audit Annual Report and Audit Opinion and in doing so

# **Audit, Governance & Standards Committee**

---

Tuesday, 30th May, 2023

noted that the Annual Report was an amalgamation of all Internal Audit Progress Report that the Committee received over the 2022/23 municipal year.

It was reported that the internal audit outcomes from reviews were shared on an ongoing basis with the External Auditors to assist them in gaining assurance around the Council's processes. Audit follow-ups in areas of key risk or where insufficient assurance had been gained previously showed an overall positive trend with management and service areas concerned implementing any follow-up recommendations in a timely manner. There had been no exceptions that needed to be reported to the Committee during 2022/23.

In 2022/23, 2 out of 19 internal audits had resulted in limited assurance, which concerned Debtors and Main Ledger due to the cash receipting system. Since the Committee report had been finalised, 4 other areas had been finalised.

The Annual Audit Opinion was provided at Appendix 2 to the main report and this provided the opinion of the Head of Internal Audit on the Council's governance, risk management and audit function.

Appendix 3 was the Internal Audit Charter of WIASS, which would be updated throughout the current municipal year, mainly around categorisation of assurance.

Following the report presentation, Members asked about the GIS gazette and it was explained that this was a system used in planning that plotted property and related geographical data. The audit of this was necessary as the system was undergoing changes.

A further question was asked about staff retention and what steps the Council was taking to be the 'employer of choice'. Officers explained that the market, especially in respect of council finance staff, was highly competitive. However, the Council was proactive in this matter, for example with the Council recently having published its new agile working policy.

## **RESOLVED**

**that the 2022/23 Internal Audit Annual Report and Audit Opinion be noted.**

# Audit, Governance & Standards Committee

---

Tuesday, 30th May, 2023

## 13. INTERNAL AUDIT - AUDIT PLAN 2023-24

The Head of Internal Audit Shared Service for Worcestershire Internal Audit Shared Service (WIASS) presented the draft Internal Audit Plan for 2023/24. It was highlighted that it was a risk based plan that was built around allocation of internal audit days. 359 audit days had been allocated and this had been deemed sufficient to provide management, external audit and those charged with governance with the assurances and coverage required over the system of internal control, annual governance statement and statement of accounts.

It was highlighted that although the audit areas would have an allocation of audit days, all or part of the budgeted days will be used on a flexible basis depending on the risk exposure. Thus the number of audit days planned was an indicative number of days dependent on contingencies and the full number of allocated days did not have to be spent. The Council only incurred the cost for the number of actual days that the internal audit function was delivered.

A question was raised with regards to the Council procedures for evaluating procurement quality versus cost. Officers undertook to contact the relevant staff and provide Members with a response in due course.

It was proposed by Councillor Marshall, seconded by Councillor Akbar, that an internal audit of Mayor's Office finances be added to the Internal Audit Plan for 2023/24. Members present agreed with this proposal. Officers responded that an internal audit of this area would be added to the Internal Audit Plan, and will be undertaken and reported on in due course.

### **RESOLVED**

**that the 2023/24 Internal Audit Plan be approved subject to the addition in the pre-amble above.**

## 14. ANNUAL APPOINTMENT OF RISK CHAMPION

Councillors Ian Woodall and Emma Marshall were nominated to the position of Risk Champion for the 2023-24 municipal year.

The respective nominations were put to the vote in turn and it was

**RESOLVED that**

# **Audit, Governance & Standards Committee**

---

Tuesday, 30th May, 2023

**Councillor Emma Marshall be appointed as the Council's Risk Champion in the 2023-24 municipal year.**

## **15. COMMITTEE WORK PROGRAMME**

The contents of the Audit, Governance and Standards Committee's Work Programme for the 2023-24 municipal year were considered.

**RESOLVED that**

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

The Meeting commenced at 7.01 pm  
and closed at 8.50 pm