

# **Audit, Governance & Standards Committee**

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Thursday, 11th June, 2026

## **MINUTES**

### **Present:**

Councillor Roger Bennett (Vice-Chair in the Chair) and Councillors Joanna Kane, Jen Snape, Jane Spilsbury, Rita Rogers and Ian Woodall

### **Also Present:**

Councillor Craig Warhurst – Deputy Leader of the Council and Portfolio Holder for Finance and Governance  
Hassan Rohimun – Senior Audit Business Partner, Ernst & Young  
Mughees Ahmad – Senior Manager, Audit, Ernst & Young

### **Officers:**

James Walton and Debra Goodall

### **Democratic Services Officers:**

M Sliwinski

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

Apologies for absence were received from Councillor David Meredith (Chair of the Committee), and the Parish Council Co-opted Member Alan Smith.

The Committee Vice-Chair, Councillor Roger Bennett, chaired the meeting in the absence of the Chair of the Committee.

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **3. PUBLIC SPEAKING**

There were no members of the public who had registered to speak at this meeting.

Chair

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## **4. GENERAL DISPENSATION REPORT**

Members were advised that this item had been deferred to the next meeting, when the granting of general, individual and outside body dispensations to Members would be considered as part of a single report.

## **5. REVISED ANNUAL GOVERNANCE STATEMENT 2023-24 AND 2024-25**

The Director of Finance and Section 151 Officer presented the Revised Annual Governance Statement 2023/24 and 2024/25 report for Committee's consideration.

Members were advised that annual governance statements were prepared every year alongside statements of accounts and set out the key governance issues for the organisation. The Committee was informed that, following work undertaken by the external auditors, significant governance issues had been identified that had not previously been fully reflected in the Annual Governance Statements previously submitted for 2023/24 and 2024/25.

It was reported that the revised governance statements included additional wording and commentary relating to the expected disclaimer audit opinions for the two years, the Section 24 statutory recommendation, housing services regulatory judgment, VAT compliance and the implications of disclaimer opinions on the future annual governance statements.

During consideration of the report, Members welcomed the submission of revised governance statements before the Committee and felt that this provided additional transparency in terms of updating the Committee on the additional governance issues as soon as they came to light.

A correction was requested on page 19 of the report, where reference was made to Bromsgrove Council rather than Redditch Borough Council.

Members also noted the work that had been undertaken over the last couple of years to improve performance reporting, the quality of data on the performance dashboard and more detailed narrative around performance now being provided to elected Members.

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Members further discussed the impact of the problems created by the implementation of the TechOne ledger system and the longer-term impact this had on the ability of the Council to submit financial statements in a timely manner, the impact of staff turnover in the Council's finance team and audit delays nationally impacting on timely auditing of accounts.

## **RESOLVED that**

- 1) The revised Annual Governance Statements (AGS) for 2023/24 and 2024/25 as attached at Appendix 1 and 2, particularly the additional wording in red, be endorsed.**
- 2) The significant governance issues identified since the original accounts were produced, and the additional assurance now included in the revised AGS documents in response to the external auditor's request be noted.**
- 3) The revised Annual Governance Statements for inclusion alongside the Statement of Accounts for the relevant financial years be approved.**

## **6. EXTERNAL AUDIT - AUDIT COMPLETION REPORT - 2023-24 AND 2024-25**

The Committee considered the External Audit Completion Report for the 2023/24 and 2024/25 financial years, presented by representatives from Ernst & Young. The External Auditors present outlined the purpose and scope of the report, the auditor's statutory responsibilities, and outlined the audit findings and Value for Money considerations.

Members were advised that the report had been prepared within the context of national delays to local authority audits, as well as local challenges, including the auditors who had initially been appointed having been unable to take up the role resulting in late appointment of current external auditors as well as delays with completion of prior years' accounts. It was noted that the Council's previous auditor, Grant Thornton, had issued statutory recommendations, in October 2022 and November 2023, with respect to the flawed implementation of Council's new financial system (ERP) and the subsequent failure of the Council to publish the 2020/21, 2021/22 and 2022/23 draft financial statements in accordance with statutory requirements.

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The External Auditors reported that they had reviewed the actions taken by the Council in response to these statutory recommendations. The External Auditors were satisfied that further statutory recommendations were not currently required.

The External Auditors reported that they had completed the work required under the international auditing standards for the Council's financial statements for both 2023/24 and 2024/25. The External Auditors intended to issue a disclaimer opinion on the Council's financial statements for both of these years. This meant that no assurance could be provided on the accuracy of the financial statements. It was clarified that this position reflected in part the historic issues for those years rather than current financial management arrangements, although the Value for Money section of the report identified six risks of significant weaknesses which remained relevant to the Council.

In relation to Value for Money arrangements, Members were informed that the audit considered three key criteria: financial sustainability, informed decision-making, and the effectiveness and efficiency of resource use. The auditors clarified that they reported by exception where significant weaknesses were identified rather than providing an overall assurance conclusion.

The Committee's attention was drawn to a number of significant weaknesses identified within the Value for Money part of the report. These included delays in publishing the draft financial statements for 2023/24, capacity and capability issues within the finance team linked to staff turnover and reliance on interim arrangements, and weaknesses arising from the Council's management of VAT and accounting processes. It was also noted that the Council's C3 regulatory judgement from the Regulator of Social Housing represented a significant weakness in governance and service delivery arrangements.

The auditors reported that, whilst some areas such as capital programme underspends and maintenance-related complaints within the Housing Service had been identified as risks, these had not been assessed as significant weaknesses, although recommendations for improvement had been made.

In response to the report by the External Auditor, the Director of Finance and Section 151 Officer explained that the Council accepted the findings of the report and was committed to addressing the identified issues. It was explained that the intention

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was to submit the Council's draft 2025/26 Statement of Accounts for 2025/26 alongside the Annual Governance Statement (AGS) for that financial year. The AGS for 2025/26 would include a detailed action plan setting out management responses to each of the recommendations in respect of the significant weaknesses outlined in the Value for Money report and throughout the Audit Completion Report before Members.

Members welcomed the fact that the draft 2025/26 Statement of Accounts to the next Committee meeting in July, with the Council now being in a position of having cleared the backlog of uncompleted accounts for previous years. Progress was also noted in the quality of financial reporting to Members and in the resolution achieved in respect of the Council's VAT position. However, Members expressed concern regarding the seriousness of some of the External Auditors findings, particularly those relating to financial sustainability, workforce capacity, and weaknesses in financial planning processes.

The Committee discussed the Council's workforce strategy in detail. It was noted that, whilst a strategy had previously been agreed, further work was required to address outstanding actions, including succession planning, recruitment challenges, and the need to strengthen capacity in key areas such as treasury management and capital programme delivery. Officers confirmed that work was underway to review the structure of the finance team and develop a more sustainable staffing model for both immediate and longer-term needs.

Questions were asked around the potential for there to be a requirement for all public-facing Council staff to undertake DBS checks. Officers explained that this was part of a wider debate across the local government sector. Officers undertook to enquire about the current opinion in this area and would provide a response to Members.

Members also raised concerns regarding the Council's financial planning arrangements. It was highlighted that more robust medium-term financial planning was required, particularly in relation to savings delivery, service-level budgeting, and managing inflationary and income pressures. Officers acknowledged these concerns and advised that future work would focus on developing a sustainable medium-term financial strategy and reducing reliance on vacancy-based savings.

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The Committee considered issues relating to the capital programme and observed that there was a need to ensure that capital programme plans were realistic, deliverable, and supported by sufficient resources. It was acknowledged that improved monitoring and analysis of capital expenditure would be required moving forward.

In respect of governance arrangements, Members emphasised the importance of strengthening monitoring of action plans, particularly those associated with the Housing Improvement Plan and regulatory requirements. It was suggested that regular progress reports should be provided to the Committee to enable effective oversight, although it was noted that the Overview and Scrutiny Committee already received quarterly reports in this area.

The Committee also discussed risk management arrangements and noted that further work was required to improve the identification, monitoring, and reporting of corporate and departmental risks. Officers advised that a revised approach to risk management, including enhanced reporting mechanisms and closer working relationship between Officers and the appointed Member Risk Champion, would be developed.

In relation to whistleblowing, Members requested that a set of updated policies, including whistleblowing, anti-fraud, and corruption strategies, be brought forward for review by the Committee. It was agreed that regular reporting on whistleblowing activity should be introduced as part of regular reporting to the Committee.

There was discussion on the implications of the disclaimer opinion going forward. The External Auditors explained that rebuilding assurance in the Council's financial statements would take a number of years, with disclaimer or qualified opinions likely to continue in the short term. However, Members would receive increasing levels of assurance through more detailed audit reporting on individual areas of the accounts, and continued audit procedures, including through Internal Audit opinions that were being undertaken. It was highlighted that last year the Council had received reasonable assurance on its internal audit opinion showing progress in governance arrangements. This would contribute to strengthening assurance before the Local Government Reorganisation (LGR) arrangements come into force in April 2028.

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Members acknowledged the significant challenges faced by the Council in recent years and welcomed the progress that had been made. It was recognised that further significant work was required to return to audit assurance, in terms of returning to unqualified opinions for the Council's financial statements, and to strengthen governance and ensure sustainable service delivery.

Following the discussion of the report, the Committee agreed the resolutions as per the report.

## **RESOLVED that**

- 1) The significance of consecutive years of disclaimed opinions be acknowledged, and the Completion Report attached at Appendix 1, be endorsed.**
- 2) The Committee request a detailed updated Recovery Plan be requested, including milestones and reporting arrangements, to address the recommendations raised within the Completion Report.**
- 3) The Committee continue to oversee arrangements for financial reporting, including regular monitoring of progress against improvement actions and key milestones.**

## **7. RISK MANAGEMENT REPORT (Q4 2025-26)**

The Q4 2025/26 Risk Management report was presented for Members' consideration. The report provided an overview of the Council's corporate and departmental risks for the period up to the end of March 2026, together with an update on progress made in strengthening the Council's risk management framework.

Members were informed that significant work had been undertaken to review and refresh the Council's approach to risk management. Assistant Directors had completed reviews of corporate risks, and a programme of training had been delivered across the organisation with the aim of embedding risk management practices more effectively. In addition, Internal Audit had reviewed the current risk management processes and would undertake a further review later in the year, or early in the next calendar year, once updated strategies and refreshed risk registers were in place.

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It was reported that an officer Strategic Risk Management Group had recently been convened to review all corporate risks and that this group would continue to meet going forward. Consideration was also being given to involving a Member Risk Champion in future risk reviews in order to strengthen Member oversight of risk management.

The Committee was advised that the report set out the definition of corporate risks and included details of current risk levels. In particular, there were three risks identified with high inherent risk scores of 20 or above. The report also highlighted risks that had been closed, new risks that had been added, and a number of risks that had been amended. Members noted that a separate section detailed the latest position in respect of service-level risks.

During consideration of the item, Members raised a number of detailed queries regarding specific risk areas. Questions were asked in relation to the 'Failure to meet waste requirements of the Environment Act 2021' risk, with Members seeking further information on the progress to date, ongoing financial and operational pressures, and the potential financial implications in the event of a failure to meet the statutory compliance requirements, particularly with regard to the introduction of food waste service. Additional queries were raised regarding procurement, including the extent of progress made in updating policies, any gaps in staff training, and the assurance that the Council was fully compliant with legislative requirements.

Members also queried risks associated with the Renters' Rights Act and requested clarification on the implications of non-implementation, the risks that remained outstanding, and the actions planned to mitigate these risks for both the Council as a landlord and for tenants. Concern was expressed that this risk may have been understated, and it was suggested that it should be upgraded a medium risk within the Council's Corporate Risk Register until a comprehensive mitigation plan had been developed and reported.

Significant concern was raised in relation to outstanding remedial fire safety works. Members noted that a substantial number of fire remedial actions remained unresolved and that progress appeared limited. Members emphasised the importance of ensuring timely completion of these works and requested clarity on expected completion timescales and contingency arrangements in the event of contractor or resourcing issues.

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In response, Officers present acknowledged that not all risk leads were present at the meeting and therefore detailed responses could not be provided on every point. However, it was confirmed that the issues raised by Members would be taken away and incorporated into the Quarter 1 report, which would be presented to the Committee at its next meeting. It was proposed that a comprehensive update addressing all outstanding queries would be included within that report to enable formal consideration by Members.

In respect of the risk of failure to comply with procurement rules, Officers advised that the Contract Procedure Rules had recently been updated and approved by Council, and that processes and procedures had been strengthened accordingly. Internal Audit reviews of procurement and contract management had also been undertaken, with actions incorporated into ongoing risk management activity.

Members highlighted the need for improved narrative within the report, particularly in relation to high-risk areas. Concern was expressed regarding limited information provided in respect of the one red-rated risk in the departmental risk register relating to the revenues service where insufficient contextual information had been provided. Officers subsequently clarified that this risk related to data compliance and the need to update vulnerability indicators within existing datasets. It was noted that this represented a significant piece of work, and the absence of fully updated and consistent data contributed to the high-risk rating.

Members suggested that future reports should include a brief explanatory narrative for all high-risk items in order to provide clearer context and support effective scrutiny by Members. Officers agreed with this approach and confirmed that this enhancement would be incorporated in future reporting.

Further discussion took place regarding the overall level of detail provided within the report. Some Members expressed frustration with the lack of detailed information in relation to some risks, particularly in the absence of relevant service leads. Officers acknowledged this concern and outlined a number of potential improvements, including targeted training sessions for Members, the provision of additional contextual information in addition to meeting reporting where appropriate, and the possibility of inviting

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specific risk leads to attend meetings on a cyclical basis or when particular risks were identified in advance.

The Committee agreed to resolutions as per the report, with addition of requesting a change to risk score in respect of the 'Non-Implementation of the Renters Rights Act 2025' Corporate Risk from low to medium risk.

## **RESOLVED that**

- 1) The strategic risks and mitigations detailed in the Corporate Risk Register be noted.**
- 2) The changes to risk scores, owners/leads, and removal/addition of risks had been considered, and changes suggested by Members as detailed in the preamble above.**

## **8. VAT RECOVERY PROGRESS UPDATE**

The VAT Recovery Progress Update report was presented. Members were advised that the report had previously been considered by the Executive Committee. The report was presented before the Audit, Governance and Standards Committee due to the financial implications of the matter, a significant cash repayment from HMRC, which had a direct impact on Treasury Management, an area that fell within the Committee's remit. Secondly, the Committee had asked to review the actions agreed with HMRC to ensure that penalty suspensions remained in place.

Members were informed that the Council had been unable to submit VAT returns between April 2021 and October 2024 due to issues linked to the implementation of the Council's financial system (TechOne), and associated issues of staff turnover and misalignment of processes in relation to VAT. It was reported that corrective action was being taken, with the initial Error Correction Notice submitted to HMRC after monthly VAT returns were reinstated in November 2024 and a subsequent Notice submitted in November 2025.

The Committee was advised that the Council had received a net cash repayment of approximately £19.9 million from HMRC. Whilst this improved the Council's cash position, Members were reminded that the underlying accounting transactions had already been recognised in previous financial periods. It was emphasised,

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however, that the return of these funds had implications for the Council's Treasury Management strategy and would need to be incorporated into future financial planning considerations.

In relation to compliance, Members were informed that HMRC had agreed to suspend financial penalties on the condition that the Council implemented and maintained a number of specific actions. These actions included strengthened processes for VAT returns and enhanced assurance arrangements and conditions were detailed in the report. Audit, Governance and Standards Committee oversight had been requested to ensure that these requirements were being met on an ongoing basis.

The Committee was further advised that the Council had been working closely with external specialists, PS Tax, to strengthen its VAT arrangements. Although VAT returns were currently produced through a manual process, it was reported that returns were now being submitted on a monthly basis and that confidence in the revised processes had significantly improved. Members were reassured that additional assurance measures had been introduced and that regular updates would be provided to the Committee to demonstrate compliance with HMRC requirements.

Officers also highlighted improvements in resourcing within the VAT team. A permanent member of staff had been appointed to focus on VAT work, supported by additional temporary resource to enhance accuracy and ensure the timely submission of returns. Training on VAT was being delivered within the finance team and to managers across the organisation.

During discussion, Members welcomed the recovery of funds and the strengthened processes now in place. However, questions were raised regarding why the issue had not been identified sooner. In response, it was noted that the complexity of the TechOne finance system implementation and problems with that implementation, as discussed under previous agenda items, had contributed to the delay in detection. Members also discussed the Council's risk management arrangements, noting that the issue was currently reflected within the corporate risk register under cash flow risk. It was suggested that consideration be given to whether this matter should be recorded as a separate risk to ensure continued visibility and monitoring.

In response to these comments, Officers confirmed that a review of the risk would be undertaken to determine its appropriate

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categorisation going forward. It was acknowledged that, while the historical risk had been significant, the current position may represent more of an opportunity due to the improved cash position. However, it remained essential to ensure that robust processes were embedded to prevent recurrence

Further discussion took place regarding the impact of the repayment on the Council's financial reserves. It was noted that a resilience reserve of £2.5 million had previously been established to mitigate organisational risks, including those related to cash flow. Officers advised that the VAT recovery primarily addressed a cash flow issue rather than underlying budget pressures. As such, broader financial risks across revenue and capital budgets remained, and it was considered prudent to retain the reserve while further risk-based financial monitoring arrangements were developed.

Members welcomed the recovery position and placed on record their thanks to the Finance team for the significant amount of work undertaken to resolve the issue, acknowledging the pressures faced by the team throughout this period.

The resolutions as set out in the report were agreed by the Committee.

## **RESOLVED that**

- 1) The actions being undertaken to resolve the outstanding VAT matters are noted.**
- 2) The net cash gain of £19.9 million is noted.**
- 3) The improvement of this on the cashflow position is noted and the corporate risk register duly updated to reflect the positive change to the Council's cash holding position.**
- 4) The Audit, Governance and Standards Committee maintains oversight of the delivery of actions to satisfy any agreed penalty suspension conditions.**

## **9. FINANCIAL COMPLIANCE REPORT**

The Financial Compliance Report was presented to the Committee for consideration. Specific areas of the report were highlighted.

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Members were advised that the Council's financial procedure rules, which form part of the governance framework within the Constitution, had recently undergone a comprehensive review. As part of this process, enhancements had been implemented alongside updates to procurement arrangements. It was explained that these changes strengthened the Council's overall control environment and provided a more robust framework for decision-making, reinforcing governance and supporting effective financial management going forward.

The Committee was informed that, in respect of statutory financial reporting, the Council was now largely up to date with required returns. The only outstanding area related to the Whole of Government Accounts. Members were advised that a newly appointed Chief Accountant was now in post and actively progressing the Council's accounts, with the expectation that attention would subsequently turn to finalising the outstanding Whole of Government Accounts returns. This work was anticipated to bring the Council back into compliance with national reporting requirements.

In relation to the Council's Financial Stability Plan, Members noted the recent appointment of a permanent Section 151 Officer, which was described as a significant and positive step in providing strategic leadership and direction for the Council's finance function. Officers also confirmed that further work would be undertaken to review staffing arrangements within the Finance team to ensure sufficient capacity and expertise were in place to support the Council.

Members received an update on the Council's TechOne financial system. It was reported that ongoing improvement work was being carried out, with notable progress achieved in recent months. Officers explained that a health check of the system had been completed and that a revised project plan was being developed to address remaining issues and ensure that the system was fully fit for purpose, enabling it to effectively support the organisation's financial processes.

The Committee also considered developments in procurement and financial training. It was reported that procurement training was being delivered across the organisation, which was positively received. In addition, training and compliance requirements had been strengthened in key areas such as purchase card usage,

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purchase orders and Government Procurement Cards (GPC). Officers emphasised that these measures would continue to be a focus moving forward in order to embed good practice and ensure consistent compliance across the Council.

During the discussion, a Member raised a query regarding the TechOne finance system, noting that it had been a longstanding issue and the main contributing factor to the situation regarding the backlog in the completion of Statements of Accounts faced by the authority over the past few years. It was requested that, following the conclusion of the ongoing review work, a detailed report be presented to a future meeting of the Committee. The purpose of this would be to provide assurance to Members regarding the adequacy of improvements and the overall robustness of the system.

The resolutions as set out in the report were agreed by the Committee.

## **RESOLVED that**

- 1) The Committee are assured regarding the position in relation to the auditing of the 2023/24 and 2024/25 Statement of Accounts from an internal perspective.**
- 2) The Committee are assured in relation to the position for the other Financial indicators set out in this report.**
- 3) The Committee are assured in relation to the position on the Financial Stability Plan.**

## **10. ANNUAL APPOINTMENT OF RISK CHAMPION**

Members considered the appointment of a Risk Champion for this municipal year. The nomination for Councillor Rita Rogers was proposed and seconded and on being put to the vote

### **RESOLVED that**

**Councillor Rita Rogers be appointed as Risk Champion for the 2026/27 municipal year.**

## **11. COMMITTEE WORK PROGRAMME**

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Members considered the Committee Work Programme. A number of additions to the Committee's Work Programme were requested, as raised in previous parts of the meeting:

- Update on progress made with upgrading the TechOne financial system – a standalone report to a future Committee meeting.
- Fire Remedial Actions and Renters' Rights Act Corporate risks – an expanded narrative to be provided on these risks in future Risk Management reports to Committee. Committee to consider inviting Risk Owners for these items.
- Update on progress in Workforce Strategy actions – a standalone report to a future Committee meeting.
- Whistleblowing, Anti-Fraud, and Corruption Strategies – strategies to be presented at the next Committee meeting in July.

It was agreed that these items would be added to the work programme as standalone items or incorporated as part of the risk management reports going forward.

The other items already scheduled for the meetings in the 2026/27 municipal year were noted.

## **RESOLVED that**

**the Audit, Governance and Standards Committee Work Programme be updated as per the pre-amble above.**

## **12. EXCLUSION OF THE PUBLIC AND PRESS**

The Committee agreed that the exclusion of the public and press would not be necessary for Minute No. 13 – Minutes (of the Previous Meeting) – as the Committee would not be discussing the contents of the exempt minute record of that meeting.

The Committee remained in open session for Minute No. 13 (Agenda item 13) – Minutes.

## **13. MINUTES**

The Committee considered the minutes of the meeting of Audit, Governance and Standards Committee held on 24<sup>th</sup> February 2026, including the exempt minutes record of items considered in closed session at that meeting.

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**RESOLVED that**

**the minutes of the meeting of Audit, Governance and Standards Committee held on 24<sup>th</sup> February 2026 be approved as a true and correct record and signed by the Chair.**

The Meeting commenced at 6.30 pm  
and closed at 8.21 pm