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Audit, Standards and Governance Committee

7th March 2024

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

7TH MARCH 2024, AT 6.00 P.M.

PRESENT: Councillors D. J. Nicholl (Chairman), H. D. N. Rone-Clarke (Vice-Chairman), R. Bailes, S. M. Evans, D. J. A. Forsythe, D. Hopkins, B. Kumar, B. McEldowney, S. T. Nock, J. D. Stanley and D. G. Stewart, and M. Worrall (Parish Councils' Representative).

Observers:

Councillor C. A. Hotham – Portfolio Holder for Finance and Enabling (on Microsoft Teams)

Mr J. Murray – Key Audit Partner, Grant Thornton (on Microsoft Teams)

Officers: Mr. P. Carpenter, Mrs. C. Green (on Microsoft Teams), Mr. C. Green (on Microsoft Teams), Mr. B. Ofori-Atta and Mrs. J. Gresham.

60/23

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

There were no apologies for absence.

61/23

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

There were no declarations of interest.

62/23

TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 18TH JANUARY 2024

The minutes of the meeting of the Committee held on 18th January 2024 were submitted for Members' consideration.

With reference to minute number 52/23, Standards Regime – Monitoring Officer's report, it was agreed that further details should be added to the third paragraph of that minute. Specifically, this would reflect discussion at the previous meeting about the 'flow' of information to the Committee to ensure consistency of presentation, that the Committee asked for further training about reports due to be included on its agendas and that the Chairman had shared details of the 2-day training event he was due to attend.

Arising from minute number 56/23, Accounting Policies Report Including Update on Council's Statement of Accounts, the Deputy Chief Executive and Section 151 Officer reported that the Head of Finance and Customer Services was due to commence employment in the first week of April.

RESOLVED that the minutes of the meeting of the Committee held on 18th January 2024 be approved as a correct record subject to the addition of the following at the beginning of paragraph 3 of minute number 52/23:

“Members commented that it was important that there was a flow of appropriate and timely information to the Committee and that it was presented consistently to support them in their work. It was suggested that in addition to the pre meetings suggested above, it would also be helpful to have training to understand the purpose of the reports. The Chairman reported that he was attending a 2 day training event to improve his knowledge of the work of the Committee.”

63/23

STANDARDS REGIME - MONITORING OFFICER'S REPORT

The Principal Solicitor presented the Monitoring Officer's report and in doing so highlighted that there had been one new member complaint since the last meeting, which was with the Monitoring Officer for consideration. The two Parish Council complaints reported to the previous meeting were ongoing; one was with the Police and the other was likely to reach informal resolution, and both were currently being dealt with by the Monitoring Officer.

Arising from the update about the Member Development Steering Group, the Deputy Chief Executive and Section 151 Officer referred to the less formal style delivered at the recent procurement training event which appeared to have been well received, and asked whether this was an approach that Members would like to see in future. Generally, Members supported this, but suggested for specific finance training it would be helpful to see examples of reports and documents to support relating the learning to what Councillors would deal with subsequently in meetings.

RESOLVED that the Monitoring Officer's report be noted.

64/23

DISPENSATIONS REPORT - INDIVIDUAL MEMBER DISPENSATIONS

The Committee considered the report from the Monitoring Officer setting out requests for dispensations. Requests had been received from Councillors S. Ammar and S. A. Webb in relation to their appointment to the Citizens Advice Bureau and from Councillors A. M. Dale, J. Elledge, and M. Marshall relating to the Artrix.

RESOLVED that

- 1) The Individual Member Dispensations (IMDs) and Outside Body Appointments dispensations requested by Councillors S. Ammar, S. Webb, A.M. Dale, J. Elledge, and M. Marshall 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 in the appendix to these minutes;
- 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 the dispensations referred to at resolution (1), will remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

65/23

GRANT THORNTON - EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Committee considered a report on the external auditor's progress in delivering its responsibilities as the Council's external auditors. It also set out key audit deliverables and a sector update on matters that were relevant to Local Government.

The External Auditor introduced the update and reported that work was ongoing in terms of reconciling balances transferred from the Council's previous ledger to the new TechnologyOne system. Information supplied by the Council's officers still contained some data where it had not been

possible to reach reconciliation and colleagues were liaising to address these issues.

The External Auditor pointed out that there were currently over seven hundred local authorities that had unaudited accounts for previous years which were outstanding. The Government's consultation about the proposed 'backstop' arrangements for dealing with outstanding local authority accounts closed on the day of the meeting. Under the current Government plans, it appeared likely that accounts which were not completed by the end of September 2024 would be required to be given a qualified opinion by the auditors. It was explained that if this timescale were to be confirmed, then it was highly unlikely that the External Auditors would be able to complete their audit of the 2020/21 to 2022/23 financial years' accounts. It was thus anticipated that backstop disclaimer opinions would then be issued. The Council would need to publish the draft accounts for local electors to inspect before any opinions could be issued and this legal requirement should be factored into timescales as appropriate.

It was noted that the proposed interim fee alterations were set out in the report. Any variation above a standard scale fee would be subject to consideration by the Public Sector Audit Appointments (PSAA). It was anticipated there may be some form of rebate to the Council for the period 2020-21 to 2022-23, as the accounts had not yet been through the audit process, although detail could not be provided at the moment.

The Committee discussed in detail the situation regarding the challenges in producing accounts or at least closing balances in a timely manner. In response to a query about whether sanctions would be imposed if a Council had accounts outstanding at the backstop deadline date, the External Auditor reported that the consultation had not given any indication of penalties being imposed. The proposals aimed to 'draw a line' under the outstanding accounts across the country and enable local authorities to publish their annual accounts from now on in a timely manner. It was likely there would be reputation issues for those councils still affected at the backstop deadline date.

The Deputy Chief Executive and Section 151 Officer reported that there were around 700 authorities which had outstanding accounts unaudited. It was reported that this backlog was due to a lack of resource and capacity in both the councils and accountancy companies undertaking the audits. The Committee noted that the main skills shortages were for employees with relevant local authority/public sector auditing

experience. Although companies were recruiting trainees, the impact of the lack of experienced resource in this area would be felt for some time.

The implications for the sector of qualified or no opinion accounts were discussed. It was noted that the main impact was likely to be reputational. Also, authorities with trading companies were subject to Companies Act requirements which required up-to-date statements of accounts for the authorities to avoid qualified opinions on the company's accounts. Whilst this did not affect the Council currently, the Council was due to operate a Council company in the next year. The Deputy Chief Executive and Section 151 Officer reported that he was also unclear about how the situation impacted on the Section 24 Notices, since these required annual accounts in order to be addressed. He suggested that the Council needed to determine how much resource to put into completing the 2020/21 – 2022/23 financial years' accounts as it was unlikely that they would be complete by the deadline and would be qualified.

The Cabinet Member for Finance and Enabling suggested that it currently appeared that the Council would have qualified or no opinion accounts unless the backstop date changed. He asked whether the External Auditors should focus further work on minimising unreconciled balances within the Council's financial statements. The External Auditor confirmed that the external auditors were focusing on establishing balances for each year with colleagues in the Finance Team.

In response to a query, the Deputy Chief Executive and Section 151 Officer undertook to set out what Section 24 Notices meant for the Council and to find out how many Councils elsewhere in the country were subject to these currently. The External Auditor pointed out that despite the backlog in the Council's submission of statements of accounts, there was still a requirement to report on Value for Money; the Council was up to date in this regard.

Members queried whether the Council was still dealing with reconciliation issues in the current financial year. It was reported that the cash reconciliation situation was improving incrementally as rules were built into the system. An example was provided that the Council was pursuing Council Tax and Business Rates debt as it was confident in the reconciliation of these accounts.

Further to a comment about the perception of the Council in the community arising from the Section 24 Notices and late accounts, the Committee supported the suggestion that some details should be

published to reassure the public of the overall stability of the Council's finances. The Deputy Chief Executive and Section 151 Officer outlined the background to the current situation which had started during the covid pandemic. He undertook to prepare a briefing note to set out the relevant background details. However, he reiterated that the Council had to address the outstanding statements of accounts balances as a priority.

Members of the Committee expressed their frustration at the continuing issues with the accounts and in particular with not being able to agree the transfer of balances figures to date and asked that their concerns be recorded.

RESOLVED that the updates from the External Auditors be noted.

66/23

INTERNAL AUDIT - PROGRESS REPORT

The Head of Worcestershire Internal Audit Shared Service presented a report updating the Committee on progress with the work of the service for the Council.

Plan delivery to the end of January 2024 in days was 56 per cent, with 4 audits complete and 9 in progress. Delivery was currently behind profile, which was due to a number of vacancies in the team. However, the structure of the service had been reviewed and advertisements had been placed for senior auditor posts. Additional resource had been obtained for 3 months to endeavour to complete the 2023/24 plan and minimise any impact on the 2024/25 financial year.

At its last meeting, in relation to the National Fraud Initiative, the Committee had asked for that future iterations of the internal audit progress report include reporting of statistics on matches and frauds identified. The Head of Worcestershire Internal Audit Shared Service reported that the National Fraud Initiative was one element of the Council's counter fraud, bribery and corruption framework. Officers could bring an annual report about fraud aligned with the required publication of the Council's fraud data which would include this information and details of proactive work undertaken by the service.

During consideration of the report the following were the main points discussed:

- In response to a member query, the Head of Service advised that a critical review referred to a deep dive into an area of work

where changes were being made and advice given. This would usually be followed up with a formal report a year after implementation.

- How likely it was that all the planned reviews would be completed by the end of the financial year. The Head of Service responded that additional resource had been secured by extending the contract of an interim employee, and the service was seeking another employee to complete the work in the Plan. Whilst it was not unusual for some work to roll into the first couple of months of the new financial year the intention was to be able to report completion in time for inclusion in the Annual Opinion.
- A Member suggested that the detail in Appendix 2 of the report did not give an accurate position in terms of the stages that each audit had reached. The Head of Service responded that he was reviewing the content of the report and could amend the information around each audit to indicate the level of complexity and when it was due to be completed.
- Further to a request for further detail relating to the GDPR review, the Head of Service would circulate a written answer to set out what this covered and when it was due to be complete.
- The Chairman referred to the Council's Whistleblowing Policy and how a member of the public would raise concerns since the topic was not on the Council's website. It was responded that the Council would be updating its website shortly and the Policy was also being reviewed as part of the Council's HR policies. It would be uploaded to the refreshed website once the review process had been completed.

RESOLVED that the report be noted.

67/23

QUARTERLY RISK UPDATE

The Deputy Chief Executive and Section 151 Officer introduced the report which set out Council activity to identify, monitor and mitigate risk. He drew the Committee's attention to a new corporate risk which had been included on the Register relating to the wide-ranging requirements of the Environment Act and the implications of the act on the waste collection fleet.

Of the other high level corporate risks, cyber security remained the biggest threat to the Council. The Council was currently conducting a tender exercise for insurance along with the other District Councils in Worcestershire. An emerging risk was fires in flats due to the use of second-hand electrical goods.

The main issues discussed by the Committee included:

- When the new customer facing interface would be completed. It was reported that a new website would be launched within 2 months. In addition, work was being undertaken to reduce the number of times data was handled across the Council which would improve efficiency.
- Detail about the reference to the risk around underperformance of the social prescribing contract was requested – The Deputy Chief Executive and Section 151 Officer would respond to the Committee separately about this in due course.
- A Member asked about the implementation timetable of the Environment Act 2021 and how that impacted on the risk register. It was noted that the Act set out the legal framework for reforms on matters such as refuse collection services which were of main relevance to the Council. It was likely that new requirements in this area would come into force in 2025.
- The reason why the risk for Worcestershire Regulatory Services (WRS) had changed from Amber to Green. It was noted that there had been uncertainty about the continued participation by one of the partner authorities, but it had since been confirmed that they would remain as part of the arrangement. There had also been concern at a potential for a budget reduction at another partner but that it was established that this would not impact the shared service.
- In relation to planning issues, a Member asked what actions had been undertaken. The Deputy Chief Executive and Section 151 Officer responded that training had been carried out and the Council had recently agreed that WRS would carry out initial planning investigations, so there should be improvements to the service. He undertook to obtain a fuller response from the Head of Planning, Regeneration and Leisure Services. The Chairman also asked for confirmation of the timescales for responses to Members on planning queries.
- It was also requested that further details be obtained about the Amber rated Housing risks relating to gas safety inspections, asbestos and mould. As part of this, Members also asked for details about where the responsibilities lay for such services between the Council and the relevant housing associations.
- Levelling up and whether the Council was at risk of missing the 6-month extension to the target for spending the funds. The Deputy Chief Executive and Section 151 Officer responded that since the Council was funding part of the outstanding project, the Levelling

Up funds would be applied first in order to use them prior to the deadline and the Council budget applied after that.

RESOLVED that the present list of Corporate and Departmental Risks be noted.

68/23

ACCOUNTING POLICIES REPORT INCLUDING UPDATE ON STATEMENTS OF ACCOUNTS

The Accounting Policies report was presented for Members' consideration. It was highlighted that the table at paragraph 2.6 of the report set out returns due to the Government and the Council's achievement of these.

The biggest challenge for the Council remained the closure of the accounts for 2020/21, 2021/22 and 2022/23. The key returns which had not been achieved were the Revenue and Capital Outturn forms for 2020/21 and 2021/22 and the VAT returns. Although the Government allowed these returns to be completed based on estimates, the level of uncertainty due to the Cash Receipting issues meant these could not be completed until the External Auditors signed off the Council's take on balances and the Council provided the draft accounts to Audit for each Council.

During consideration of the report members discussed a number of compliance items, including:

- Plans to improve the operation of the TechOne system and the alternative systems which were used for cash receipting elsewhere in the country.
- In response to a question, it was confirmed that the whistleblowing policy would be updated as part of the HR policies update and would be uploaded on to the new website.
- A Member queried the monitoring arrangements for the use of procurement cards and the Deputy Chief Executive and Section 151 Officer explained the current approach where receipts were provided, which was enabling monitoring to continue to take place.
- Reference to the increase in use of contracts under procurement was queried in terms of how it was improving financial monitoring. It was explained that access to details of contracts enabled more accurate purchase orders to be placed and paid. Committee Members asked for data from the system to illustrate how the progress referred to was being achieved.

With reference to assessing the risk appetite of the Council, it was suggested that Councillor B. McEldowney, as the Council's Risk Champion, should be involved to discussions about this at Cabinet level. The Cabinet Member for Finance and Enabling reminded the Committee that all members were welcome to attend Cabinet meetings.

RECOMMENDED that Cabinet invites the Council's Risk Champion to attend its meetings when risk is considered.

RESOLVED that progress on the 2020/21 audit process be noted.

69/23

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE - ANNUAL REPORT 2023-24

The Chairman introduced the Annual Report and thanked Members for their active participation in the work of the Committee and Officers for their support. He highlighted the desire of the Committee to appoint an Independent Member and shared feedback from a recent training event he had attended where other authorities had recruited such a member to their committees.

Arising from consideration of the report, Members referred to the decarbonisation of the council fleet training which had not yet taken place.

The Chairman referred to the frequency of meetings and, in the light of regular reports and consistent member attendance, whether they could be reduced. Members generally supported the suggestion of reducing the number of meetings back to 5, but considered there should be an understanding that additional meetings would be held when necessary. The view was expressed that if issues remained in closing statements of accounts for the 2020/21 to 2022/23 financial years then additional meetings would be required and it was noted that the Committee's terms of reference made provision for these to be arranged.

RESOLVED that:

- 1) That the Audit, Standards and Governance Committee Annual Report 2023-24 be agreed, and
- 2) That the number of meetings of the Committee be reduced to 5 in the next Municipal Year, subject to additional meetings being held where necessary.

70/23

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR B. MCELLOWNEY)

The Council's Risk Champion, Councillor B. McEldowney, reported that following media coverage of harassment and abuse of Councillors, he considered it would be useful to establish whether District Councillors had experienced any problems. He had discussed this with the Chief Executive who had agreed to work with him to create a questionnaire to circulate to all Councillors. The results would be used to explore offering appropriate support if required.

During consideration of this item, Members suggested that this might be extended to Parish Councils, and this suggestion was supported. The Chairman referred to training about personal safety which had been provided by the Council and suggested this might also be offered to Parish Councillors.

Councillor B. Kumar offered to share with Committee Members a copy of the bullying and harassment policy recently produced by the Parish Council on which he sat.

RESOLVED that the Risk Champion Update be noted.

71/23

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

It was noted that the next meeting of the Committee was planned for 23rd May 2024 and items currently scheduled for that meeting were:

- Standards Regime – Monitoring Officer's Report
- Grant Thornton - External Audit Update Report
- Financial Compliance Report
- Internal Audit Plan 2024-25
- Internal Audit Annual Report and Audit Opinion 2023-24
- Risk Champion's Update

RESOLVED that the contents of the Committee's work programme as reported, be noted.

The meeting closed at 8.13 p.m.

Chairman

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Updated List of Dispensations Requested by Members
Audit, Standards and Governance Committee – 7th March 2024

Councillor(s)	Relevant DPI	Reason for dispensation
S. Ammar and S. Webb	Bromsgrove and Redditch Citizens Advice Bureau (CAB)	To allow participation in debates concerning the CAB generally but not in relation to funding issues
A. Dale, J. Elledge and M. Marshall	The Artrix Holding Trust (Bromsgrove Arts Development Trust)	To allow participation in debates concerning the Artrix theatre generally but not in relation to funding issues.

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