



# **Audit, Governance & Standards Committee**

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Tuesday, 10th December,  
2024

## **MINUTES**

### **Present:**

Councillor Gemma Monaco (Chair), Councillor Chris Holz (Vice-Chair) and Councillors Juma Begum, Andrew Fry, Joanna Kane, David Munro and Gary Slim  
Parish Council Representatives: Cllr Robert Oaten and Cllr Alan Smith

### **Also Present:**

Councillor Ian Woodall – Portfolio Holder for Finance  
Councillor Jane Spilsbury – Portfolio Holder for Performance  
Jackson Murray – Key Audit Partner, Grant Thornton  
Chris Green – Head of Worcestershire Internal Audit Shared Service

### **Officers:**

Peter Carpenter and Debra Goodall

### **Democratic Services Officers:**

M Sliwinski

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

Apologies for absence were submitted by Councillors Boyd and Fardoe.

#### **42. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **43. MINUTES**

The minutes of the meeting of Audit, Governance and Standards Committee held on 26<sup>th</sup> September 2024 were submitted for Members' consideration.

Chair

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**RESOLVED that**

**the minutes of the Audit, Governance and Standards Committee meeting held on 26<sup>th</sup> September 2024 be approved as a true and correct record and signed by the Chair.**

**44. PUBLIC SPEAKING**

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

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

The Feckenham Parish Council Representatives provided an update and in doing so apologised for the non-attendance at the previous meetings this municipal year – this was due to a communication error internally within the Parish Council. The Representatives took the opportunity to thank all the local elected members, whether parish or borough, for support given to the Parish Council in what was a difficult time, especially in relation to the proposed 13 acres energy storage station surrounding the village of Feckenham which raised significant concerns for the Members of Parish of Feckenham.

**46. GRANT THORNTON - EXTERNAL AUDIT BACKSTOP REPORT**

The Key Audit Partner from Grant Thornton presented the external audit backstop report and in doing so reminded Members that the backstop date for all audit years up to and including 2022-23 financial year was 13<sup>th</sup> December 2024. The External Auditor reported that the Council's Accounts for 2020-21 and 2021-22 had been published in draft in sufficient time for the statutory public inspection period to be concluded before the 13<sup>th</sup> December 2024 backstop date. This meant that the External Auditor was able to backstop the draft accounts for the years 2020-21 and 2021-22 and issue opinion on those accounts.

The Council had published its draft Accounts for 2022-23 on 2<sup>nd</sup> December 2024. The statutory public inspection period would therefore be concluded in January 2025 and the External Auditor would not be able to issue the backstop audit opinion for this set of accounts until after that time. It was stated that, subject to discussion at this meeting, and provided no additional work was

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required, the opinion on 2022-23 would be issued by the External Auditor in January.

It was summarised that the External Auditor had not been able to complete the audit of the Council's Accounts for years 2020-21 to 2022-23 before the 13<sup>th</sup> December backstop deadline. To allow the Council to publish the accounts for those years in line with the legislation, the External Auditor would be issuing a backstop disclaimer opinion for 2020-21 and 2021-22 Accounts, and pending the conclusion of the public inspection period, also issue a backstop disclaimer opinion for the Council's 2022-23 Accounts.

It was explained that the backstop disclaimer opinion meant the External Auditor had been unable to complete work and to give assurance over the Council's financial statements for the years 2020-21 to 2022-23, due to time constraints imposed by statute, namely the backstop date of 13<sup>th</sup> December.

The External Auditor reminded the Committee that Appendix D to the report contained the recapitulation on the Value for Money work for Redditch Council that the External Auditor had undertaken over the last two years.

The Committee received an update regarding the proposed fee set by Public Sector Audit Appointments (PSAA) for work undertaken on the Council's financial statements and other audit work carried out for years 2020-21 to 2022-23. The actual proposed fee for auditing 2022-23 accounts was marked as to be confirmed after the public inspection period for that year's set of accounts had finished.

The other fees associated with work of the External Auditor were also set out in Appendix D to the report. It was noted that due to audits of accounts not being completed, some of the fees charged for the other work including audit of housing benefits grants and housing capital receipts were higher than those for accounts audit work. Normally, this would create a potential independence threat for the External Auditor in that the fee charged for non-accounts based audit was disproportionate to that charged for audit of accounts. Due to the fact that the backstop date was imposed nationally and the audit work on the two grants was administered by the Government and completed under Government instructions, the National Audit Office (NAO) did not consider the work on grant claims to count under the non-audit fee cap. Therefore, the External Auditor was satisfied that this work did not represent a threat to independence.

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Members enquired about the definition of 'backstop disclaimer opinion' that the Council was to receive on its statements of accounts for 2020-21 and 2021-22 (and 2022-23 after the public consultation period). The External Auditor explained that disclaimer opinion meant that an auditor had no assurance over financial statements, over figures in the accounts. In this case, because of the backstop date introduced by statute, this was due to the fact that there was insufficient time for the audit of any of the Council's three statements of accounts to take place prior to the backstop date of 13<sup>th</sup> December – by which date backstop disclaimer opinions had to be issued to audited bodies who could not produce accounts and had them audited by this point in time.

It was further noted that the External Auditor could also issue a qualified 'except for' opinion which meant that auditors had completed and were satisfied with the accounts except for certain areas where the auditor was not able to give assurance. There was finally an unqualified opinion which meant that the auditor was able to give assurance over an entire set of accounts. This was the opinion that the Council received for its last set of audited accounts, for the financial year 2019-20.

It was commented that in normal circumstances, it was rare for auditors to issue disclaimer opinions but due to the situation nationally with the backlog in unaudited local authority statements of accounts, the Government expected that hundreds of backstop disclaimer opinions would be issued to local authorities across England. In response to a question, it was clarified that disclaimer opinions were final and not subject to change.

A question was asked as to when the situation with the auditing of the Council's accounts would be back to normal and the Council up to date with the audits of its accounts. It was responded by the External Auditor that any authority issued with a backstop disclaimer opinion was likely to also receive a certain type of qualified opinion for a further two to three financial years. As the Council had no audited statements of accounts for the years 2020-21, 2021-22 and 2022-23, the incoming auditor for 2023-24 accounts had no source of assurance over the opening position for those accounts; significant work was required on the part of any auditor from 2023-24 financial year to undertake testing of in-year transactions and year end balances to gain limited assurance in the absence of opening position.

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There was also a likelihood of qualified opinion in 2024-25 due to similar question marks over comparative numbers in those accounts. The audit sector guidance issued by the National Audit Office (NAO) and the Financial Reporting Council (FRC) predicted a potential three-year minimum timescale to get back to normal type of audit opinion for audited bodies issued with backstop disclaimer opinion. It was highlighted that to gain audit assurance over the level of usable reserves, all in-year transactions had to be audited and it was not clear at this point how assurance was going to be provided over the non-audited transactions. It was still uncertain what the rules would be for having to go back over previously unaudited accounts. It was highlighted that a further complicating factor for the Council was that during the period for which accounts had not been audited, there was a large amount of Government covid-related grants that affected the Council's reserves position. Questions also remained over the impact of any potential local government sector reorganisation.

A question was asked regarding the implications for the Council of receiving the backstop disclaimer opinions. It was explained that due to backlog across public bodies audit sector, the majority of local authorities had some form of qualified opinion for some of their recent statements of accounts, whereas only a few percent of councils would have been in this position four to five years previously. There was now lack of audit assurance around billions of pounds of expenditure across the public sector, which was concerning in terms of public confidence. It was highlighted, however, that the Council submitted monthly and quarterly returns to the Government for all types of services which meant that there was still continual assurance over most of the Council's operations. The disclaimer opinion was also likely to have reputational impact on the local authority.

It was highlighted in relation to the disclaimer opinions that there was a specific concern for the Council as it operated a trading company, Rubicon Leisure, which was audited under the regular company's act as a private company. Due to the Council's disclaimer opinions, Rubicon Leisure was not able to put assurance over the parent company guarantee which had affected their credit rating.

The Portfolio Holder for Finance was invited to address the Committee and in doing so he commented that the present situation in terms of the backlog across the public body auditing sector could be traced to the abolition of the Audit Commission as this had led to

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progressive reduction in audit capacity within the local authority sector.

## **RECOMMENDED that**

- 1) The “Disclaimer Opinion” from the External Auditors for the 2020/21 Accounts is accepted.**
- 2) The “Disclaimer Opinion” from the External Auditors for the 2021/22 Accounts is accepted.**
- 3) The “Disclaimer Opinion” from the External Auditors for the 2022/23 Accounts is accepted pending the completion of the Public Inspection Period.**
- 4) The “Redditch Borough Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop” is understood, accepted and approved.**

## **47. FINANCIAL COMPLIANCE REPORT INCLUDING STATEMENTS OF ACCOUNTS**

The Financial Compliance Report was presented which detailed the financial deliverables, including the closure of accounts process. As the backstop disclaimer opinions had been agreed under the previous item, the Council’s draft Accounts for 2020/21, 2021/22 and 2022/23 financial years were presented to the Committee under this agenda item.

The draft accounts for 2020/21 and 2021/22 had been subject to the statutory 30 working day public consultation and were now being presented before the 13<sup>th</sup> December 2024 backstop deadline. The 2022/23 Accounts were published on 2<sup>nd</sup> December and the authority to approve them would be delegated to the Chair, subject to the Committee’s agreement, for these accounts to be signed after the public consultation period had finished.

The Committee was informed that subject to agreement of the Committee, the Council’s Letters of Representation submitted under Appendix B, alongside the Accounts for 2020/21 and 2021/22 would be signed by the Chair of the Committee and the Council’s Section 151 Officer after the conclusion of this meeting. Following this, the External Auditor would reissue the Council’s Value for Money and

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other audit opinions as final. It was highlighted that the Council had been taking action on the points within the Value for Money reports which was significant in terms of driving improvement.

There was a question about what would happen concerning the Council's Section 24 Notice once the new External Auditor, Ernst and Young, took over auditing of the Council's accounts. It was noted that the Council had implemented five of the six key recommendations of the Section 24 report, and nine of the thirteen improvement recommendations.

It was noted that there was a change to the Council's future auditor arrangements, with Bishop Fleming resigning as the auditors and Ernst and Young now being confirmed as the Council's next auditors from 2023-24 financial year audit. All Members were reminded to complete the returns of the onboarding questionnaire for the new auditors, Ernst and Young, as soon as possible to comply with the backstop date for 2023-24 accounts auditing.

It was reported that the target to have the Council's 2023-24 Accounts published on the Council's website was 17<sup>th</sup> January 2025, this would provide time for the 30 working day public consultation before the backstop deadline for the 2023-24 financial year accounts of 28<sup>th</sup> February 2025.

The Council's budget for 2024/25 was approved at the Council meeting on 26<sup>th</sup> February 2024. As part of the budget setting for 2025/26, there would be a public consultation on the budget; this addressed one of the requirements of the Value for Money report – to have a better consultation process on the budget.

In terms of legislative requirements and deliverables, the Council was mostly up to date, with the majority of the key returns delivered. The two outstanding returns were the 2021/22 Revenue Outturn and Capital Outturn reports to the Government, as this was the last year that these returns had to be done based on actuals and estimates could not be used. Significant work had been undertaken by the Council's Tax advisors PS Tax in liaison with HMRC in order for the Council to return to normal VAT reporting. The HMRC had acknowledged some delays on their part in finalising this issue.

It was highlighted that the closure of the 2020-21 to 2022-23 Accounts was a positive step, however, lack of audit opinion on these accounts would be a significant issue in terms of sustainability and validation of the Council's overall position. There

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was uncertainty regarding what steps the Government would take regarding the validation of accounts that received disclaimer opinions. The uncertainty for the Council's future sustainability was exacerbated by the news of potential local government reorganization within the county in the next three years.

In terms of the position on the 2022-23 Accounts, the outturn position was a revenue overspend of £178,000, relating mainly to fleet maintenance and increased fuel costs for the Council's fleet, reduced number income from community housing, and an application of a number of covid grants. There was a £2.4 million deficit movement on the General Fund reserves – the difference between revenue overspends and reserves movement being largely due to capital charges, depreciation and pension funds. There was a capital underspend of £3 million against a budget of £5.4 million and this was due to delayed starts to projects and slower spend than anticipated. There was a small surplus on Housing Revenue Account (HRA) of £11,000.

In terms of the comprehensive income and expenditure statement, it was noted there was a large underspend in finance and customer services due to offset reallocation against the taxation line and also due to repayment of the housing benefit covid grant and lower receipt grants than received in the previous year 2021-22.

In 2022-23 Accounts, there was a large variation on movements in the Housing Revenue Account (HRA), following on from exceptional spend in that area in 2021-22. In planning, there was an exceptional level of planning applications in 2021-22. Financing and investment income and expenditure was skewed against 2021-22 accounts due to the HRA. Property, plant and equipment revaluation was also done in 2022-23 which had not been done in the previous two or three years.

Movement in reserves statement for 2022-23 showed that the Council had just under £9 million in general fund reserves and just under £18 million of earmarked reserves. In terms of the balance sheet, it was remarked that short term debtors and short term creditors decreased in value due to effective cash management on the part of the Council. The short term liabilities had also reduced in 2022-23 which was due to the Council's management of Section 106 (i.e. planning obligations), payroll and changing the presentation of inter-entity transactions in the accounts.



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Group balance sheet reflected the Rubicon Leisure position, and reflected Rubicon's unusable reserves of circa £2.1 million, largely around personal protective equipment (PPE).

The Portfolio Holder for Finance addressed the Committee and stated that even though the Council's reserves position was healthy, the Council could not be complacent due to the situation around disclaimer audit opinions. Therefore, the Portfolio Holder for Finance stated that the Council would continue in its prudent financial approach, which was why the finance department had been asked to find efficiency savings this financial year, to ensure there was a balanced budget.

It was anticipated that the increase in National Insurance contributions that would come into effect from April 2025 would be subsidised by the Government for public bodies. This had not been confirmed to date. It was stated that the increase in National Insurance employer contributions would be a larger issue for Rubicon Leisure as the company would also need to cover increases in salaries from April 2025 in line with increases to the minimum wage. It was predicted that additional cost to Rubicon would be around £200,000.

## **RESOLVED that**

- 1) Following the receipt of the "Disclaimer Opinion" from the External Auditors for the 2020/21 Accounts that these accounts are approved.**
- 2) Following the receipt of the "Disclaimer Opinion" from the External Auditors for the 2021/22 Accounts that these accounts are approved.**
- 3) That the Chairman of the Audit, Governance and Standards Committee is delegated authority to approve the 2022/23 Accounts following the completion of the Statutory 30-day Public Consultation.**
- 4) The External Auditor's "letter to those charged with governance on the application of the local authority backstop" be noted and outstanding actions followed up in subsequent Audit, Governance and Standards Committee meetings.**

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5) The process for inducting the Council's new External Auditors, Ernst and Young, be noted.

6) The process and progress to date on the delivery of the 2023/24 accounts be noted.

## **48. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Progress Report was presented for Members' consideration. It was reported that since the last report two audit assignments had been completed, and two further assignments were at the fieldwork completion stage, with the aim to issue these reports by Christmas. Work on national non-domestic rates (NNDR) audit was in progress and also anticipated for completion before the new year. The Procurement and Contract Management internal audit report had been finalised and was included at appendix 2 to the report.

It was reported in terms of staffing that the Worcestershire Internal Audit Shared Service (WIASS) was at full capacity at the moment, with a vacant auditor post now having been recruited to and one member of staff back from long-term sickness absence. A trainee would be joining WIASS to support the work of the team over January and February.

It was noted that at the time of report writing 181 productive days had been delivered against the full year plan target of 328 days. It was stated that this amounted to 55 per cent progress against full year plan for 2024/25, which compared favourably against the progress at this time of year in last year's plan, where only a 26 per cent progress was recorded.

Progress against the key performance indicators for internal audit service was provided. It was reported that the service was achieving a productivity figure of 78 per cent against the productivity target of 80 per cent. This was an improvement on the figures from April 2024, 66 per cent, and for summer 2024 of 74 per cent.

The Council received a limited assurance in the Procurement Audit. It was noted that even though some improvements had been noted, there remained areas of non-compliance with procurement regulations within some service areas. A deadline had been set for the end of November for full compliance to be achieved and internal audit would be checking whether the recommendations of the

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internal audit (at Appendix 2) were being implemented in the new year.

In relation to limited assurance over procurement, it was stated that to ensure full compliance the Council needed to implement the two recommendations detailed in the internal audit review. It was commented that most Council departments were compliant but there were pockets of non-compliance within parts of Environmental Services, including workshops.

Concern was raised about cyber security training for Members not having been arranged yet and Officers responded that this training would be provided before the next meeting of the Committee.

**RESOLVED that**

**the Internal Audit Progress Report be noted.**

## **49. RISK MANAGEMENT REPORT (Q2 2024-25)**

The Risk Management report was set out which covered the Council's activity to identify, monitor and mitigate risk. It was noted that this was the ninth 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 there was a quarterly risk board attended by officers, with risks reviewed by Corporate Management Team (CMT) and by Members at Audit, Governance and Standards Committee on a quarterly basis.

There were no new corporate risks since the last meeting of this Committee, with the risk around elections removed due to general and local elections now having taken place. In terms of the departmental risks, there remained forty-seven risks with no red items.

It was reported that the Council's insurers were highlighting two major risks, the first being insurance of Council's assets due to incomplete asset records in some areas, with the Council needing to ensure that assets were valued appropriately and records kept. Also highlighted by insurers was the risk of utilising artificial intelligence (AI) across the sector, with the risk that decisions were being made without human intervention. It was highlighted that the Council used AI for cleansing of data to ensure consistency of records and in creating job descriptions (which were later checked

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through job evaluations). AI was not utilised by the Council for taking decisions.

In terms of corporate risk 10 – decisions made to address financial pressures and implement new projects that are not informed by robust data and evidence – it was highlighted that this risk had moved from green to yellow due to the Government's basing more of its funding on data rather than local authorities' bidding for funding. The Council was currently undertaking a two-year data cleansing project across all of its systems, concentrating on the largest systems in the first instance. Until this project was completed, this risk would remain amber.

**RESOLVED that**

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

## **50. FINANCIAL SAVINGS MONITORING REPORT**

The Committee received a report on financial savings monitoring. The Q2 2024-25 position was an anticipated revenue overspend of circa £299,000 on the full year budget. The major items of overspend related mainly to the costs of the Council fleet (fuel and vehicle hire).

In terms of savings items for 2023/24 line, two amber items remained relating to establishment (service) reviews and the capacity grid, recovery of council tax and business rates debt. Red savings items related to the finance vacancies saving not being delivered in 2023/24 due to the additional resource being required in order to work on completing the outstanding prior years' accounts. This item should be removed next year as the Council had now published its draft accounts for years 2020/21 to 2022/23 and was undertaking work on 2023/24 accounts. The red item on Environmental Services should be partly mitigated when the Council had the new refuse vehicles delivered, reducing ongoing hire costs.

It was noted that the largest savings item in recent years had been on pension costs which linked to the 2023 triennial revaluation. The next triennial revaluation was due to take place in 2026-27 financial year. At the moment, the indication was that this saving would remain at the same level this financial year. It was noted that for the Town Hall, savings for 2024-25 were being delivered and the potential issue would be for the following year.

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An anticipated issue was in relation to the implementation of partnership with Wyre Forest to deliver food waste services as this new legislative would be a significant cost to the Council.

**RESOLVED that**

**the Q2 position on the 2024-25 Departmental Savings Programme be noted, including any potential implications for future years.**

**51. RISK CHAMPION UPDATE**

The Council's Risk Champion, Councillor Kane, noted that this update follows a meeting of the Risk Champion with the Council's Section 151 Officer, the Assistant Director for Finance and Customer Services and the Portfolio Holder for Finance at which key risk issues were discussed.

The key uncertainty for the Council was in relation to the local government financial settlement. The Government was due to make an announcement before Christmas on the settlement. A significant risk to the Council was in relation to the implementation of the Government's food waste requirement and this could cost the Council an additional £0.5 million from 2026.

High-level Government announcements that would affect local authorities was discussed. It was noted that the Government was due to provide an additional £4 billion to local government sector in 2025/26 but it appeared that additional funding would be concentrated in housing and social care. In addition, the Government would be giving 40 per cent relief in business rates to retail, hospitality and leisure sector.

**RESOLVED that**

**the Risk Champion be noted.**

**52. COMMITTEE WORK PROGRAMME**

The Committee was advised that the next meeting of the Committee, on 30<sup>th</sup> January 2025, was due to go ahead, subject to the Council's 2023-24 Accounts being published for public consultation by this date.

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It was noted in relation to the above that in line with the recommendation of the Audit Task Group, accepted by Redditch Council, the accounts for outstanding years would then be completed and the Committee could move back to having quarterly rather than bi-monthly meetings. This would be confirmed at the next meeting subject to the above.

**RESOLVED that**

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

The Meeting commenced at 7.00 pm  
and closed at 8.29 pm