



# Audit, Governance & Standards

Tuesday, 30th May, 2023

## Committee

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### MINUTES

#### Present:

Councillor Juma Begum (Chair), Councillor Ian Woodall (Vice-Chair) and Councillors Salman Akbar, Karen Ashley, Andrew Fry, Sharon Harvey (substitute), Chris Holz, Anthony Lovell and Emma Marshall, Hugo Hammersley (Feckenham Parish Council Representative)

#### Also Present:

Councillor Luke Court – Portfolio Holder for Finance and Enabling (via Microsoft Teams)  
Jackson Murray – Key Audit Partner, Grant Thornton (via Microsoft Teams)  
Kirsty Lees – Manager, Grant Thornton (via Microsoft Teams)

#### Officers:

Peter Carpenter, Claire Felton, Michelle Howell and Andy Bromage

#### Democratic Services Officers:

Mat Sliwinski

### 9. GRANT THORNTON - EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The External Auditors from Grant Thornton presented a report on progress in delivering the external audit function for the Council and provided a wider audit sector update.

It was recapped that in October 2022 Redditch Borough Council was issued with statutory recommendations under Section 24 of the Local Audit and Accountability Act 2014 for non-delivery of the 2020-21 Statement of Accounts. This was reported to be caused primarily by issues with the cash receipting module of the Council's current TechnologyOne ledger system and issues relating to data migration from the legacy financial ledger, eFinancials, to the Council's current ledger.

Members were informed that the Council's Section 151 Officer had not signed off the draft 2020-21 Statement of Accounts to date and

Chair

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thus financial statements for 2020-21 had not yet been submitted to the External Auditor.

The External Auditor reported that testing had been performed on the data migration event from the Council's legacy to the new financial ledger system. The migration of 25 transactions was manually tested and it was confirmed that these transactions were migrated correctly. The External Auditor explained, however, that the number of transactions tested represented a negligible volume of total transactions processed in the data migration event and the External Auditor had been unable to gain sufficient on this basis of this testing that the whole data migration event was performed correctly.

Automated solutions for gaining assurance over the transferred data through testing back-ups taken from the eFinancials system were currently considered as this would provide a much broader coverage of data than could be tested manually. The Interim Director of Finance commented that enquiries had been made with the legacy financial ledger provider, eFinancials, about re-gaining access to transactional reports from that system. This would necessitate a contract extension.

It was reported that the Council's subsidiary, Rubicon Leisure, had issued a disclaimer opinion for the company's 2021-22 financial statements. The External Auditor needed to consider the impact of this on the audit of Council's 2020-21 and subsequent financial statements. The Interim Director of Finance commented that the main reason behind the disclaimer opinion lied with the issues with the cash receipting module of the new financial ledger, with all receipts recorded under one entity instead of being directed to one of three separate entities (Redditch Council, Rubicon Leisure, Bromsgrove Council) depending on the transaction. This issue was unresolved throughout the 2021-22 financial year which impacted on the audit of Rubicon accounts.

The External Auditor reported on their Value for Money responsibilities and in doing so noted that an Interim Auditor's Annual Report for the 2020-21 financial year was provided to the Committee in November 2022, and it was anticipated that a joint Interim Auditor's Annual Report for financial years 2021-22 and 2022-23 would be issued later in the year. It was also noted that certification work on the Housing Benefit subsidy claim for 2021-22 was almost completed.

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It was reported that there was a likelihood of external audit fee variation due to the impact of delays in financial reporting and the impact of the Section 24 Notice being issued to the Council. The original fee proposed for 2020-21 audit by the External Auditor in April 2022 was £71,292. It was reported that given the work requirements the final proposed fee could exceed £100,000. Any proposed fee variations would be subject to discussions with council management and would have to be submitted for consideration by Public Sector Audit Appointments Limited (PSAA) in their capacity as an external auditor appointer under the audit appointments scheme.

A question was raised with regards to making interim payments on the audit fee. It was explained that a baseline fee for the years 2020-21 and 2021-22 had already been invoiced and this was the fee set by PSAA. However, The External Auditor could not issue an invoice on fee variations until they had been agreed by PSAA.

It was also noted that the last Audit Plan from the external auditors had been presented to the Committee only on the proposed approach to auditing 2020- 21 financial statements. The External Auditor explained that currently there was no requirement for an Audit Plan as the outstanding financial statements had to be audited in the first instance. It was added that any reporting of audit fee process and any discussion on fee variation would best be reported before the Committee through the external audit update reports at each meeting rather than a formal annual report.

Indicative dates for completion of overdue audits of Statements of Accounts were discussed and it was reported that the aim was to conclude the audit of 2020-21 Statement of Accounts in November 2023, and the 2021-22 Accounts by May-June 2024. It was reported, however, that meeting this indicative date would be challenging as the issue with cash receipting module (which resulted in transactions being posted and coded incorrectly) affected the whole 2021-22 financial year. It was hoped that the audit of 2022-23 Accounts could be concluded by end of November 2024, thereby clearing the backlog of unaudited years. However, it was highlighted that the timescales provided were the best-case scenario and would be reviewed at future meetings.

Several further questions were asked by Members to which following responses were provided:

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- It was reported that as Redditch Borough Council was not a highways authority (this being a County Council function), the risks identified with auditing of infrastructure assets would be of less concern and were less likely to have a material effect on the Council's balances. However, pockets of footways and other similar assets would still need to be looked at for how depreciation was calculated on these assets.
- It was clarified that the recommendations stemming from the Grant Thornton report into the reasons for delayed publication of audited local authority accounts did not concern the Council in particular but highlighted national issues that needed resolution.
- Officers present undertook to check and report back to Members regarding the situation around the Council's Climate Change Officer/Manager.
- With regards to decommissioning of the previous ledger system, Officers reported that the data take-on from the old to the new system had not been undertaken in an appropriate manner and as such Officers had currently no way of accessing the final data from the old system at the time of decommissioning. It was reported that Officers were in contact with the legacy financial ledger provider, eFinancials, about re-gaining access to transactional reports from that system.
- It was reported that issues with the cash receipting had now been resolved and the move from 1 back office to 3 back office entities for Redditch Council, Rubicon Leisure, and Bromsgrove Council respectively had been implemented from late 2022.
- Members queried the likelihood of issues with accounts for future years and the strategy to ensure that the Council would have balanced accounts in the upcoming years. In response it was reported that as part of the recent Local Government Association (LGA) Peer Review it was judged that the Council had sufficient, if not high, levels of reserves at present, and that the audit work was moving in the right path with data take-on balances to be signed jointly by the Section 151 Officer and the auditor as to avoid the possibility of qualified statement being issued on 2020-21 Statement of Accounts.
- In response to questions concerning the investigation and lessons learned from the transfer between the ledger systems and the implementation of the Authority's current financial system, Officers reported that an investigation into

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this had been undertaken by the Bromsgrove Audit Task Group and a final report of that Task Group had been provided to the Committee at the last meeting and would be recirculated to Members.

- Members queried the no assurance of Rubicon Leisure Accounts and the overall financial position of Rubicon and its effect on the Council. In response, it was stated that the level of Council subsidy to Rubicon had been smaller than accounted for in the Council's budget, particularly with regards to the pandemic period. It was further reported in relation that the volume of income coming in through the cash receipting system that related to Rubicon in 2020-21 would be low and 2021/22 was much higher and as such the process of gaining assurance that Rubicon transactions were in Rubicon accounts would take longer to reach assurance.

During the discussion of this item, Councillor Marshall proposed a recommendation in respect of requesting the Portfolio Holder for Finance and Enabling to write to central government with regards to issuing three-year, instead of the current one-year, local government financial settlements. This recommendation was substantiated on the basis that a local government settlement covering the period of three years would provide a greater degree of funding certainty for the local government sector and thus enable longer-term planning for funding council services and projects. Councillor Lovell seconded the recommendation.

Some Members commented that whilst this recommendation would represent a positive step, the issue of overall real term reductions in funding to the local government sector had to be considered too.

The Portfolio Holder for Finance and Enabling addressed the Committee, saying he would investigate the recommendation and would wish to see and take part in an all-sector action on the issue of local government financial settlements.

On being put to the vote, this recommendation was carried.

## **RECOMMENDED that**

**The Portfolio Holder for Finance and Enabling write to an appropriate government minister to ask for a 3-year local government financial settlement to provide certainty for the local government sector and enable residents to receive a council service that they deserve.**

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The Meeting commenced at 7.01 pm  
and closed at 8.50 pm