

Audit, Governance & Standards Committee

Thursday, 15th April, 2021

MINUTES

Present:

Councillor John Fisher (Chair), Councillor Mark Shurmer (Vice-Chair) and Councillors Tom Baker-Price, Ann Isherwood, Yvonne Smith, David Thain, Craig Warhurst, Julian Grubb and Anthony Lovell

Also Present:

Jackson Murray – Engagement Lead for Grant Thornton
Neil Preece – Engagement Manager for Grant Thornton

Officers:

Andy Bromage, Claire Felton, Chris Forrester and James Howse.

Democratic Services Officers:

Jo Gresham and Pauline Ross

53. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillor Peter Fleming and Councillor Salman Akbar. Members were informed that Councillor Julian Grubb and Councillor Anthony Lovell were in attendance as their named substitutes.

54. DECLARATIONS OF INTEREST

There were no declarations of interest.

55. MINUTES

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RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on Monday 1st March 2021 be approved as a true and correct record.

56. PUBLIC SPEAKING

The Chair confirmed that there were no registered public speakers on this occasion.

57. 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 in doing so highlighted the following:

- There had been no complaints received since the last meeting of the Committee.
- As the Election was approaching, preparations were underway for Member training. Members were informed that if there was any additional, specific training identified by Members they could approach Democratic Services or the Monitoring Officer who could potentially add it to the already established programme of training.
- The High Court judgement in respect of the return to physical meetings was expected to be determined on 21st April 2021. This judgement would establish whether Committee meetings would continue in a virtual setting or have to return to in-person meetings. The Monitoring Officer noted that it was hoped that the outcome would be that virtual meetings would continue. However, she explained that officers were currently preparing for the return to physical meetings should the High Court return that outcome.

Members questioned whether Member Code of Conduct had been made mandatory for the next set of training and it was confirmed that it was the responsibility of the Leaders at Group level to confirm

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that the training was mandatory. Some Members expressed their concerns that mandatory training was not possible to enforce.

The Chair queried the attendance from Feckenham Parish Council at Committee meetings and questioned whether a representative from the Parish Council was invited. It was confirmed that representatives from Feckenham Parish Council were invited to the meeting and would be contacted post-Election in order to confirm any changes to their nominated representative.

RESOLVED that

the Monitoring Officer's report be noted.

58. GRANT THORNTON EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Engagement Lead for Grant Thornton presented the Grant Thornton External Audit Progress Report and Sector Update and in doing so the following was highlighted for Members' attention:

- The Audit was still ongoing and the outstanding work in respect of the Asset Register was still being finalised by Officers. It was clarified that once this piece of work had been completed Grant Thornton would be in a position to be able to provide their Audit Opinion for 2019-20. This delay to the completion of the 2019-20 Audit had impacted on the preparation of the Audit Plan for 2020-2021 and the timetable for the 2020-2021 Audit and consideration of associated reports would need to be amended prior to consideration by the Committee.
- Grant Thornton carried out two additional pieces of work for the Council which were confirmed as the Annual Housing Benefit Subsidy Claim on behalf of the Department for Work and Pensions (DWP) and the Pooling of Housing and Capital Receipts return on behalf of Ministry of Housing, Communities and Local Government (MHLGC). Members were informed that the Pooling of Housing and Capital Receipts had been returned in accordance with the MHLGC

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timetable. However, officers had negotiated an extension until the end of April 2021 with the DWP in respect of the Housing Benefit Subsidy Claim.

- Officers from the Finance team attended the Annual Financial Reporting workshop delivered by Grant Thornton which provided updates regarding the Financial Reporting requirements ready for the account close down for 2020-2021.
- Any proposed variations to the Audit Fees would be discussed with the Executive Director for Resources and presented to Members through Audit Plans at a future meeting of the Committee.
- The approach to Value for Money was dictated by the National Audit Office and Members were informed that a new Code had been introduced for the financial year 2020-2021. This new Code meant that an Audit Opinion would no longer be offered. Instead, a commentary would be provided on arrangements in place at the Council. This would be presented in an Auditors' Annual Report. It was highlighted to Members that the planning that had been undertaken prior to previous Audits in order to identify areas of significant risks would not take place this year and that all areas would be in scope. As a result of this, Grant Thornton were no longer able to undertake discreet pieces of work in specific significant risk areas.

The Chair invited the Executive Director of Resources to provide further information in this area and he explained that the report confirmed the priorities for both him and the Head of Finance and Customer Services going forward particularly the completion of the 2019-2020 Audit. He also stated that he would be interested to see what the future looked like given the changes to the Value for Money work undertaken by auditors.

Members were interested when the final Audit Opinion would be issued for 2019-2020. The Engagement Lead from Grant Thornton explained that it was hoped that the opinion would be issued within a few weeks once the outstanding information had been received from officers.

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Some Members were concerned with the continued delay in the delivery of the Audit for 2019-2020 and that this delay may cause considerable problems resulting in potential financial implications for the Council. The Executive Director of Resources explained that it was important to ensure that the working papers and supporting data provided to Grant Thornton were of a high quality in order to get the 2019-2020 Audit signed off. In addition to this, that a priority going forward was to agree a realistic and deliverable timetable for the next municipal year. He added that this may result in a delayed Audit for 2020-2021 but would help ensure that the information provided to Grant Thornton was accurate and robust. It was clarified for Members that some of the delay for the Audit during 2019-2020 was inevitably caused by the impact of Covid-19, through the redeployment of officer time and resource, working from home and the significant increase of work administering grant funding and managing rent arrears. That being said it was noted by Members that delays with audits historically had been experienced at the Council pre-Covid. Members were informed that delays in the completion of final accounts had been experienced across much of Local Government and Members were informed that less than half of the sector had completed audited accounts by the required deadline.

During detailed debate Members queried whether, along with the Asset Register risk which had been identified, whether there were any other areas of risk that were of concern to the Council in the municipal year 2020-2021. The Executive Director of Resources explained that Assets were a priority along with Covid-19 grants and ensuring that the process of administering those grants in accordance with the guidance. Members were informed of the process undertaken during the valuation of assets and how these valuations were audited.

In respect of the Sector Update provided by Grant Thornton, Members were keen to further understand the new approach to Value for Money within the Sector and consideration of Financial Sustainability, Governance and improving economy, efficiency and effectiveness would make up the new Auditors' Annual

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Report in future years. It was explained that there would be crossover in each area and that each new area could not be considered in isolation. It was noted that it was unlikely that further resources would be needed in order to address the extra work going forward, however the wider Finance team was being considered to ensure that the capacity and capability was as it should be in order to carry out their work in future years.

It was explained to the Committee that large amount of grants and support packages had been distributed during the Covid-19 pandemic which had inevitably taken up a large amount of officer time. It was uncertain as to whether there would be any further allocation of monies but that a key area of priority was to consider the impact on the Council's financial planning and on the accounting of the grants. The Head of Finance and Customer Service clarified to Members that there had been significant variances in the way the funding was allocated. He explained that Redditch Borough Council did not depend on large amounts of commercial funding streams and therefore had not received as much allocated grant funding as other Local Authorities had. It was also reported that it was still unclear as to what the impact of the funding on Local Authorities would be and that whilst the pandemic was still ongoing it was also difficult to predict any deficit in funding.

The Chair took the opportunity to thank Grant Thornton and officers for all of their hard work in extraordinary circumstances.

RESOLVED that

the Grant Thornton External Audit Progress Report and Sector Update be noted.

59. INTERNAL AUDIT PROGRESS REPORT

The Head of Worcestershire Internal Audit Shared Service presented the Internal Audit Progress Report.

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During consideration of this item members' attention was drawn to the following:

- Three reports had been completed since the last meeting of the Committee. These were Health and Safety Training Records 2020/21, Critical Review – Use of Agency staff and consultants 2020-21 and Benefits 2020/21. A high priority recommendation had been identified as part of the Health and Safety Training Records 2020 – 2021 Audit linked to the implementation of the new Enterprise Resource Planning (ERP) system. It was reported to Members that once the Health & Safety area of the new ERP system was rolled out the recommendation would be addressed. Members were assured that there was a clear understanding from officers as to what was required to mitigate any risks and that an action plan was in place.
- It was confirmed that a number of the Audits included in the report had progressed since the report was produced and that all were returning a moderate or above assurance.
- A recommendation from the previous year's Benefits 2019-2020 Final Audit had been rolled over to the current year and was being monitored carefully. This recommendation was regarding the reconciliation between BACS documents and the Benefits system, and an implementation date of 31st April 2021 had been given in order to resolve this recommendation.
- The Quality Assurance Improvement Plan included in the report outlined progress at the end of Quarter 3. This would continue to be monitored and an update provided to the Committee at each meeting.
- That the Annual Report was due to be presented at the July 2021 meeting for consideration by the Committee and that the Audit Plan for 2021-2022 was already drafted and would include some areas that had not been completed in the 2020 – 2021 municipal year.

Members questioned the number of Audit days that had been delivered in 2020-2021 and were informed that the number of days that were likely to be delivered by the end of the year was

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approximately 230. It was noted that this was just under half of the expected amount, despite 16 reviews being carried out. There had been a number of reasons why the number of Audit days was lower than expected which included, challenges from the Covid-19 pandemic and that two of the reviews with significant budgets associated with them that were due to take place could not be undertaken as it was considered not to be the most appropriate time to carry out this kind of audit and present accurate Value for Money conclusions.

During detailed discussion regarding the Performance Indicators included in the report, Members were keen to understand the metrics that were used to measure the performance of the Internal Audit Service. It was clarified to Members that the Performance Indicators included in the report were in respect of the original numbers that had been decided when the Audit Plan 2020-2021 was agreed during the previous municipal year and had not been revised. This provided a transparent overview of the indicators and the baseline of the original Audit Plan. Members were keen that performance indicators provided in the future be amended and remain consistent for reports due to be considered by the Committee. In addition to this, it was requested that if any revisions were made to a future Audit Plan during a municipal year, then these changes should be reflected and included as part of any performance measures in order to provide more meaningful data. The Executive Director of Resources reassured Members that Internal Audit was being utilised effectively and in the correct priority areas within the Council and with the appropriate resources.

The Chair thanked the Head of Worcestershire Internal Audit Shared Service for his detailed presentation.

RESOLVED that

the Internal Audit Progress Report be noted.

60. COMPLIANCE TEAM UPDATE FINANCIAL SAVINGS MONITORING REPORT

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The Head of Finance and Customer Services presented the Compliance Team Update Financial Savings Monitoring Report and in doing so Members' attention was drawn to the impact the Compliance Team had on the collection of additional income during the 2020-2021 municipal year. It was reported that significant additional income had been collected in Council Tax and Non-Domestic Rates (NDR) collection work streams. However, Members were informed that for NDR not all of the income collected was kept by the Council. It was noted that the work carried out by the team was an extremely important function, offered value for money and any additional income collected covered the cost of the running of the Compliance Team.

RESOLVED that

the Compliance Team Update Financial Savings Monitoring Report.

61. COVID-19 GRANTS

The Head of Finance and Customer Services presented the detailed report in respect of Covid-19 Grants received during the pandemic. Members were informed that included in the report were the timelines and criteria for the grants, the amount of funding available and how much of the funding had been allocated. It was highlighted that a significant amount of funding had been allocated and that the payments were on track.

Members were informed that if residents had any queries regarding funding that they should refer to the Council's website where signposting was available for all Covid-19 funding and also included the application process. In addition to this, the Head of Finance and Customer Services undertook to provide Members with any links from the Communications Team to share with residents through their social media channels.

The Chair invited the Executive Director for Resources to comment on the report and in doing so he informed Members that this was a complex area and inevitably some areas of business would not be captured through all of the criteria. He explained that the team had

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worked extremely hard to make sure that the application process was as simple as possible and that funds were released effectively to those residents and businesses who needed it.

RESOLVED that

the Covid-19 Grants report be noted.

62. CORPORATE RISK REGISTER VERBAL UPDATE

The verbal update in respect of the Corporate Risk Register was presented by the Head of Finance and Customer Services. He explained that there had been several risks identified which were as follows:

- Failure to be non-complaint with Health & Safety
- Failure to deliver a sustainable financial plan for the General Fund and Housing Revenue Account
- Failure to manage the impact of Covid-19
- Impact of Brexit on the economy workforce
- Business Continuity Plans ability to deliver during a particular incident
- Failure to deliver the Council Plan
- Failure of IT infrastructure due to cyber-attacks.

These were predominantly the same as highlighted to the Committee previously with the exception of the failure to manage the impact of Covid-19. Members were informed that it was extremely important how this was managed now that customers were beginning to return to the Town Hall and officers were returning to work where appropriate. The risks were being mitigated by encouraging the use of automated and online Council systems for payments and ensuring the use of PPE in Council premises.

In respect of the Impact of Brexit, Members were informed that there was increased support available for local businesses should they require assistance in understanding new processes particularly in respect of shipping requirements. This support was available

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through Central Government guidance and residents should be directed there if additional support was required in this area.

Members were informed that the Business Continuity Plans had recently been reviewed and were up to date.

Some Members were keen to have access to the Risk Register in hard copy prior to the meeting. There was discussion regarding this request and some Members thought that the role of the Risk Champion was to monitor the Risk Register and report back to the Committee as necessary. This would ensure that the Committee were not scrutinising a specific risk in detail but would offer an opportunity to understand the risks faced by the Council in broader terms. It was reiterated by some Members that access to the Risk Register would be extremely useful and provide a valuable insight for Members, officers undertook to provide this for future meetings.

RESOLVED that

the Corporate Risk Register Verbal Update be noted.

63. RISK CHAMPION VERBAL UPDATE

Councillor D. Thain provided a Risk Champion update to the Committee and informed Members that risk monitoring was particularly important during the pandemic including financial and resourcing risks. It was hoped that the ERP system would help to mitigate any risks in these areas and that the implementation of the system was currently going well with training underway.

Some Members indicated that they were very keen to recruit an Independent Member to the Committee in the new municipal year to help drive improvement, ensure transparency and robustness in all areas considered by the Committee.

RESOLVED that

the Risk Champion Update be noted.

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64. COMMITTEE WORK PROGRAMME

The Democratic Services Officer highlighted to Members that in addition to the items currently on the agenda, a General Dispensations report would also be included for Members' consideration.

At the end of the meeting the Chair thanked all of the Members who were standing down in the next Election and all of the remaining Members and officers. He commented that the role of the Audit, Governance and Standards Committee was a vital role within the Council and ensured that the Council applied appropriate and robust processes and provided confidence to residents within the Borough.

RESOLVED that

the Committee Work Programme be noted.

The Meeting commenced at 7.00 pm
and closed at 9.09 pm