

# **Audit, Governance & Standards Committee**

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Thursday, 21st September,  
2023

## **MINUTES**

### **Present:**

Councillor Ian Woodall (Vice-Chair in the Chair) and Councillors Karen Ashley, Andrew Fry, Chris Holz, Anthony Lovell, Emma Marshall, Jane Spilsbury and Sharon Harvey (substitute).

### **Also Present:**

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

### **Officers:**

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

### **Democratic Services Officers:**

Mat Sliwinski

## **28. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received from the Chair of the Committee, Councillor Begum and Councillor Akbar. Apologies were also received from the Feckenham Parish Council representative, Dr. Hugo Hammersley. Councillor Harvey attended the meeting as a substitute for Councillor Begum.

In the absence of the Chair, the Vice-Chair of the Committee, Councillor Woodall, presided over the meeting.

## **29. DECLARATIONS OF INTEREST AND OF PARTY WHIP**

Councillors Emma Marshall and Karen Ashley declared other disclosable interests in Minute Item 33 – Dispensations Report –

Chair

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Individual Member Dispensations – due to having applied for individual dispensations which the Committee would consider under this item. They left the meeting during consideration of the item and took no part in the debate nor vote thereon.

## **30. MINUTES**

The minutes of the Audit, Governance and Standards Committee meeting held on 27<sup>th</sup> July 2023 were submitted for Members' consideration.

### **RESOLVED that**

**the minutes of the meeting of the Audit, Governance and Standards Committee held on 27th July 2023 be approved as a true and correct record and signed by the Chair.**

## **31. PUBLIC SPEAKING**

There were no registered public speakers on this occasion.

## **32. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

The Monitoring Officer introduced the Monitoring Officer's report and in doing so reported that no complaints had been received at the time the report was finalised. However, Member complaints had been received subsequently and these would be reported at the next Committee meeting.

With regards to issues reported to this Committee in relation to the use of Social Media, the Committee was advised that training with Inspector Richard Field of West Mercia Police had to be rescheduled from 12<sup>th</sup> October 2023 to a date in November 2023. Members would be advised of the rescheduled date in due course. Members were advised that the Monitoring Officer felt the training on the use of Social Media was necessary as there had been a number of complaints received from Members on this issue over the past year.

### **RESOLVED that**

**the Monitoring Officer's report be noted.**

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## **33. DISPENSATIONS REPORT - INDIVIDUAL MEMBER DISPENSATIONS**

The report on individual member dispensations was introduced and it was noted that the purpose of this report was for the Committee to make a decision on whether to grant dispensations that had been submitted in writing to the Monitoring Officer since the last meeting, with a full list of requests included in the appendix to the main report. It was noted that dispensation requests granted at the last Committee meeting were also included in the appendix for information.

During the discussion, it was commented that dispensations provided an opportunity for a context-based approach as to when Members should and should not be taking part in discussions on items of business. It was highlighted that the granting of a dispensation did not mean an automatic right to participate in all circumstances relating to the subject of the dispensation as there would still be circumstances where the interest concerned would be judged such as to preclude the Member concerned from participation.

### **RESOLVED that**

- 1) Any new Individual Member Dispensations (IMDs) requested by Members up to the point of the meeting, and as advised by the Monitoring Officer at the meeting, be granted under section 33 (2) of the Localism Act 2011, be granted to allow those Member(s) to participate in and vote at Council and Committee meetings in the individual circumstances detailed;**
- 2) it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and**
- 3) it be noted that any new or re-granted dispensations will remain valid until the first meeting of the Audit, Governance and Standards Committee following the next Borough Council Elections in 2024.**

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

As the Feckenham Parish Council Representative was not present at the meeting, there was no update presented to the Committee.

**35. GRANT THORNTON - EXTERNAL AUDIT PROGRESS REPORT  
AND SECTOR UPDATE**

The External Auditor 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 noted that the issues with respect of the 2020-21 financial statements and the transfer of data from the legacy financial ledger system, eFinancials, to the new TechnologyOne system that was undertaken in February 2021 were summarised at the last Committee meeting on 30<sup>th</sup> May 2023.

It was noted that some progress had been made since that meeting. The External Auditors were able to verify and gain assurance that data reports from the legacy eFinancials system for periods 1 to 11 of the 2020-21 financial year provided real financial data. The data for periods 1 to 11 was now available in the format appropriate for its audit.

It was not possible to date for the Council to provide auditors with data included in period 0 of 2020-21 financial year. As a result, External Auditors had not yet been able to undertake any work on the balance sheet as period 0 transactions were critical for understanding the balance sheet position (the opening position). The Council continued attempts to reinstate their business objects licence for the eFinancials system in order to run a period 0 report and export it into an excel file, as currently the SQL script was returning nil entries for period 0. This would enable work on verification of period 0 balances to be started.

It was reported that the External Auditors would resume work on the 2020-21 financial statements audit in October 2023, with the timeline for audit completion now estimated to be February 2024. This would also delay the predicted dates for completion of audit of accounts for 2021-22 financial year.

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It was stated that a joint Auditors Annual Report for 2021-22 and 2022-23 financial years would be prepared and it was expected that this would be reported to the Audit, Standards and Governance Committee in this calendar year. It was noted that issues with respect to a lack of timely and relevant financial monitoring reporting that were identified in the interim Auditors Annual Report for 2020-21 had now been largely addressed through regular financial monitoring reports to Members. However, this would again be reported as a governance weakness in the Joint Auditors Annual Report for 2021-22 and 2022-23 because this concerned the financial year 2021-22.

It was reported that the External Auditors had certified the Authority's annual Housing Benefit Subsidy claim as in accordance with procedures agreed with the Department for Work and Pensions (DWP). No significant issues were reported with the claim report.

It was noted that due to the delays in financial reporting of the Council and the likely challenges of auditing transactions processed in the new ledger system, the audit fee could exceed £100,000. Any proposed fee variations would first be discussed with Council management before consideration by Public Sector Audit Appointments (PSAA).

Following the report presentation, Members asked a number of questions of the External Auditors and Council Officers to which the following responses were provided:

- In respect of the possibility of the External Auditors not being able to obtain verifiable financial data for period 0 of the 2020-21 financial year, it was stated that the worst-case scenario would be that the Council is issued with a qualified opinion on its 2020-21 Statement of Accounts. It was reiterated that the issue concerned retrieving transactional data in an appropriate format rather than the fact that the data was missing. The External Auditor stated that at this point their expectation was that conclusion on data migration would be in place by the time the auditors resumed their work on the Council's financial statements in October 2023. Officers added that the licence with the providers of legacy ledger system, eFinancials, had now been reinstated for 5 years, which was to allow the Council to regain access to business object reporting data on that system with respect of period 0 of 2020-21 financial year. Two more technical

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experts would also be engaged by the Council to speed up work in this area.

- It was explained that one of the key recommendations issued by Grant Thornton as part of the Section 24 Notice issued to the Council related to the need for Council to reinstate its financial monitoring reports. It was stated that after the transfer into the new TechnologyOne ledger system in February 2021 the Council undertook no financial monitoring reporting to the Executive Committee until a report was provided in April 2022 when the financial recovery programme was started. Since then, there had been quarterly financial and performance monitoring reports received by the Executive Committee and Budget Scrutiny Working Group. Officers explained that the historic reason behind the pause in finance reporting to Members was related to capacity issues within the Council's Finance Team with the vast majority of staff members who implemented the TechnologyOne ledger system leaving the organisation. There were only four members of staff left in the whole Corporate Finance Team by March 2022 which added to issues with resolving issues with the new ledger system implementation.
- With respect to the July 2023 meeting between the External Auditors and key members of the Council's finance team, ICT, and the project manager involved in the implementation of TechnologyOne ledger system, it was questioned why representatives from the company (TechnologyOne) were not in attendance. It was explained that because the Council had a 'software as a service' contract with TechnologyOne, the company's representatives were not obliged to attend Council's internal or committee meetings.
- Officers reported that the 'software as a service' contract arrangements with TechnologyOne enabled Council Officers to raise issues with the provider but there was an expectation that Council staff would become trained to be able to resolve many of the issues with the system. It was also reiterated that Redditch and Bromsgrove were the only local authorities in the UK using TechnologyOne cash receipting solution which created difficulties in terms of sharing knowledge or accessing other forms of support.
- The Committee was reassured that there were currently no plans to issue another Section 24 Notice to the Council as information regarding the situation were already known to the public through the Section 24 Notice issued in October 2022.

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- It was noted that the Council had made progress in addressing the recommendations of the Section 24 Notice.
- It was stated that the Council was reticent to provide 2020-21 Accounts for final external audit until data take-on balances had been agreed between the Council and the External Auditors.
  - Officers explained that a full review of the Council's implementation of the TechnologyOne ledger system was undertaken by Bromsgrove District Council's Audit Task Group, with the Task Group's final report accepted by Redditch Borough Council for implementation.

During the discussion, some Members expressed concern about the situation and the reputational risk that had occurred as a result of the Section 24 Notice and the ongoing problems with providing outstanding financial statements for audit. The Portfolio Holder for Finance and Enabling was invited to address the Committee and stated that progress on resolving issues with audits of the Council's statements of accounts had not been as fast as hoped for. However, it was important to separate the audit process from the budget situation, with the Council being in a reasonable budgetary situation.

**RESOLVED that**

**the report be noted.**

## **36. INTERNAL AUDIT PROGRESS REPORT**

The Committee received an 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 2023/24 as to the end of July 2023. It was noted that there were residual reviews to complete from the 2022/23 Plan with one review finalised since the last Committee meeting relating to Benefits and further three reviews awaiting management sign off.

Regarding the 2023-24 Internal Audit Plan there was a small delay reported in July to two areas of audit work due to a key officer on extended leave. These two areas would be progressed within the next quarter.

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The Committee was updated that the audit of Mayoral Accounts requested at previous meetings was now completed and at draft report stage. The final review report would be presented at the next meeting of the Committee.

It was reported that National Fraud Initiative (NFI) data set uploads were planned for December 2023 and January 2024. The results from the 2022/23 uploads were currently being investigated by the various Service areas who were investigating and taking appropriate action on the results.

It was noted that no follow up audits were included in the documents for this Committee meeting but several follow up audits were due which would be reported to the next Committee meeting. There were no exceptions to report at this meeting.

The Head of Worcestershire Internal Audit Shared Service commented that routine meetings with the Head of Finance and Customer Services continued to provide ongoing monitoring of the situation around the financial ledger system.

Following the report presentation, the Committee discussed a number of matters relating to the report with the following comments and answers to questions noted:

- A detailed debate took place around paragraph 8.1 of the report around main risks associated with the details included in the internal audit report, namely the risks of the internal audit programme of work being insufficiently completed for the financial year so that annual opinion could not be given and that a continuous provision of an internal audit service could not be maintained.
- It was highlighted that this was a standard section within internal audit reports underlining the worst-case scenario risks for the delivery of the service – it was a list of inherent risks for internal audit. Members raising this question commented that this was understood, however, given that only 49 out of 365 allocated internal audit days were used to end of July 2023 was a cause of concern and needed to be highlighted as a real risk. It was also suggested that the reporting format be updated so that Members had a clearer idea from the reports about the state of delivery of the internal audit plan.



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It was requested as an action for Officers that a short paragraph summarising progress against the Internal Audit Plan be included together with summary dashboard table (under section 2 – background) in future iterations of the Internal Audit Progress Report. It was commented that this would enable Members to understand the real progress more clearly against the delivery of the Internal Audit Plan.

**RESOLVED that**

**the report be noted.**

## **37. FINANCIAL COMPLIANCE REPORT INCLUDING PROGRESS UPDATE ON STATEMENTS OF ACCOUNTS**

The Head of Finance and Customer Services presented the Financial Compliance Report and in doing so noted that this report was part of the Financial Recovery Programme agreed by the Executive Committee in September 2022.

It was highlighted that the key issue remained the closure process for 2020-21 Statement of Accounts with work still to be undertaken by the Council and the External Auditors to validate the take on balances. Given this, it was now expected that the anticipated sign-off dates for 2020-21, 2021-22 and 2022-23 Accounts would be later than previously reported.

It was noted that a number of key legislative deliverables had recently been submitted to Central Government, however, the key returns that remained outstanding for the Council were the Revenue Outturn forms for 2020/21 and 2021/22 and the VAT returns. The draft Capital Outturn forms for 2020/21 through to 2022/23 had been submitted, however, the final Capital Outturn and draft Revenue Outturn returns could not be submitted until the 2020/21 Accounts had been audited.

It was reported that measures were in place to improve procurement processes including the 'No Compliance No Order' process that had been live since April 2023, and all contracts requiring renewal over the existing £50,000 key decision threshold being reported to the Executive Committee through Finance and Performance Monitoring Reports.

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It was reported that there were provisional plans for the Department for Levelling Up, Housing and Communities (DLUHC) to introduce backstop dates for when audits of accounts had to be completed with provisional deadlines for local authorities to have audits of 2020-21 and 2021-22 statements of accounts signed-off by auditors before 31<sup>st</sup> March 2024. It was reiterated that this measure was not yet in place and would require a change in legislation in order to come into effect. However, if the plans were to be implemented, the Council would need to speed up its audit process to avoid missing the deadlines and receiving qualified opinions on the accounts.

Questions were raised as to whether the Council had the capacity to speed up its audit process if this was necessary. In response, it was reported that the Council recently employed two technical accountants. However, it was highlighted that if the plans were to pass into legislation, this would represent a significant issue for the Council as the Accounts were interlinked across years and the Council had yet to resolve the situation regarding data take on balances for period 0 when the financial ledger system change took place in February 2021.

It was noted that if the statutory audit deadlines were to be implemented, there would be implications for local authorities in terms of accessing credit and finding contractors and it was highlighted that there were still over 500 outstanding local authority audits and given the backlog and capacity issues across the public audit sector, it was difficult to see how the deadlines proposed could be met by local authorities across the country.

During the discussion, a recommendation was proposed to the effect that in relation to the plans for introduction of statutory deadlines for completion of outstanding local authority audits, the Executive Committee ensure this was included on the Corporate Risk Register and that the Portfolio Holder for Finance and Enabling be asked, through the Local Government Association (LGA), to request the Government to provide a timeframe for when this legislation might come into effect. The recommendation was put to the vote, and it was:

## **RECOMMENDED**

**In relation to the proposed plans by the Department for Levelling Up, Housing & Communities (DLUHC) to tackle the**

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**backlog in local government audits by setting statutory deadlines for historic accounts to be cleared:**

- 1) That the Executive Committee ensure that the possibility of legislation being passed to speed up the local authority audit process be noted on the Council's Corporate Risk Register;**
- 2) That the Portfolio Holder for Finance and Enabling be asked to lobby the Government through the Local Government Association (LGA) to provide a timeframe for when this legislation is to come into effect.**

**RESOLVED that**

**progress on the 2020/21 Audit process be noted.**

## **38. FINANCIAL SAVINGS MONITORING REPORT**

The Interim Director of Finance introduced the report and in doing so explained that as per the Quarter 1 Finance and Performance Monitoring Report that was considered by the Budget Scrutiny Working Group and the Executive Committee, the projected outturn figure at Q1 was an overspend of £556,000. This was primarily due to an assumption on the Local Government Pay Award, which at circa 6 per cent was significantly more than the 2 per cent assumption that was originally made.

In response to a question about future budgets needing to account for staff costs increases, Officers reported that in the next year's budget process the wage inflation assumption would be put at 3 per cent to better factor for the possibility of another high local authority pay award.

It was highlighted that there would be significant savings made this financial year as a result of the favourable outcome of the triennial pension fund valuation. This savings would occur in financial years 2023-24, 2024-25, and 2025-26 with the outcome of the next triennial valuation to have effect from 2026-27 financial year.

It was noted that Departmental Savings were on track for delivery, however, there were three items highlighted in yellow at Appendix 1 which required careful monitoring. These were Service Reviews (expected saving £140k in 23/4), Finance Vacancies (expected

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saving £100k in 23/4), and Capacity Grid old debt recoupment (£300k in 23/4). For Capacity Grid £175,000 out of £300,000 anticipated for recoupment was included in the financial plans.

**RESOLVED that**

**progress on 2023/24 Departmental Savings be noted.**

## **39. RISK CHAMPION UPDATE**

Councillor Marshall reported that in respect of her role as the Council's Risk Champion she met with the Council's Interim Director of Finance and Section 151 Officer to discuss the risks on the Corporate Risk Register. It was highlighted that all Members and Officers could take action to help the Council reduce the cyber-security risk by being aware of how to identify and deal with phishing emails. Councillor Marshall reported that she would be meeting with Heads of Service to discuss Departmental Risks and mechanisms in place or to be implemented to safeguard against escalation of Departmental Risks to Corporate Risks. It was also the intention of these meetings to look at and reiterate the role of internal audit within departmental governance arrangements.

**RESOLVED that**

**The Risk Champion Update be noted.**

## **40. COMMITTEE WORK PROGRAMME**

The contents of the Audit, Governance and Standards Committee's Work Programme were considered.

**RESOLVED that**

**the contents of the Committee's Work Programme be noted.**

The Meeting commenced at 7.00 pm  
and closed at 8.42 pm