



# Audit, Governance & Standards Committee

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Thursday, 25th July, 2024

## MINUTES

### Present:

Councillor Gemma Monaco (Chair), Councillor Chris Holz (Vice-Chair) and Councillors Sachin Mathur (substitute), William Boyd, James Fardoe and Joanna Kane

### Also Present:

Councillor Ian Woodall – Portfolio Holder for Finance (on Microsoft Teams)

### Officers:

Peter Carpenter, Debra Goodall and Nicola Cummings

### Democratic Services Officers:

M Sliwinski

## 16. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received from Councillor Begum and Munro. Councillor Mathur attended the meeting as a named substitute for Councillor Begum.

## 17. DECLARATIONS OF INTEREST

There were no declarations of interest.

## 18. MINUTES

The minutes of the meeting of Audit, Governance and Standards Committee held on 28<sup>th</sup> May 2024 were submitted for Members' consideration.

**RESOLVED that**

Chair

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the minutes of the Audit, Governance and Standards Committee meeting held on 28<sup>th</sup> May 2024 be approved as a true and correct record and signed by the Chair.

## **19. PUBLIC SPEAKING**

There were no public speakers who registered to speak at this meeting.

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

The Individual Member Dispensations Report was submitted for Members' consideration. It was stated that the purpose of this report was for dispensations' requests submitted by individual Members, as per the table at paragraph 3.6 of the report as submitted, to be considered by Members of this Committee. Members were reminded that dispensations were granted to enable participation of Members in situations where they would otherwise be precluded from taking part. However, dispensations did not allow participation where the Member in question declared a disclosable pecuniary interest (DPI).

### **RESOLVED that**

- 1) Any Individual Member Dispensations (IMDs) and Outside Body Appointments dispensations 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, 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,**

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## **Governance and Standards Committee following the next Borough Council Elections in 2026.**

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

The Feckenham Parish Council Representatives were not present at the meeting, therefore no update was provided.

### **22. INTERNAL AUDIT ANNUAL REPORT & AUDIT OPINION 2023/24**

The Internal Audit Annual Report for 2023-24 was presented on behalf of the Head of Worcestershire Internal Audit Shared Service. It was noted that the Head of Internal Audit provided an opinion on the Council's system of internal control environment of Reasonable Assurance which was the second highest grade. All 10 internal audit assignments in 2023-24 received at least a reasonable assurance.

In 2023-24, Internal Audit carried out a critical friend review of the key controls around the transactions and balances of the General Ledger, including accounts receivable transactions and the extent to which TechOne (the ledger system) was being used by budget managers to update their forecast outturns. The review showed positive results overall but areas in need of improvement were highlighted, especially in relation to reconciliations. It was highlighted that management were already aware of the issues. A full internal audit review of this area would be carried out later in 2024-25 financial year.

It was reported that section four of the report covered quality assurance and compliance. The Worcestershire Internal Audit Shared Service (WIASS) had received a 92 per cent satisfaction rating from 16 senior stakeholders and had undergone an independent External Quality Assessment (EQA) of its internal audit service and the services was graded as operating in General Conformance to the Standards which was the highest of the three available assessment grades. The findings of the external assessment were being used to develop a new quality assurance and improvement action plan which would be presented at the next meeting of the Committee.

**RESOLVED that**

the Internal Audit Annual Report and Audit Opinion 2023-24 be noted.

**23. RISK MANAGEMENT REPORT (Q1 2024-25)**

The Head of Finance and Customer Services introduced the report which set out Council activity to identify, monitor and mitigate risk. It was noted that this was the eighth 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 from May 2023.

There were 14 corporate risks on the corporate risk register with a corporate risk relating to impact of changes to partner funding arrangements now mitigated and was no longer a corporate risk. The corporate risk relating to management of contracts had reduced from yellow to green rating, and the financial position rectification had reduced from red to amber rating due to general election now having taken place and the probability that there might be a multi-year local government finance settlement announced in November / December 2024.

There were 49 departmental risks compared to 47 in the previous reporting period. It was noted that in terms of staff non-compliance with procurement more support had been provided to managers in the form of courses which would improve budget manager skills and understanding of the TechOne system.

It was highlighted that there was an ongoing corporate red risk relating to cyber security which it was important for both Members and Officers to continually guard against the risk and engage in refresher training. It was noted that the Council did significant work to mitigate this risk including through the use of KnowBe4 phishing alert functionality to report suspicious emails and the Council had also successfully renewed its cyber security insurance.

It was further noted that in terms of Council's insurance contracts, Property information remained an issue. Insurers were now requesting significantly more detail and it would now take the Council significant time to get data to the required standard. This issue highlighted a deficiency in property data capture – which linked to the Corporate Customer Risk linked to data.

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Members were informed that the biggest risk to the Council (red graded) was in relation to the delivery of Towns Fund and UKSPF projects, in particular to the delivery of Town Hall refurbishment. In response to a question, it was confirmed that the significant risk was related to the updated plans for Town Hall refurbishment which included the decision to not relocate the library to the Town Hall.

Following the officer presentation, the following issues were discussed by Members:

- Performance data dashboard – It was confirmed that the new approach to performance monitoring was in the process of being implemented which included agreed five/six performance indicators per service area and a RAG-rated performance report being presented to Members, with the first iteration to be presented via performance monitoring reports in September / October.
- New Customer Data Integration – It was noted that the Council would be undertaking a data integration of its customer data to ensure that there was one set of consistent records across Council departments. It was noted that Government would now be allocating funding at a local level based on data and it was therefore imperative that Council's data was clear and consistent. It was highlighted that the data integration process would take several years and the Council would begin with the biggest data systems such as Civica system (for Revenue and Benefits data).
- Council's Housing Disrepair Liability – It was agreed as an action for Officers to provide the information on the Council's Housing Disrepair Liability.
- Cyber Security – Officers reported that the Council was rated highly in terms of its cyber security arrangements at the Local Government Association (LGA) conference this year, however, this was an area where improvements were always needed, especially in light of the recently reported high-profile cyber attacks at other authorities. As such, the Council was investing additional circa £30,000 a year to improve its cyber security. During the discussion of this issue, Members highlighted that whilst there were cyber security measures to assist Members, there was no requirement for Members to undertake a cyber security training. The Committee agreed that a recommendation to

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introduce a compulsory cyber security training to all Elected Members should be submitted to the Executive Committee. On being put to the vote, this recommendation was carried.

## **RECOMMENDED that**

**the Executive be asked to introduce compulsory cyber security training for all elected Members.**

## **RESOLVED that**

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

### **24. FINANCIAL COMPLIANCE REPORT INCLUDING UPDATE ON COUNCIL'S STATEMENTS OF ACCOUNTS**

The Head of Finance and Customer Services introduced the report and noted that in view of there being several new Members on the Committee, the Council's Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Finance Protocols had been included in the agenda papers for tonight's meeting.

It was reported that the Council had submitted most of the key legislative returns to the Government, with the exception of the capital outturn return which was due to be submitted the next day (26 July) and the capital receipt where technical issues had been encountered which were being rectified before submission takes place. With respect of other returns, the Council was up to date.

An update was provided on the submission of prior years' Statements of Accounts. Members were reminded that 2020-21 Accounts were presented to Audit Committee in May for comment and were now open for public scrutiny. It was anticipated that 2021-22 Accounts draft would be produced by the end of August 2024 with the 2022-23 Accounts following in short order. It was highlighted that it was unlikely that these accounts would now be audited by the Council's current auditors, Grant Thornton, and the Council was awaiting guidance from National Audit Office and the Government on the new processes. It was expected that 2023-24 would be audited by the Council's new auditors, Bishop Fleming.

It was highlighted in terms of the accounts closure process that the Council was closing 3 years in parallel and concurrently. The accounts for 2021-22 and future years to make them easier to complete and read. In terms of reconciliations, a team of 5 was now

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working on these over all the open financial years. Balanced transactions were currently being posted into the ledger Bank Reconciliations had been reconciled although the correcting journals had not been actioned.

The Council was in the process of delivering VAT returns from HMRC for years 2022-23, 2023-24 and 2024-25. It was noted that due to previous cash receipting issues the Council had not previously been able to complete detailed VAT returns for 2020-21 and 2021-22. The Council had resolved its cash receipting issue; however, it remained in conversation with HMRC over claiming back VAT returns for those years as it was owed significant amounts of money (circa £7 million) for those years, however, the Council needed to submit claims by September in order to claim back the money.

In terms of Value for Money reports, it was noted that External Auditors delivered their joint Value for Money Opinions for 2021-22 and 2022-23 in November 2023. The Section 24 Recommendation (Section 24 Notice) was still in place and extended for Accounts years 2021-22 and 2022-23

In response to a Member question, it was clarified that as a result of the latest Public Sector Audit Appointments (PSAA) auditor appointments process, the Council was changing its external auditor from 2023-24 accounts year. It was explained that the Council was part of the PSAA structure, and the auditor appointment decisions were undertaken at that level. It was added that currently there was an uncertainty about how the audits of 2021-22 and 2022-23 accounts would be undertaken after the Council had submitted the drafts for audit. This issue was related to the wider problems across the audit sector with the 'backlog' of unaudited local authority accounts.

During discussion, a question was raised about the issue with cash receipting, and it was agreed as an action that a copy of the review undertaken on the issue by Members at Bromsgrove District Council would be circulated to new Members of this Committee.

The Portfolio Holder for Finance was invited to speak and he concurred with the Committee in thanking the whole finance team for their efforts in rectifying the issues and the backlog in the accounts.

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In relation to the resolution, it was agreed that it should read that progress had been noted on the audit process across financial years 2020-21, 2021-22 and 2022-23 rather than just 2020-21 as stated in the report.

**RESOLVED that**

**progress on the 2020-21, 2021-22, and 2022-23 Audit process be noted.**

**25. RISK CHAMPION UPDATE**

Councillor Kane, the Council's Risk Champion, reported that she would provide an update at the next meeting.

**26. COMMITTEE WORK PROGRAMME**

The Committee Work Programme was submitted for Members' consideration. It was reported that Member training would be provided prior to next meeting in September.

**RESOLVED that**

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

The Meeting commenced at 7.16 pm  
and closed at 8.15 pm