

REDDITCH BOROUGH COUNCIL

AUDIT, GOVERNANCE & STANDARDS

29th July 2019

GRANT THORNTON AUDIT FINDINGS REPORT 2018/19

Relevant Portfolio Holder	Councillor David Thain
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Grant Thornton Audit Findings Report in relation to the final accounts 2018/19.

2. RECOMMENDATIONS

- 2.1 **That the Committee APPROVE the Audit Findings Report 2018/19 as attached at Appendix 1.**

- 2.2 **That the Committee APPROVE the recommendation made under section 24 of the Local Audit and Accountability Act 2014 to include the following :**

- A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20.
- A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax.
- Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level.

- 2.3 **That the Committee request officers to prepare a full and comprehensive response to Grant Thornton to detail actions to be taken to address the concerns raised**

- 2.4 **That the Committee APPROVE the draft letter of representation as included at Appendix 2.**

3. KEY ISSUES

Financial Implications

- 3.1 The cost associated with the External Audit is funded from approved budgets. Due to a number of issues relating to the production of the Audit for 2018/19 there is a proposed additional charge of £13k. This will be met from savings within the finance team due to current vacancies.

Legal Implications

- 3.2 The Council has a statutory responsibility to comply with financial regulations. Included within the report is a recommendation to the Council under section 11(3) of the Audit Commission Act 1998.
- 3.3 Following the Audit for 2018/19 Grant Thornton have issued the Council with a Statutory recommendation made under section 24 of the Local Audit and Accountability Act 2014. Grant Thornton has powers and duties under this Act to include making written recommendations to the Council and the Council is required by the Act to hold a public meeting to consider such recommendations and publicly respond to them.
- 3.4 Grant Thornton have concluded that it is appropriate for them to use our powers to make a recommendation under section 24 of the Act due to the Council's current and forecast financial position. Section two of Appendix 1 details their recommendation, the reasons why they are making the recommendation and what the Council needs to do to respond to the recommendation.

Service / Operational Implications

- 3.5 The report attached at Appendix 1 presents the Audit Findings Report in relation to the audit of the 2018/19 Statement of Accounts.
- 3.3 The accounts were submitted to the Auditors within the deadline on 30th May 2018. In relation to the Statement of Accounts there are 2 recommendations that have been raised in relation to quality of working papers and overall quality control of the statement and its contents. Officers will be working with Grant Thornton to ensure that the closedown of the accounts for 2019/20 is improved together with the work required for the audit process.
- 3.4 On completion of the audit, an unqualified opinion has been given on the accounts.
- 3.5 In relation to the Value for Money judgement, having taken into account the financial pressures facing the Council over the next 4 years, a qualified "adverse" opinion has been given due to uncertainty around the financial sustainability of the council.
- 3.6 In addition to the adverse Value for Money judgement the auditors have issued the Council with a Statutory recommendation made under section 24 of the Local Audit and Accountability Act 2014. This relates to concerns around the future financial pressures of the Council and the ability to act urgently to address these concerns.

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- 3.7 The full details of the S24 recommendation are included in Appendix 1 together with the management responses in relation to addressing the financial gap the Council faces for 2020/21. The formal recommendation includes a requirement for the Council to deliver :
- A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20.
 - A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax.
 - Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level.
- 3.8 Whilst a number of responses have been included in Appendix 1 a formal response has to be made to the Auditors in respect of the recommendations above. It is proposed that, subject to member approval of the recommendation, officers prepare a comprehensive response to ensure the concerns are addressed urgently. This response will then form an action plan that can be monitored on a regular basis by this Committee and also reported through Executive.

Customer / Equalities and Diversity Implications

- 3.9 There are no implications arising out of this report.

4. RISK MANAGEMENT

- 4.1 The recommendations from the External Auditors will be picked up within the financial services risk arrangements. The Section 24 recommendation will be included on the Corporate Risk Register to ensure it is given the highest priority for resolve over the next few months.

5. APPENDICES

Appendix 1 – Grant Thornton Audit Findings Letter 2018/19
Appendix 2 – Letter of Representation

AUTHOR OF REPORT

Name: Jayne Pickering
E Mail: j.pickering@bromsgrove&redditch.gov.uk
Tel: 01527- 881207