

Audit, Governance & Standards Committee

Thursday, 27th October,
2022

MINUTES

Present:

Councillor Juma Begum (Chair) and Councillors Imran Altaf, Luke Court, Timothy Pearman, Bill Hartnett and Joanna Kane

Also Present:

Jackson Murray, Engagement Lead for Grant Thornton (on Microsoft Teams)

Officers:

Peter Carpenter, Claire Felton (on Microsoft Teams), Andy Bromage (on Microsoft Teams), Michelle Howell and Aksa Khan (on Microsoft Teams).

Democratic Services Officers:

Jo Gresham and Mat Sliwinski

15. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Salman Akbar, Tom Baker-Price, Michael Chalk, Andrew Fry, and Sharon Harvey. It was confirmed that Councillor Bill Hartnett was attending as Councillor Fry's substitute and Councillor Joanna Kane as Councillor Harvey's substitute.

16. DECLARATIONS OF INTEREST

There were no declarations of interest.

17. MINUTES

RESOLVED that

Chair

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the minutes of the meeting of the Audit, Governance and Standards Committee held on 28th July 2022 be approved as a true and correct record and signed by the Chair.

18. PUBLIC SPEAKING

There were no registered public speakers on this occasion.

19. 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 confirmed that several Members' complaints had been received regarding use of social media by other elected Members. These complaints were being dealt with locally by the Monitoring Officer in conjunction with the Group Leaders.

Members were advised of an urgent request for dispensation to be granted by this Committee to Members who were private sector landlords so that they could take part in and vote on the matters relating to national private sector landlord regulations.

RESOLVED that:

- 1) the Monitoring Officer's report be noted; and**
- 2) a dispensation be granted to Members who are private sector landlords to make decisions on national private sector landlord regulations.**

20. ANNUAL REVIEW LETTER OF LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

The Committee considered a report on the Local Government Ombudsman's Annual Review Letter, which set out the statistics for complaints made against the Council for the year ending 31st March 2021 and for the year ending 31st March 2022.

Members requested that the errors contained in sections 5 and 6 of the report with regard to strategic and other implications be corrected. Officers undertook to make the appropriate changes to those sections of the reports for future meetings.

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RESOLVED that

the report be noted.

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

The representative for Feckenham Parish Council (FPC) addressed the Committee and stated there were no matters concerning the standards regime to update the Committee on at this meeting. The FPC representative confirmed that he held a conversation with the Interim Section 151 Officer on the terms of reference of the Audit, Governance and Standards Committee, including what matters fell within the remit of the standards regime and could be reported at this forum.

22. GRANT THORNTON EXTERNAL AUDIT SECTOR UPDATE

The Committee received a local government audit sector update from Jackson Murray, Engagement Lead for Grant Thornton. It was drawn to the Committee's attention that in its response to the local audit consultation, the Department for Levelling Up, Housing and Communities (DLUHC) announced plans for introducing a statutory requirement for local authority audit committees to appoint at least one independent member. This was to be introduced subject to parliamentary time.

The Committee reiterated their collective support for appointing an independent member but highlighted that past attempts had been unsuccessful, mainly due to lack of remuneration provided for the post. Some Members thus sought detail on how the DLUHC was planning to support local authorities in funding the independent member post.

The Interim Director of Finance commented that local authorities across the country struggled to appoint independent members, and the problem was exacerbated by the need for candidates to be suitably qualified and experienced in financial management and corporate governance. In contrast, even with high qualification requirements there was not the same problem with filling of independent member posts where levels of remuneration were high, as was the case for independent persons at pension funds.

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The Interim Director of Finance added that Worcestershire Councils' Directors of Finance would work in collaboration on the new recruitment process for audit committees' independent members and he would put this on a future directors of finance meeting agenda.

RESOLVED that

the updates as included in Appendix 1 to the report, as now submitted, be noted.

23. INTERNAL AUDIT PROGRESS REPORT

The Committee received the Internal Audit Progress Report from the Head of Worcestershire Internal Audit Shared Service. The report before the Committee summarised progress made against the delivery of the Internal Audit Plan 2022/23 as of 31st August 2022 and provided copies of finalised audit reports completed since the previous progress report presented to the Committee. It was noted that one such report had been finalised and included as an appendix: Critical Review – GIS and Gazetteer (Land Charge Project) 2022/23.

The Head of Worcestershire Internal Audit Shared Service reported that data sets continued to be uploaded to the central database as part of the National Fraud Initiative (NFI) matching exercise. The next major upload of data sets was scheduled for October and November 2022. There were no exceptions to report in terms of fraud risk at this Committee.

It was reported that Q3 2022 would be devoted to auditing Core Financial Systems. Within this a priority was assigned to the rectification work on the Borough Council's finance IT system, debtors and budget monitoring, as these areas received limited assurance in 2021/22.

The Interim Director of Finance reported that since the Committee met in July, Q1 budget monitoring had been completed. Disappointment was expressed, however, that the Council had not closed its 2020/21 Annual Accounts yet. It was hoped these Accounts would be finalised by the end of November. The team were hoping to implement the final part of the cash receipting rectification in the next few days in liaison with the suppliers of the Enterprise Resource Planning (ERP) back-office system, TechnologyOne.

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The Interim Director of Finance highlighted that an additional meeting was now scheduled for the first part of November to consider the External Auditors' Annual Report.

The Head of Finance provided the possible timescales for completion of both the 2020/21 and 2021/22 Statements of Accounts, reporting that the aim was to produce the Audited Statement of Accounts for 2021/22 by the end of this financial year.

During the consideration of the report, the following responses had been provided in relation to Members' feedback and questions:

- Officers commented that cash receipting function was a major weakness of the TechnologyOne finance system, mainly due to the fact that the Council were the only Local Government implementer to date. In other areas the system was more intuitive than those offered by competitors.
- It was reported that nationally there remained a number of authorities which had not had their 2020/21 Accounts finalised. Officers stressed that audit delays were due to the capacity issues in both the external audit market and among the internal finance officers in local authorities. The Interim Director of Finance indicated that 142 councils remained without their draft 2020/21 Accounts externally audited as at the end of June.
- It was clarified that ten days were assigned for internal audit of Rubicon Leisure for 2022/23 as it was an arms-length company, and these audit days were currently scheduled for Q4 of 2022/23.
- Members queried why there was no risk register reference against Rubicon Leisure, and Officers responded that this would be investigated. It was added that for Rubicon Leisure the 2021/22 Accounts were being finalised and as an arms-length company it had to comply with Companies House accounting deadlines, which differed from those for public bodies (which meant no extension was provided for in the legislation as was the case for local authorities).
- Members queried the meaning of the following statement found in paragraph 3.1 of the Final Internal Audit Report on GIS and Gazetteer (Land Charge Project) 2022/23: 'As this is a critical review there is no level of assurance given.' The Head of Worcestershire Internal Audit Shared Service clarified that this statement did not mean there was no assurance given in this area but rather that, as a critical friend review, no

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audit opinion level of assurance was assigned against the report. The Officer undertook to provide appropriate clarification on this statement in future reports.

- The Interim Director of Finance reported that a separate meeting of the Committee would be set up in December to consider the finalised draft of 2020/21 Statement of Accounts, as these needed to be finalised by the end of November. Members expressed their concerns about the consequences of not delivering by the end of November.
- Members expressed frustration at the delays and lack of progress in finalising the accounts. The Interim Director of Finance apologised for this state of affairs and explained that Officers were equally frustrated. It was not possible to accelerate the work on cash receipting by replacing the current finance system as all transactions were recorded on this system, which added to the rectification work required as the finance team needed to manually check and ensure every transaction on the system was filed correctly.

RESOLVED that

the report be noted.

24. HOUSING REVENUE ACCOUNT S151 OFFICER UPDATE

The Committee received an update from the Interim Director of Finance with respect to the Housing Revenue Account (HRA). The following was highlighted for Members' attention:

- Table at paragraph 2.2 of the report (page 72 of the agenda pack) set out the present monitoring position for revenue expenditure at Quarter 2 2022/23, with the projected variance at year end of £141k surplus, which was arrived as explained in paragraph 2.3 of the report.
- The HRA capital budget was £14.180m with the expected spend during the year of £10.137m, resulting in slippage of £4.043m. The spend to Q2 stood at £6.724m against a pro rata budget of £7.090m, which was £0.366m below budget.
- The main projected variances for the second half of the year were noted as internal refurbishments, Housing 1-4-1 replacements, HRA compartmental work, disabled adaptations new contract award and the High Trees project.
- The Council's HRA base plan assumptions indicated that the investment required in Council stock could be delivered from resources currently available to the Council and the base

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plan demonstrated the long-term financial viability of the HRA in Redditch.

- The Council had provided a response to the Department of Levelling Up, Housing and Communities (DLUHC) consultation on social housing rent increases. The Interim Director of Finance noted that the Council's response was a preference for a 5 per cent rent increase as a 3 per cent increase would not be sufficient to cover inflationary and other costs incurred by the Council, whilst a 7 per cent increase was discarded as the Council tried to minimise cost increases to social tenants as far as possible.
- It was noted that the Council had recently finalised a process of Tranche 1 of the budget for General Fund Services and a need for a 10 per cent increase in most Fees and Charges was identified, given the drastic rise in expenses as a result of likely increase in workforce costs due to pay awards, inflation at over 10 per cent, fuel inflation at over 100 per cent (up to 400%) and a limit on raising Council Tax of 1.99 per cent.

After the consideration of the report, the following issues were queried by Members:

- Some Members judged the projected expenditure of £170k for Provision of Bad Debts as a modest figure given the total size of tenancies managed by Redditch Borough Council. It was explained that this figure was arrived at based on historical data.
- It was added that the Council was proactive in helping social tenants. Examples of proactiveness in this regard included the distribution of the Discretionary Housing Payment Grant for 2022/23 by the end of August and the provision of leaflets to signpost people to help.
- Officers undertook to provide Members with a figure for Recharges of Tenants' Repairs which was not included in the report.
- Members asked if the 40 year offset for Right to Buys was still a realistic figure and the Interim Director of Finance noted responded that the number of social tenants buying through the scheme had reduced over the last 8 years and this trend was likely to continue.
- With regards to consultation on social housing rent increases, it was noted that local authorities would be free to raise the rent amount by up to the Government set figure of 7 per cent, if this was the figure set following the

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consultation. Some Members commented they were surprised to see the Council had not decided that a full 7 per cent increase would be necessary but expressed satisfaction that a 5 per cent increase would provide a good balance between allowing the Council to afford improvements to its social housing stock whilst easing the burden on the tenants.

RESOLVED that

the updates on the HRA Position and the response to the recent Consultation on proposed rent increase by the Government be noted.

25. QUARTERLY RISK UPDATE (Q1 & Q2 2022)

The Interim Director of Finance presented the Quarterly Risk Update report and in doing so highlighted that a third round of Officer Risk Board quarterly meetings had now taken place since the meetings were established in April 2022. It was explained that each department within the Council had to nominate a representative to the Risk Board who would report back to their respective management teams – this facilitated with identification of risk owners. The process was now resulting in more risks being registered and mitigated.

The Interim Director of Finance highlighted that as of end of September the number of departmental risks had reduced to 83 compared to 96 recorded at the end of June, and 119 at the original baseline of April 2022.

There were currently four red departmental risks, which included two IT-related risks, a revenue performance indicator data risk, and a risk of failure to deliver a service to the Care Quality Commission (CQC) requirements at St. David's House. In particular, Members' attention was drawn to the significant likelihood of the Council being unable to obtain cyber security insurance after the current policy ended. This was deemed to be a great risk given that government agencies had been particularly exposed to cyber-attacks.

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The Interim Director of Finance reported that one additional risk had been added to the Corporate Risk Register, relating to the delivery of Levelling Up, UK Shared Prosperity Fund (UKSPF) and Towns Fund projects. This was due to the resource implications and the requirement to spend all funding before April 2025 (UKSPF) and April 2026 respectively. The conditions of the funds stipulated that any unspent monies had to be returned, and the risk of not spending the allocated funds was exacerbated as nationally local authorities would be competing for a limited number of contractors to undertake the projects.

Following the presentation of the report, Members queried why the table of corporate risks presented in the report did not include a name of risk owner and target resolution date against each risk. In response, the Interim Director of Finance explained that this was included in the working version of the corporate risk register and would be included in the versions to be provided to Members at subsequent meetings.

It was requested that the motion be moved by the Committee with regards to recommending to the Executive that it write to the Local Government Association (LGA) about finding a solution to facilitate the future-years provision of cyber security insurance for the local government sector.

[The Committee adjourned between 20:18 and 20:23 as suitable wording for the motion was prepared.]

The wording of the motion was then agreed as follows:

'that the Executive Committee, given the possibility of no Cyber Security insurance in future years, recommend to the Local Government Association (LGA) that they facilitate a process to help local government cover this deficiency.'

On being put to the vote this recommendation was carried.

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A further vote was then carried out in respect of the recommendations contained within the report, which were also carried.

RECOMMENDED to the Executive Committee

- 1) given the possibility of no Cyber Security insurance in future years, recommend to the Local Government Association (LGA) that they facilitate a process to help local government cover this deficiency.**

RESOLVED that

- 2) the present list of Corporate Risks be noted, and;**
- 3) the progress made on the Action Plan approved by the Corporate Management Team (CMT) on the 16 March 2022 be noted.**

26. RISK CHAMPION UPDATE

This item was deferred as the Risk Champion, Councillor Baker-Price, had submitted his apologies and was not present to deliver the update.

27. COMMITTEE WORK PROGRAMME

The Interim Director of Finance noted that an extra meeting of the Committee was required in November to consider the External Auditors' Annual Report. It was also noted that a separate meeting was required in December for approval of the Council's Statement of Accounts for 2020/21, but this would be confirmed at the next meeting.

RESOLVED that

an extra meeting of the Committee be held in November 2022 to consider the External Auditor's Annual Report.

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The Meeting commenced at 7.00 pm
and closed at 8.25 pm