

REDDITCH BOROUGH COUNCIL

Audit, Governance and Standards Committee

10th November 2022

INTERIM AUDITORS ANNUAL REPORT ON REDDITCH BOROUGH COUNCIL 2020-21

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| Relevant Portfolio Holder | Councillor – Karen Ashley Portfolio Holder for Finance and Enabling |
| Portfolio Holder Consulted | - |
| Relevant Head of Service | Pete Carpenter – Interim Director of Finance |
| Report Author Peter Carpenter | Job Title: Interim Director of Finance Contact email: peter.carpenter@bromsgroveandredditch.gov.uk |
| Wards Affected | All Wards |
| Ward Councillor(s) consulted | No |
| Relevant Strategic Purpose(s) | An effective and sustainable Council |
| 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 Interim Auditor's Annual Report 2020/21 sets out the auditor's view on controls within the organisation. Apart from the Statutory Recommendation, for which there is a separate Report, there are 6 Key and 13 Improvement Recommendations in this report. The Council's responses and progress in delivery of these Recommendations are set out in the Auditors Report.

2. RECOMMENDATIONS

Audit Governance and Standards Committee are asked to Recommend to Council that:

- 1 They agree with the 6 Key Recommendations and 13 Improvement Recommendations within this report.
- 2 They agree with the Management Actions contained within this report will rectify these issues.
- 3 They highlight any other actions they deem necessary to rectify these issues.

3. Background

Introduction

- 3.1 The External Auditors at the meeting of Audit, Governance and Standards Committee on the 14 April 2022 set out their Audit Plan and the revised approach to Value for Money Assessments. This included the three main changes arising from the National Audit Office's (NAO) new approach.

- 3.2 This report is the interim auditors annual report. It will not be able to be issued in final until the 2020/21 financial statements are produced and have been audited. Grant Thornton have issued a Statutory Recommendation which is included as a separate report in this agenda. This report sets out six key recommendations and thirteen improvement recommendations.
- 3.3 This report covers the arrangements that the Council had in place up to the 31st March 2021. The Auditors began their work in February and are pleased to see that officers have responded positively to the ongoing discussions and have begun to address many of the key concerns. The Auditors note that the changes made will still need to be embedded.
- 3.4 The report notes that the audit opinion on the 2019/20 Statements was not provided until the 8th November 2021.

Key Recommendations

- 3.5 There are six Key recommendations which are set out on pages 7 to 12 of the Auditors Report. These recommendations are:
1. 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.
 2. 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 of Practice.
 3. 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.
 4. The Council should review and implement effective governance arrangements in respect of performance 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.
 5. 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.
 6. The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.

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- 3.6 In terms of these six key recommendations, the data on pages 7-12 set out what these are Key Recommendations and the impact they have, the auditors Judgement and summary findings, followed by the Management Response.
- 3.7 The Council view is for these six Key Recommendations that management actions are in place to mitigate all of them including:
- The staffing up on the finance team to give the correct capacity for delivery of Recommendations.
 - Delivering the 2023/24 MTFP in two Tranches, with the first already in the public environment since the 26 October.
 - That the 2022/23 Treasury Management Strategy suite of reports was delivered to this Committee on the 14th April
 - Having a monthly Cross Council assurance review meeting assessing priorities and delivery of other cross cutting meetings.
 - Integrating Performance and Financial monitoring in one report. The Quarter 1 combined report was presented to Executive on the 6th September. Q2 will be presented on the 6th December.
 - Risk Monitoring Governance has been updated and reporting through to Audit, Standards and Governance Committee on a quarterly basis.

Improvement Recommendations

- 3.8 The Auditors also comment on the Councils arrangements to secure economy, efficiency, and effectiveness in its use of resources. The majority of these points are included in the Improvement Recommendations on pages 22-34 of the Auditors Report:
1. The Medium-Term Financial Plan / Budget setting report should be linked to specific actions which are set out in the Council Plan to make it clearer how investments in services will help to achieve the eight key priorities as set out in the Council Plan.
 2. The Council needs to improve capital budgeting and ensure that the capital programme is delivered as planned.
 3. The Council should develop a workforce plan / strategy and ensure that this aligns to its financial plans.
 4. Financial plans presented to Members should include better explanation around the key risks and assumptions as well as sensitivity analysis and modelling different scenarios.
 5. The Council should work with Internal Audit to ensure that proactive fraud prevention work is included in the audit plan, and the work and outcomes are reported to the Audit, Governance and Standards Committee.
 6. The Council needs to ensure that internal and external stakeholders, including service users, are engaged and consulted in the budget setting processes, and that this is documented and reported.
 7. The Council needs to develop quarterly financial monitoring reports so that performance information is included in order to better explain variances and the financial impact of service decisions.
 8. The Council needs to ensure that budget holders are actively involved in budget monitoring and are aware that it is a key part of their role.

9. The Council need to put in place arrangements to provide independent assurance over the accuracy on in-year financial reporting and performance information.
10. The Council needs to significantly enhance the use of benchmarking costs and performance against other similar bodies.
11. The Council needs to ensure that the recommendations made by the LGA Corporate Peer Challenge in January 2018 and February 2020 are addressed and that it then further improves by learning from exemplar councils across the country.
12. The Council should ensure that it has an up-to-date procurement strategy and that this, and any other key policies and strategies, are routinely reviewed and updated.
13. The Council needs to engage and consult with key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.

3.9 As with the Key Recommendations, the Councils view it as a priority that it has or is in the process of integrating these recommendations into normal processing.

4. **IMPLICATIONS**

Financial Implications

4.1 Financial implications are set out in section 3.

Legal Implications

4.2 The Council must comply with the Recommendations set out in the Interim Auditors Report and the Management Actions set out how this will be delivered.

Service / Operational Implications

4.3 Delivery of the six Key Recommendations and the thirteen Improvement Recommendations will impact several key processes. These changes form part of the financial recovery plan.

Customer / Equalities and Diversity Implications

4.4 There are none of these within this report.

5. **RISK MANAGEMENT**

5.1 Non-delivery of the 2020/21 Accounts is a fundamental deficiency and this is part of the Corporate Risk Register as it the delivery of a Balanced Budget.

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6. **APPENDICES**

Appendix A – Interim Auditor's Annual Report on Redditch Borough Council – Grant Thornton.

6. **BACKGROUND PAPERS**

None

7. **KEY**

None