

# **Audit, Governance & Standards Committee**

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Thursday, 23rd November,  
2023

## **MINUTES**

### **Present:**

Councillor Ian Woodall (Chair), Councillor Jane Spilsbury (Vice-Chair)  
and Councillors Salman Akbar, Juma Begum, Andrew Fry and Chris Holz

### **Also Present:**

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

### **Officers:**

Nicola Cummings, Peter Carpenter, Adrian Howe (on Microsoft Teams),  
Sue Hanley (on Microsoft Teams), and Michelle Howell

### **Democratic Services Officers:**

Mat Sliwinski

#### **41. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors  
Ashley, Lovell and Marshall.

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

There were no declarations of interest nor of party whip.

#### **43. MINUTES**

The minutes of the Audit, Governance and Standards Committee  
meeting held on 21<sup>st</sup> September 2023 were submitted for Members'  
consideration.

Councillor Spilsbury raised a query with regard to the statement  
recorded within the minutes of the 21<sup>st</sup> September Audit,  
Governance and Standards Committee meeting at Minute 35. Grant

Chair

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Thornton – External Audit Progress Report and Sector Update. This statement read as follows:

*“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.”*

Councillor Spilsbury requested that it be clarified in the minutes record who made this statement and whether the phrase ‘reassured’ was used. Following discussion, it was agreed that the expression used in the statement be changed from ‘the Committee was reassured’ to ‘it was noted’ to clarify that the position recorded was that which officers present believed to be correct at the time of the meeting. The statement would be amended to:

*“It was noted that as of the time of the meeting there were 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.”*

## **RESOLVED that**

**subject to the amendment detailed in the minute text above, the minutes of the meeting of the Audit, Governance and Standards Committee held on 21<sup>st</sup> September 2023 be approved as a true and correct record and signed by the Chair.**

## **44. PUBLIC SPEAKING**

There were no registered public speakers on this occasion.

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

The Principal Solicitor introduced the Monitoring Officer's report and in doing so reported that two Member complaints had been received since the last meeting. One complaint had been resolved with Group Leaders locally and the other complaint would be reported on in more detail at the next Audit Committee meeting.

In response to a question, the Principal Solicitor confirmed that the Council kept a record of all formal complaints. It was also clarified that with respect to scheduled Members' social media training, this concerned the general guidance and issues surrounding elected

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members' use of social media, rather than covering information relating to any specific complaints.

## **RESOLVED that**

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

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

It was noted that representatives from Feckenham Parish Council were not present to provide an update.

During discussion, Members commented that they felt updates on the Parish Council standards matters had been informative and useful to the Committee. It was requested as an action that a letter be written to Feckenham Parish Council, reaffirming that their continued representation on the Audit, Governance and Standards Committee was valued and asking their representatives to provide standards updates at every meeting, if possible.

### **47. JOINT INTERIM AUDITOR'S ANNUAL REPORT 2021-22 AND 2022-23**

The Key Audit Partner for Grant Thornton presented the Joint Interim Auditor's Annual Report for years 2021-22 and 2022-23 and in doing so noted that the Report covered arrangements for the period from 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2023. It was noted that the final auditor's annual report for 2021-22 and 2022-23 could not be issued until the final sets of Accounts for these years had been submitted and audited.

It was noted that the Joint Interim Auditor's Annual Report followed from the Section 24 Report considered by the Audit, Governance and Standards Committee on 10<sup>th</sup> November 2022. Last year's Section 24 Report set out the Statutory Recommendation issued by the External Auditor under Section 24 of the Local Audit and Accountability Act 2014. It was highlighted that the Report before Members updated on the progress against Statutory, Key and Improvement Recommendations that were issued on 31<sup>st</sup> October 2022 and the Report also reaffirmed that the Statutory Recommendation remains outstanding.

The Key Audit Partner explained that the Statutory Recommendation was issued on 31<sup>st</sup> October 2022 as a result of

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the non-delivery of the 2020-21 financial statements at that time. As of 23<sup>rd</sup> November 2023, the Council's remained unable to publish the draft 2020-21 Accounts, and this was the reason for the External Auditor's updated Section 24 Statutory Recommendation. The Key Audit Partner explained that some improvement had been made in addressing the Statutory Recommendation, in particular around the functioning of the Enterprise Resources Planning (ERP) system, TechnologyOne, and the successful remediation of the cash receipting module within that system. The Council had also provided data take on balances for periods 1-11 of the 2020-21 financial year.

The Key Audit Partner clarified that the External Auditor had now received period 0 data take on balances on 13<sup>th</sup> November 2023. However, the priority remained for the External Auditor to gain assurance around period 0 balances and the data transfer that took place between the Council's old ledger system, eFinancials, and the new ledger system, TechnologyOne.

It was highlighted that, as reported in the previous meeting, the Department for Levelling Up, Housing and Communities (DLUHC) had announced a range of proposals to address the backlog of audits across English local authorities. These proposals included enforcing statutory deadlines for local authorities to complete outstanding audits that, if not met, would lead to an automatic issuing of qualifications and disclaimers of opinion for those sets of accounts and the auditors being asked to move on to the statements of accounts for subsequent years. The Key Audit Partner noted that whilst these proposals still required legislation to be passed in order to come into effect, it was likely that backstop dates would lead to at least one of Redditch Borough Council's outstanding sets of financial statements (i.e. for 2020-21, 2021-22 and 2022-23 financial years) being qualified.

The Key Audit Partner addressed the progress made by the Council against the 6 key recommendations that were issued by the External Auditor on 31<sup>st</sup> October 2022. The first of the key recommendations was in respect of the Council's Medium Term Financial Plan (MTFP) and ensuring that the financial challenge and the saving schemes within that Plan were backed up by valid assumptions. It was reported that the External Auditor had seen progress made in respect of medium term planning. The Council's MTFP was now predicated on much stronger assumptions than in the previous year's reporting. However, it was repeated that

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because financial statements going back to 2020-21 had not yet been audited, the opening position on the MTFP could be incorrect.

The second key recommendation was in respect of appropriate public reporting of statutory reports such as the Treasury Management Strategy and the Capital Strategy. The Key Audit Partner reported that the Council addressed this recommendation from the 2022-23 financial year and as such this key recommendation was resolved and no further action required.

The third key recommendation related to the need for the Council to improve its management of key projects. The Key Audit Partner reported that since the Section 24 Report of October/November 2022, the Council had made progress in this area, including through the introduction of the Project Management Office, and therefore this key recommendation was resolved and no further action required.

The fourth key recommendation was with respect to management, monitoring and reporting of risk. The Key Audit Partner noted that the Council had made an improvement in this area and the External Auditor was of the opinion that the key recommendation had been resolved and could now be downgraded to an improvement recommendation.

The fifth key recommendation was with respect to effective governance arrangements in respect of performance monitoring and reinstating public reporting on performance. The Key Audit Partner commented that this recommendation was now resolved due to the return to in-year performance monitoring. However, an improvement recommendation (lower level of auditor recommendation) had been raised as the Council's performance reports remained in need of significant improvement.

The sixth recommendation related to the need for the Council to ensure timely and relevant financial monitoring reporting was undertaken. The Key Audit Partner noted that the Council returned to in-year budget monitoring in 2022-23, which meant the key recommendation had been resolved, and was now downgraded to an improvement recommendation.

The Key Audit Partner noted that where a significant weakness had been identified in arrangements, the External Auditor was required to raise either a key or statutory recommendation. It was noted that although key recommendations 2 to 6 had now been removed, a

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new key recommendation had been added with respect to the Council's organisational capacity and capability. It was highlighted that workforce capacity was a challenge across the public sector. The Council faced significant workforce challenges, such as continued strong reliance on temporary/interim staff across the organisation. It was noted as a concern that two out of three statutory officers were interim. The other areas highlighted included the need to embed the objectives of the Council's Workforce Strategy within the organisation and the need to ensure that succession planning, creative recruitment, and workforce development took place.

Following the Key Audit Partner's presentation of the Report, the Interim Director of Finance addressed the Committee and in doing so expressed disappointment that the Council had not yet reached a position where it had agreed period 0 data take on balances with the External Auditor and was able to issue the draft set of 2020-21 Accounts to auditors.

The Interim Director of Finance noted that the Council made progress in key areas, including upskilling of the Council's workforce on the use of the Council's new ledger system, TechnologyOne. The Council had significantly improved its processes around expenditure controls, including the 'no purchase order, no pay' procurement process. Additionally, work was undertaken on linking the Council's finance teams and human resources (HR) datasets, which would improve work processes significantly. Finally, the Council had improved its public reporting and audit committee processes, with Members sighted on financial information, including regular and full updates on the Council's closure of accounts process.

The Interim Director of Finance addressed the issue in respect of the statutory deadlines (backstop dates) proposed by the DLUHC to clear the audit backlog in the local government sector and noted that the scale of the backlog of audit opinions was very significant across the sector. The latest data showed that for 2021-22, 170 local authorities had produced draft accounts that had not been audited and only 108 sets of accounts had been audited for that year. For 2022-23, only 7 audits had been completed and audited. 31 local authorities, including Redditch and Bromsgrove Council, had not yet produced draft 2021-22 financial statements.

The Interim Director of Finance reiterated that the Council had made efforts to produce the draft 2020-21 Accounts. The business

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objects licence for the eFinancials ledger system had been reinstated in order to run a period 0 report and period 0 data take on balances were now available, which would enable work on verification of period 0 balances to be started. However, the Interim Director of Finance stated that the Council was reticent to provide the draft 2020-21 Accounts for final external audit before data take-on balances had been agreed between the Council and the External Auditors.

The Portfolio Holder for Finance and Enabling addressed the Committee and noted that progress against the Statutory Recommendation had been made. The Portfolio Holder stated that data take-on balances for period 0 were provided to external auditors on 13<sup>th</sup> November 2023. He also noted that the topic of backstop dates for local audits was not covered in the King's Speech, and therefore the introduction of backstop dates was not thought to come into place in the near future. He also noted regarding the new key recommendation that the Council was implementing its Workforce Strategy and £150,000 was made available to ensure that appropriate Human Resources were in place to implement the points in this plan.

Following the presentations, Members discussed a number of points relating to the Joint Auditor's Annual Report, including the following:

- Reputational damage to the Council as a result of Section 24 Recommendation – Officers reported that this remained an issue for the Council as Section 24 Notice remained in place.
- Clarification on the External Auditor recommendations – The Committee was advised that a Public Interest Report was the highest level of statutory power available to the external auditors. The Council had not been issued a Public Interest Report. The next level of statutory power was issuing Section 24 Statutory Recommendation of which one was still in place from the 2020-21 Interim Auditor's Annual Report (submitted on 31<sup>st</sup> October 2022) relating to closure of 2020-21 Accounts. Of the 6 Key Recommendations in the 2020/21 report, only one serious weakness remains in the Joint Interim Auditor's Annual Report for 2021-22 and 2022-23 in relation to opening balances linked to the budget which would be resolved with the delivery of the Accounts. The remainder of significant weaknesses had either been resolved or linked to Improvement Recommendations (of

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which there are 10 in the report) – which were the lowest level of recommendation to be issued by external auditors.

- Impact of unaudited accounts on the Council's earmarked reserves – It was noted that the real budget and reserves position could not be confirmed until the 2020-21 Accounts had been audited. However, it was noted that earmarked reserves were reviewed last year and there was not much movement in them over the past three years, and that the level of those reserves had remained similar to the pre 2020-21 level.
- Timelines for providing draft 2020-21 Accounts to External Auditor – It was explained that it was imperative from the Council's perspective that agreement on the opening balances (period 0 data take on balances) was reached between the Council and the Auditors before the draft accounts were submitted as otherwise there was a high risk of receiving qualified accounts. When the ledger system transfer took place the data transfer was not fully documented, which meant that limited accessible record of period 0 balances were available. The contract with Advanced, who were the provider of old ledger system eFinancial, had now been extended for the five years required by the Auditors and they had now provided period 0 data directly to the External Auditor. It was noted that Grant Thornton (External Auditor) data team had looked at this data and came back with questions on 92 unmapped cost centres earlier today. The Council would provide a response to these queries and it was hoped that agreement on data take on balances could be reached in December, which would enable draft accounts for 2020-21 to be submitted before Christmas. However, it was highlighted that these dates were not definitive.
- Information was requested on the number of local authorities that had outstanding, unaudited accounts for previous financial years due to inadequate IT or financial system arrangements. Officers undertook to obtain this information and provide them to Members.
- It was noted that for some authorities the backlog in the auditing of accounts was due to the way councils accounted for money. This was related to a wider set of accounting practices within the local government sector.



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- Redditch Borough Council's Press Release on the Council's Financial Statements, 20<sup>th</sup> November 2023 – A concern was raised that the press release "Council In Strong Position Say Auditors" conveyed an overtly positive message and might be misleading to the public in the context of the Council still having an outstanding Section 24 Statutory Recommendation relating to the non-delivery of 2020-21 Accounts for external audit. In response Officers reported that the Council was transparent in its reporting on issues and progress relating to the delivery of the requirements of the Statutory Recommendation and associated financial issues through the Financial Compliance Reports that were reviewed at every meeting of Audit, Governance and Standards Committee, and through the Financial Recovery Reports that were reviewed by the Executive Committee. It was highlighted that reports from committee meetings were publicly accessible. Furthermore, the budget process was fully transparent, with the challenges faced with the closure of accounts documented in budget papers.
- The Portfolio Holder for Finance and Enabling addressed the Committee and said there was extensive public communication of the issues relating to Section 24 and the Council's outstanding accounts. The Portfolio Holder commented that in the Press Release of 20<sup>th</sup> November 2023 the auditor's decision not to remove the current Section 24 Notice was acknowledged and it stated that this was due to the remaining outstanding accounts that were yet to be signed off by auditors.
- It was highlighted by some Members that the Council's medium term financial forecasts were currently based on unaudited financial data and as such these forecasts were not based on firm foundations in relation to opening balances.
- Review of the Council's Capital Projects - The Chair of the Committee highlighted that the Council needed to be prepared for the worst-case scenario, that is that all of the Council's outstanding sets of accounts would be given qualified opinions. In this context, he asked that the Council should consider undertaking a full review of all capital projects going forward, and to reprofile any projects as deemed unnecessary. The Interim Director of Finance

responded that this Capital Review would take place in Tranche 2 of the 24/5 MTFP process. The Chair noted that the general uncertainty caused by the wage and inflationary pressures further exacerbated the uncertainty already caused by the Council's unaudited accounts. Members concurred that it was important to raise this as a comment.

Following the discussion, the recommendation was voted on and it was:

**RECOMMENDED to Council:**

**That the Section 24 Statutory Recommendation is accepted and that Council review the recommendation, endorse the actions included in the management responses which form the rectification process required as per legislation.**

**48. RISK MANAGEMENT REPORT**

The Interim Director of Finance presented the Quarterly Risk Update and in doing so noted that this was the fifth cycle of reviewing corporate and departmental risks since the original baselining of risks in April 2022. It was noted that risk was managed centrally through the 4Risk System and the organisational risk level had moved to a moderate assurance level since May 2023.

It was noted that there were 12 Corporate Risks and Members were advised that mitigating factors were in place for each of the Corporate Risks as detailed in the report. With reference to the cyber security risk, it was stressed that it remained red despite all the mitigations in place, including the renewal of cyber security insurance for another year, due to the importance and scale of risks in this area. With regard to the cost of living crisis risk, it was noted that there had been a significant increase in insurance claims due to fires in the Borough.

There were 51 Departmental Risks of which 1 was a red risk related to Revenues - Performance Indicator data that was not deemed robust as it could not be system generated. This compared with the original baseline in April 2022 of 119 risks.

Following the presentation of the report, Members raised questions and made comments regarding a number of risks or potential risks as follows:

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- Terrorism Protection (potential Corporate Risk) – It was clarified that government guidance was scheduled to be published soon in relation to terrorism protection, there were no further information at this point. It was noted that depending on the guidance there could be a significant risk and cost associated with this for the Council.
- Cyber security (Corporate Risk) – Members were informed that local authorities were one of the most targeted institutions, and that due to importance of this risk in underpinning all Council processes it remained red on the corporate risk register. It was noted that Redditch and Bromsgrove Councils had been rated reasonably highly, at 4 out of 5, on cyber preparedness by IT security experts at this year's LGA conference.
- Contract Arrangement for dog control / kennelling (Worcestershire Regulatory Services risk) – It was noted that this issue and trends on this had been discussed at the last meeting of Worcestershire Regulatory Services Board. Members were referred to the minutes of that meeting, which took place on 16<sup>th</sup> November 2023, for more detail on this risk. The minutes were available to access from Bromsgrove Council's committee management website.

## **RESOLVED that**

**the present list of Corporate and Departmental Risks be noted.**

## **49. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Team Leader provided the Internal Audit Progress Report for Members' consideration. It was noted that several pressures had affected the Worcestershire Internal Audit Shared Service (WIASS), including long-term sicknesses and the loss of key personnel. Due to this, the report asked for approval to revisions to the 2023-24 Internal Audit Plan, in particular deferral of audits if it was prudent to do so from a risk assurance perspective. The audits chosen for deferral to 2024-25 financial year were the Council Tax, National Non-Domestic Rates, Benefits and Rubicon audits.

A question was asked with respect of the deliverability of the planned days for the 2023-24 internal audit of the Council. It was noted that it was asked as per revisions to the internal audit plan that productive days for 2023-24 be reduced by 26 days from 364 to

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328. However, the allocation of days as revised remained on track for delivery within 2023-24.

## **RESOLVED that**

**Revisions to the 2023-24 Annual Internal Audit Plan are approved.**

### **50. FINANCIAL COMPLIANCE REPORT INCLUDING UPDATE ON COUNCIL'S 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. Several issues were highlighted for Members' consideration.

It was highlighted that training had been taking place with staff to increase financial awareness and use of the Council's enterprise resource planning system. A mandatory budget manager training (which included the use of the TechnologyOne system) took place in September 2023 – through this training budget managers were upskilled to input their budget forecasts directly into the system, rather than on spreadsheets. Further mandatory financial awareness training for managers took place in August and September 2023.

It was reported that the current Head of Finance and Customer Services would be leaving the organisation. The Council had begun recruitment for a permanent replacement for this position. The Council had also needed to recruit a new Finance Manager to accommodate the current Finance Manager moving to cover the post of Head of Finance and Customer Services on a temporary basis.

It was noted that work was ongoing on the clearance of the Cash Receipting suspense accounts. As reported to this Committee, the Council were working to clear the backlog by the end of this calendar year. Present progress indicated that there would be a small, non-material balances still to clear at the 31<sup>st</sup> December but the overall position would mean that the 2021/22 and 2022/23 accounts closure processes could be run.

Following the presentation, a question was asked with regard to inclusion in the report of detail on waivers granted by the Council in

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its contracts. Officers responded that the next quarterly financial monitoring report would include information on waivers as an appendix.

**RESOLVED that**

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

**51. RISK CHAMPION UPDATE**

As the Council's Risk Champion, Councillor Marshall, had submitted her apologies, there was no risk champion update.

**52. COMMITTEE WORK PROGRAMME**

It was reported that the Council's new external auditors, Bishop Fleming, would be in attendance at the next meeting for introductions.

It was also reported that the Committee would also need to consider the issue of independent members' appointment as per the recommendation of the Joint Auditor's Annual Report. However, this issue would first need to be discussed by the Constitutional Review Working Party before being considered by this Committee.

**RESOLVED that**

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

The Meeting commenced at 7.00 pm  
and closed at 8.28 pm

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