

**Audit,
Governance
&
Standards
Committee**

Thursday, 25th January,
2024

MINUTES

Present:

Councillor Ian Woodall (Chair), Councillor Jane Spilsbury (Vice-Chair) and Councillors Salman Akbar, Karen Ashley, Juma Begum, Sharon Harvey (substitute), Chris Holz and Emma Marshall

Also Present:

Councillor Luke Court – Portfolio Holder for Finance and Enabling

Officers:

Peter Carpenter. Bernard Ofori-Atta, Nicola Cummings and Adrian Howe (on Microsoft Teams)

Democratic Services Officer:

Mat Sliwinski

53. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Lovell and Fry. Councillor Harvey attended the meeting as a named substitute for Councillor Fry.

54. DECLARATIONS OF INTEREST

There were no declarations of interest.

55. MINUTES

The minutes of the meeting held on 23rd November 2023 were submitted for Members' consideration.

RESOLVED that

the minutes of the Audit, Governance and Standards Committee held on 23rd November 2023 be approved as a true and correct record and signed by the Chair.

Chair

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56. PUBLIC SPEAKING

There were no registered public speakers on this occasion.

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

The Principal Solicitor introduced the report which set out details of the Local Government Ombudsman's Annual Review Letter which covered the period until 31st March 2023.

During this period 15 complaints had been received. One of these was upheld and there was a finding of service failure where the outcome had adversely affected the complainant. 8 complaints did not warrant investigation, 5 were referred back as being premature and 1 was given advice and signposted towards complaint handling.

During consideration of the item a member queried the delay between the report being received from the Ombudsman in July 2023 and it being presented to members. It was suggested that it should be circulated to the first committee meeting following receipt and the Principal Solicitor confirmed this would be done.

In response to a question, the Principal Solicitor reported that the complaint which had been upheld related to delays in responding to an initial complaint. The Council had reviewed its procedure for handling complaints as a result and changes were due to be implemented shortly.

A member queried for benchmarking purposes how the Council could compare its performance in dealing with complaints to other Councils of similar size, instead of using percentages. The Principal Solicitor reported on the numbers of complaints dealt with by the other District Councils in Worcestershire and would look at including appropriate benchmarking information for the report after receipt of the next Review Letter.

A member asked what action the Council was carrying out to prevent complaints being referred to the Ombudsman. The Principal Solicitor reported that following the recent review, subject to the relevant systems being updated, the Council would be monitoring the responses to complaints more closely in future. The aim of this

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was to deal effectively with complaints and prevent them being referred to the Ombudsman.

RESOLVED that

the report be noted.

58. MONITORING OFFICER'S REPORT - STANDARDS REGIME

The Principal Solicitor introduced the Monitoring Officer's report about Member Conduct and Complaints since the last meeting of the Committee. The investigation of one complaint had concluded and no breach of the Code had been found. Two complaints had been resolved informally, one was currently being investigated and two had been received very recently so were in the early stages of review.

In relation to the social media training held recently, in response to a question it was noted that 15 members had attended this session. Members asked that in future reports the numbers attending training events should be recorded. The Chair asked that the Committee's thanks be extended to West Mercia Police for their participation at a senior level in the social media training.

RESOLVED that

the Monitoring Officer's report be noted.

59. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT - STANDARDS REGIME

The representative from Feckenham Parish Council was not present at the meeting. The Chair would contact them to reiterate that they were welcome to attend future meetings.

60. BISHOP FLEMING - INTRODUCTION TO THE COUNCIL'S NEW EXTERNAL AUDITOR

The Interim Director of Finance reported that the Council's External Auditors, Bishop Fleming, who would be taking over the auditing of the Council's Accounts from the 2023-24 financial year, were not in a position to provide an introduction at this meeting. It was intended that they would be available to attend the March meeting of the next meeting.

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61. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Team Leader presented the internal audit progress report which covered the period until 31st December 2023.

The planned delivery up to end of December was at 34%, compared to 20% in the previous report at the end of September. There had been resourcing issues within the internal audit service which had impacted delivery.

The audit on the General Ledger accounted for 9% of the audit plan and temporary resource had been recruited to assist with this. Overall, the Internal Audit Team Leader considered that the plan would be achieved at the end of the financial year, although there might be a few areas which would be carried over into Q1 of 2024-25.

A member queried the method of reporting on performance within the audit plan as it appeared inconsistent, and it was difficult to understand where the highest risks lay. The Internal Audit Team Leader undertook to review this and clarify the report as necessary for the next meeting of the Committee.

In addition, the Internal Audit Team Leader referred the Committee to the follow up programme in the report and advised that the items with limited assurance were the priority as this indicated where the control environment needed to be improved. The auditors were likely to make high and medium priority recommendations in these areas. This approach was reflected in normal audit reports where a limited or no assurance outcome indicated a concern about the robustness of control.

RESOLVED that

the Internal Audit Progress report be noted.

62. CAPITAL STRATEGY 2024-25 INCLUDING TREASURY MANAGEMENT STRATEGY

The Deputy Chief Executive and Director of Resources introduced the report which set out the Capital, Treasury Management and Investment Strategies for approval for onward recommendation to Council. Each section of the report was covered in some detail to highlight the importance of the Strategies in underpinning robust financial management of the Council.

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It was explained that the Council held no long-term debt. However, it was projected that the Council would need to undertake borrowing within the next 12-18 months. The Council was unusual in that it had not borrowed funding for its capital programme and was debt free apart from commitments in the Housing Revenue Account. This situation was forecast to continue until 2025, which was when the Council's fleet was due to be replaced.

It was explained that councils were allowed to pre-fund future years' financing requirements, however, they could not exceed the authorised limit for borrowing of £60 million.

The Council did not use long term investments but would lend funds on a very short-term basis to maximise income. The recipients of such loans were always rated A and were often Central Government bodies.

In response to a question, the Deputy Chief Executive confirmed that the Council could choose to bid for funds from the West Midlands Combined Authority, as it was a non-constituent member. It could no longer bid for capital funding from central government as allocations were now based on data held by the Council.

In proposing the recommendations, the Chair referred to the need to remain vigilant. He asked that a precis of the document be provided for all Councillors to support their understanding of how Council could be prudent in financially challenging times. Councillor Marshall seconded the recommendations and it was

RECOMMENDED to Council that:

- 1) The Capital Strategy (Appendix A) as an appropriate overarching strategy for the Council be approved.**
- 2) The Treasury Management Strategy for 2024/25 (Appendix B) and the associated MRP policy (Appendix C) be approved.**
- 3) The Investment Strategy (Appendix D) be approved.**

63. FINANCIAL COMPLIANCE REPORT INCLUDING UPDATE ON COUNCIL'S STATEMENTS OF ACCOUNTS

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The Deputy Chief Executive and Director of Resources introduced the report and updated the Committee on actions taken since the previous meeting. The revenue and capital outturn reports had been confirmed and supplied to the Government.

Although the 2022-23 revenue and capital outturn reports had been completed using estimates, the returns for 2020-21 and 2021-22 could not be completed in this way and had to wait until the accounts had been finalised. The Council was also in discussion with HMRC about the clawback of VAT.

The Deputy Chief Executive reported continuing uncertainty about the proposed backstop date intended to clear the backlog of unaudited accounts in local government. The Committee was updated that local authorities had now been informed of Government proposal to introduce a backstop date of 30th September 2024 for completion of all outstanding local audits up to 2022-23 financial year. Local authorities would be a consulted on the plans to tackle local government audit delays, including on the proposed backstop date, in February 2024.

As reported at the previous meeting of the Committee, officers were using the new software system Tech One for budget forecasting. The approach of 'no Purchase Order, no pay' was supporting better financial rigour. The Deputy Chief Executive also reported a successful outcome from current interviews in recruiting to 5 finance posts.

The Head of Finance and Customer Services reported on discussions with the External Auditors. Although the Council had a set of draft accounts for 2020-21, the auditors would not proceed with the audit until a reconciliation had taken place on balances transferred between the previous and current financial systems. In order to expedite matters the Council had undertaken this validation and identified approximately £146k in the legacy eFin system which was not in the TechOne system. The accounts had been adjusted accordingly and the data sent to the auditors seeking their confirmation that this was acceptable.

It was noted that the accounts for 2020-21 had been reconciled and the variance was at a non-material level. The 2021-22 and 2022-23 financial years would be dealt with subsequently once the situation for the 2020-21 accounts had been confirmed by the External Auditors.

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Further to the update, the Chair asked what the implications might be if the September deadline for signing off the 3 sets of accounts was not met. The Deputy Chief Executive reported that the Council was aiming to have draft accounts for the last 3 years available in the summer, even if audit adjustments were included.

The Chair proposed that the Committee that in view of the potential lack of external audit resources, the Committee invite the Executive to consider the implications of having at least one set of unaudited accounts at the end of the financial year. This recommendation was seconded by Councillor Spilsbury.

RECOMMENDED that:

- 1) In view of the lack of potential audit resources, the Executive be invited to consider the implications of having at least one set of unaudited accounts at the end of this financial year.**

64. FINANCIAL SAVINGS MONITORING REPORT

The Deputy Chief Executive reported that an Improvement Recommendation in the Interim Auditors Annual Report 2021/22 and 2022/23 was that savings delivery should be monitored independently of basic budget monitoring at a corporate level and should be carried out by the Audit, Governance and Standards Committee on a quarterly basis. This was fulfilled as part of this report to the Committee.

The Deputy Chief Executive drew attention to Appendix A to the report which gave a RAG status against each savings proposal included in the Medium-Term Financial Plan and currently there were 3 main areas of potential risk:

- Service reviews - the mitigation was that the establishment review at December 2023 identified £2.2m from vacancies, against which £1.5m was being spent to cover by agency staff. There was therefore capacity to reduce this risk and officers were working with HR and service managers to ensure the costs of the establishment were under control.
- Finance savings – due to the number of interim placements the proposed savings would not be realised in the short term. If the current recruitment exercise was successful, that should achieve savings in the medium term, but it remained flagged as a risk for the time being.

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- Whilst the engagement of Capacity Grid to pursue old business rates and council tax debt had been successful, of the potential surplus on the collection fund of £750k the Council would only benefit by £100k and the County Council would receive £450k.

The Deputy Chief Executive remarked that anticipated savings on the pension fund underpinned the 2023-24 budget and the following two years. A new valuation for 2026-27 might mean some adjustment would be required.

A member thanked officers for the work being undertaken to pursue and recover debts.

RESOLVED that

the Financial Savings Monitoring Report be noted.

65. RISK CHAMPION UPDATE

The Council's Risk Champion, Councillor Marshall, highlighted two of the main risks to the Council. These were the risk to the Council's reputation from the inability to audit the accounts before any set Government deadline and the risk of failure to deliver the Council's capital projects.

The Risk Champion reported that future pay awards were also a potential financial risk as the Council would be obliged to meet this at whatever level was agreed nationally. Similarly, the Council could not control interest rates, but would need to be abreast of these for budgeting purposes.

Action being taken to review and implement the workforce strategy was welcomed, as this mitigated a risk to recruitment of employees with the appropriate skills. The Risk Champion also welcomed the work that was being undertaken to address the risks to IT security.

RESOLVED that

the Risk Champion update be noted.

66. COMMITTEE WORK PROGRAMME

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The work programme was agreed subject to the addition of Introduction to the Council's new External Auditor being added to the agenda for the next meeting.

RESOLVED that

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

The Meeting commenced at 7.00 pm
and closed at 8.15 pm

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