



**BROMSGROVE DISTRICT COUNCIL**

**MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**THURSDAY 9TH MARCH 2023, AT 6.00 P.M.**

**PARKSIDE SUITE - PARKSIDE**

**SUPPLEMENTARY DOCUMENTATION 1**

The attached papers were specified as "to follow" on the Agenda previously distributed relating to the above mentioned meeting.

5. **Audit Task Group Final Report for the Root and Branch Review of how the Council arrived at the Section 24 Notice** (Pages 3 - 14)
8. **Audit, Standards and Governance Committee - Annual Report 2022-23** (Pages 15 - 32)

K. DICKS  
Chief Executive

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Market Street  
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Worcestershire  
B61 8DA

7th March 2023

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## **Audit Task Group Report and Recommendations**

### **1. Introduction and acknowledgments**

The Audit Task Group (“Audit Group”), comprised of six members of Bromsgrove District Council’s (“BDC”) Audit Committee, was set up with the purpose of investigating the reasons behind the recent receipt by BDC of a Section 24 Notice under the Local Audit and Accountability Act 2014 (“Section 24 Notice”) from its external auditors, Grant Thornton (“GT”). The Audit Group was also tasked with providing recommendations for future similar project implementation, based on any lessons learnt as a result of this process.

The investigation conducted by the Audit Group entailed reviewing various background documents, including, amongst other things, minutes of meetings of the project board set up in and around the autumn of 2019, to implement BDC’s new accounts and finance management system, enterprise resource planning (“ERP”), and other related relevant information in respect of the implementation of the ERP by BDC.

The Audit Group also conducted interviews with various officers of BDC involved in the implementation of the ERP system (“ERP System”), whether as part of its original implementation or using and continuing to roll out the ERP today. In addition to officer interviews, the Audit Group interviewed the Chief Executive of BDC, Kevin Dicks, and the Portfolio Holder for Finance and Governance, Councillor Geoff Denaro, and the Leader of BDC, Councillor Karen May.

This report (“Report”) is the summary and conclusions of the investigation carried out by the Audit Group. The Report is structured in two parts, the first part dealing with the various elements that the Audit Group considers contributed to the issuing of the Section 24 Notice to BDC and the second, providing recommendations for BDC in respect of future complex and key projects.

It must be acknowledged that even though the ERP System implementation was challenging, the majority of the modules implemented did not present the same issues, as did one specific module of the new system, i.e. cash receipting. The cash receipting module, however, was such a fundamental part of BDC’s finance and accounting process and system, that the challenges relating to that element had a significant impact on the overall implementation and embedding of the ERP by BDC.

Before moving into the body of the Report, the Audit Group wanted to thank all the Finance staff currently in place, who worked through the early phases of the implementation of the ERP, came in part-way through its challenging implementation and are continuing to help with its roll out today. This has been a difficult and challenging process, and the Audit Group is grateful to these staff members for their contribution. Additionally, the work of the Audit Group would not have been possible, without the enormous support and assistance from the current acting Section 151 Officer, Peter Carpenter and Head of Finance and

Customer Services, Michelle Howell, the Head of Legal, Democratic and Property Services, Claire Felton and very efficient and able support from Jo Gresham and Jess Bayley-Hill who have worked tirelessly to help the Audit Group.

Finally, it is important to bring up as early as possible the impact, on the issues being discussed in this Report, of the Covid 19 pandemic. This is in order to acknowledge its important impact on the ERP System's implementation and delivery and, as will be seen later, the receipt of the Section 24 Notice by BDC. The ERP Project implementation timing was unfortunate, given the key contracts and decision making had been finalised just before the pandemic started and the UK went into lockdown.

New remote and online ways of working, lack of physical access to systems, teams and line managers, be it from the BDC's side or Technology One ("TechOne"), the delivery supplier for the ERP Project, and staff illnesses due to the pandemic, played arguably, a significant part in the challenges experienced by BDC in the implementation of a major new finance system. It could be argued that were the Council operating outside of the pandemic environment, the ERP implementation is likely to have been more successful, but, as can be seen later, still with real challenges.

## **2. Reasons for the Section 24 Notice**

The Section 24 Notice was issued to BDC by GT on 31<sup>st</sup> October 2022 on the basis that the 2020-2021 Accounts for the Council were not submitted by the relevant statutory deadline of 31<sup>st</sup> July 2021, which was later extended by the Government, due to the Covid-19 pandemic, to 30<sup>th</sup> November 2021.

Based on the findings of the Audit Group, the 2020-2021 Accounts for BDC were late in being delivered largely due to the challenges with the implementation of the ERP System, as set out below, and the resulting unavailability of the relevant audit-related data in time for the deadline.

It is the Audit Group's view that the audit-related data was not available due to a number of aspects relating to the ERP Project implementation, namely:

1. The specification for the ERP system and how it was marked-up
2. Governance of the ERP Project
3. Implementation of the ERP Project
4. Risk Management of the ERP Project and escalations

### **2.1 Specification of the ERP System**

The new ERP System, including the complex cash receipting ("Cash Receipting") element, was purchased by BDC from TechOne, following a procurement exercise conducted during the course of 2019.

The new system was to replace the existing finance system eFin and the Civica Cash Receipting system, which relied on various manual interventions, needed further updates due to it being non-compatible with Windows 10 and costly

upgrading and was beginning to present issues from the fitness for purpose point of view. There appears to have been a good case for implementation of a new more up-to-date and fit-for-purpose solution.

In relation to the new ERP System purchased from TechOne, the tender document and the answers provided by TechOne (“ERP Tender”) were shared with the Audit Task Group. The scoring was not available for review..

From the review of the ERP Tender document, it was evident that, with the exception of Cash Receipting, detailed specifications were set out for all relevant ERP areas and sectors. Conversely, however, despite its complex nature, the Cash Receipting element contained a limited number of entries. This element of the ERP Tender was considered as part of the Audit Group’s investigations, which concluded that a more extensive specification for the Cash Receipting module should have been set out in the tender documentation, if the expectation was that that module was to be developed and tailored to BDC’s specific activities and requirements. The limited specification for Cash Receipting, therefore, could indicate that a stand-alone “plug-in” solution was anticipated for Cash Receipting, such as for example continuing to use Civica plug-in for this element alone.

A number of key staff involved in the ERP tender specification were unavailable for interview, due to them having since left BDC, and as a result, it is not clear what the exact expectation was in respect of Cash Receipting, and, in fact, whether there was a separate specification in this regard, which was not available for the review by the Audit Group.

The supplier of the new ERP System, TechOne, did not wish to be interviewed or to answer the Audit Group’s questions as part of this review process. But, based on the interviews with BDC’s staff and from the review of the background project documentation, it appears that TechOne did not have a suitable Cash Receipting solution module to offer, and that it was therefore looking to develop that module with a Council such as BDC. BDC therefore appears to be the first Council in the UK to have worked with TechOne on the design and development of this bespoke and complex module.

Given the lack of available documentation, key staff leaving BDC employment and lack of engagement from TechOne, it is not possible for the Audit Group to establish whether officers from BDC were fully aware at the outset of the functionality of the ERP package that was being purchased, including:

- (i) it being the only Council in the UK implementing TechOne’s Cash Receipting module,
- (ii) the requirements to self-document processes as these would be unique to BDC in regard to Cash Receipting, or
- (iii) heavy reliance on self-directed training, following initial TechOne training only a hand-full of key super users at BDC understood the operation of the new ERP system.

During the interview with the Chief Executive, he confirmed that he had not understood that BDC would be the first Council in the UK to have implemented TechOne's cash receipting element of the ERP System.

As mentioned earlier, the Audit Group did not see the scored tender document provided by TechOne and therefore cannot confirm upon what basis the contract was awarded to TechOne, particularly in respect of the Cash Receipting element. The staff who took part in the decision making are no longer working for BDC.

## **2.2 Governance**

Based on the Audit Group's review, BDC did not appear to have set up this major project within a formal and recognised public sector project management framework such as Prince2 and consequently there was no robust framework for escalation, systemic reporting, identification, and follow up of critical action points.

The Audit Group could not identify clear project milestones and formal setting of milestones as required from the information provided.

This Audit Group was not able to evidence and identify a training programme for affected staff implementing the ERP system as part of the ERP project design, from the information provided. There is evidence of training being considered and delivered to staff, as the project was in the midst of implementation and the training appears to have been delivered ad hoc, not in advance, and in a reactive manner.

Following various interviews, the Audit Group learned that this major project was not included in the Corporate Risk Register, which is used by BDC in respect of major projects and uses Red-Amber-Green ("RAG") ratings in respect of the progress of projects against key elements, such as the timing of delivery, resourcing, staff availability and costings.

The project was not included within the remit and scope of Internal Audit. Roles and responsibilities including the Chief Executive, Audit, Standards and Governance Committee, the Leader of the Council and Portfolio Holder for Finance and Governance were not considered as part of any escalation process in respect of this major and fundamental project for BDC. The former Section 151 Officer (appointed in March 2021) did not attend any ERP Project Board meetings. The reason for this is not known, given the Section 151 Officer has a statutory responsibility for the stewardship of the Council's financial data and systems.

## **2.3 Implementation**

The Audit Group's review concluded that there was a lack of understanding or experience of the Cash Receipting functionality by TechOne or officers of the Council, and that BDC (and Redditch Borough Council) were the first Councils in the country to implement the same. There is no evidence to suggest that

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BDC was aware of this, although there is no apparent information within the minutes of the ERP Project Board meetings to question this.

It appears that the lack of full understanding of the “self-service” and first developer nature of the Cash Receipting solution as part of the ERP Project resulted in an inadequate specification in the tendering process and the inadequate staff resourcing and backfilling. Staff allocated to this major project were continuing to do their day job as well as testing and implementing the new system.

The lack of backfilling of staff meant that the pressures on the Finance Team were unsustainable, particularly as the Covid pandemic started and pressures increased. It was evident from some of the comments in the minutes of the ERP Project board meetings, as well as discussions with the interviewees, that this was taking its toll on the officers involved in the ERP Project.

Eleven out of the sixteen of the original Finance Team members, including key project owners, left the employment of BDC over an 18-month period, including key officers involved in the ERP design, implementation and training roll out. The exit interviews with these staff members were either not offered or did not take place due to the choice of the individual concerned. Where interviews were completed, they did not provide any clear information about the reasons for leaving or feedback on the ERP implementation issues.

Replacing the departed skilled staff members, with temporary or permanent resource proved challenging, particularly in view of the Covid pandemic, as other public sector organisations also struggled with the increased responsibilities and staff capacity issues.

Critically, due to contractual obligations with TechOne, any training modules for BDC staff were time limited. Therefore, once the trained staff left the organisation, there was a training gap for any new staff, and for information cascading to other team members.

One has to also appreciate that this was at the time of Covid-19 where the team were having to work remotely. Had the team been together in the same environment there could have been a different outcome.

Some challenges of implementation continue to this day including, for example, in relation to VAT returns, Revenue Outturn and Capital Outturn returns. However, a solid Finance Team is now in place to address these historic issues.

In relation to ERP Board meetings the Audit Group was not able to identify clear action points from each meeting, for any subsequent interrogation of actions given to particular members of the ERP Project Team. Indeed, some of the minutes contained repeated information from previous meetings and were confusing, with limited clarity of structure.

It is clear that the implementation of any system causes culture change within an organisation. New ways of working were being introduced, that would require staff to change and learn new skills. The new ERP System should have been implemented with clear and regular staff communications regarding the rationale and benefits, together with training and upskilling offered in a systemic manner. It was not clear from the evidence presented to the Audit Group that the organisational culture impacts of the fundamentally new system and new ways of working were fully considered as part of the ERP Project design and implementation.

## **2.3 Risk Management**

The Audit Group could not identify that there was a specific corporate level risk management assessment of the ERP Project. In particular, there did not appear to be a systematic and organised escalation of issues to the Corporate Management Team or Senior Management Team (CMT/ SMT) by the Head of Service or Director with responsibilities for this area, with regard to the timing, delivery, necessary additional resourcing and monetary implications amongst other things. It is acknowledged that there was risk management at a more day to day and micro level, but key reportable issues and issues with milestone delivery failed to be escalated .

Internal Audit were not sighted on the ERP Project, despite the importance of its role for BDC, and could not therefore offer an independent and critical challenge at various stages of implementation, including at the procurement stage, or in respect of impacts on the budgets and the accounts preparation for delivery to GT.

## **2.5 Accounts**

Non-delivery of the 2020-2021 Accounts in the required timescales occurred due to the inability to access all required financial data on the new financial system.

BDC's accounting and finance staff were resourced into design, processing and implementation of the new Cash Receipting system. Although consideration had been initially given to back-filling, it was considered not necessary, as the above problems with implementation of TechOne were not anticipated. Therefore the finance staff were expected to implement the new system and continue with their day jobs.

This was felt by the Audit Group to be the major contributing factor to the failure of the full and timely implementation of the new Cash Receipting module as part of the ERP System implementation and the inability of the Council to close/deliver the accounts.

It is clear that there were some failings in the reporting to the Audit, Standards and Governances Committee and that staff turnover was in part responsible for this. The departure of staff members also resulted in a loss of knowledge and



experience that was key to ERP Project delivery and the ability to deliver the day-to-day accounting functions fully and systematically. This impacted not only on delivery of the 2020-2021 Accounts, but it also continues to affect the delivery of the 2021-2022 and 2022-2023 Accounts.

Consequently, given the challenges of the implementation of the ERP Project and the impact it had on BDC's compliance data and statutory accounting deadlines, the Audit Group would make the following recommendations for future major projects:

### 3. Recommendations

1. BDC to ensure that subject specialists, internal or external, are involved in the design of relevant procurement specifications for all major projects.
2. Given a number of substantial and important projects on the horizon for BDC, set up a permanent Project Management Office at BDC to support the full range of projects undertaken by the Council. This Project Management Office would report to CMT/ SMT as part of its remit. CMT is tasked with setting out the requirements of this new programme office and resource requirements to ensure compliance with the recommendations in this Report. This Report will be presented to the first Cabinet meeting after the BDC elections in May 2023.
3. In order to establish that a system chosen is fit for purpose, future scoring criteria as part of all procurement exercises will include the need for evidence that the system on offer to BDC is tried and tested.
4. Internal Audit should be cited on all major projects, together with a professional member of the Project Management Office. If necessary, independent or peer validation of technical specifications and/or bid due diligence should be considered.
5. Staff required on any major projects should be backfilled, to ensure no work over-load impacting BDC staff well-being.
6. Should staff training be required as part of any new system or project implementation, BDC as a purchaser of that system/solution, should ensure that all training requirements are included as part of the project specification.
7. The Agile Working Policy should take account of the need, from time to time, for officers to work collaboratively and in line with the needs of the project.
8. The Council should fully and accurately record action points at project board meetings (and potentially, other Council meetings). They should then be implemented by the specific person responsible and reported upon at the following project meeting within a suitable and reasonable time scale. Where this is not possible, there should be RAG rating to escalate this further, to secure a suitable resolution is discussed by the relevant project team.
9. Officers, as a standard Report, will highlight to Audit, Standards and Governance Committee any possible finance and governance issues in the next six months not delivering to standard or timescales. This will include the timescales of delivery of finance training, delivery of VAT returns, delivery of the 2021/22 and 2022/23 accounts.
10. The Corporate Risk Register to be discussed as an early item on the agenda at meetings of the Audit, Standards and Governance Committee. Any risks are to

be clearly flagged to the members of the Committee, particularly where they are rated as red.

## ERP Recommendations

1. All finance staff and Council users are to be trained as a matter of urgency and no later than by 31st August 2023 on how to use the ERP system and that the progress with this is reported to the next meeting of the Audit, Standards and Governance Committee as a regular agenda item.
2. BDC to work with a specialist with the knowledge of the TechOne system and Cash Receipting to help in real time with the completion of the implementation of the new ERP system and all of its components and to help with any training needs and improvements to the system.
3. VAT returns to be up to date for 2020-21 and 2021-2022 by the end of May 2023 and for 2022-2023 by the end of August 2023.
4. The 2021-2022 Accounts to be in draft format by 30<sup>th</sup> June 2023.
5. The 2022-2023 Accounts to be in draft format by 30<sup>th</sup> September 2023.  
*(All of the above milestones will be dependent on resources and will be reported to the Committee as per recommendation 9 above.)*

## Summary Conclusion

Based on the above findings, the Audit Group does not feel that GT had any alternative, but to issue BDC a Section 24 Notice.

Given the shortcomings with the acquisition of and implementation of the TechOne system, the challenges presented as a result of a global pandemic and the significant staffing issues in the Finance Team generally, there were inevitable consequences for the Council's ability to deliver its accounts in accordance with the legislative requirements. However, it is clear that the failings associated with this project are not endemic and that the issues were isolated and the result of 'a perfect storm'.

To the credit of BDC, it recognised it should review the ERP implementation, given its challenges, by commissioning and participating fully and openly in this review of the whole ERP process. The Audit Group has not identified any significant cultural issues in the Council, and this is not how the authority generally does business.

The recommendations from this Audit Group have been made to help make improvements to future projects.

Audit Group members:  
Councillor Steve Colella  
(Chairman)  
Councillor Peter Whittaker  
(Vice Chairman)  
Councillor Andrew Beaumont  
Councillor Janet King  
Councillor Adrian Kriss

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Councillor Maria Middleton

Date of Report: 7 March 2023

*NOTE: Whilst it is noted that the BDC's Finance Team are part of a shared service with Redditch Borough Council and that the issues surrounding the section 24 notice are equally relevant to both Councils, this report and investigation has been conducted for and on behalf of BDC alone.*

## Appendix A to the report – List of Resources

This Audit Task Group met on 8 occasions between 1<sup>st</sup> February and 6<sup>th</sup> March 2023 for a cumulative total of 20 hours. There were 6 Members appointed to the Audit Task Group. Councillor Steve Colella (Chairman), Councillor Peter Whittaker (Vice-Chairman), and Councillors Andrew Beaumont, Janet King, Adrian Kriss and Maria Middleton.

Nearly all the Members attended every meeting although some experienced occasional issues with connectivity. The meetings were also attended by the Interim Section 151 Officer, the Head of Legal, Democratic and Property Services and the Head of Finance and Customer Services. The Principal Democratic Services Officer and the Senior Democratic Services Officer attended to take notes of the meeting and produced the agenda packs.

During the course of the meetings, the Task Group received the following information which informed their recommendations.

## Reports and Minutes

### Members' Meetings

Members Meetings Reports between 6<sup>th</sup> June 2018 and 17<sup>th</sup> October 2022 including reports considered at the following:

- Council
  - Future Provision of the Council's Core HR and Finance System – July 2018 (30 pages)
  - Report from the Portfolio Holder for Finance and Enabling – September 2018 (6 pages)
  - Enterprise Resource Planning System Report – March 2019 (3 pages)
  - Portfolio Holder Report – Finance and Enabling – October 2022 (12 pages)
- Cabinet (& also Leader's Group)
  - Enterprise Resource Planning System Project Business Case – June 2018 (30 pages)
  - Enterprise Resource Planning System Report – March 2019 (3 pages)
  - Financial Recovery Report – Published September 2022 (7 pages)
- Overview and Scrutiny Board
  - Enterprise Resource Planning System – Update (Briefing Paper) – July 2019 (1 page)
- Audit, Standards and Governance Committee
  - Updates on the ERP System were received in a number of External and Internal Audit reports between November 2020 and 13<sup>th</sup> October 2022 and noted within the Minutes for the meeting.
- Finance and Budget Working Group
  - Enterprise Resource Planning System Project Business Case – June 2018 (30 pages)
  - Finance System – presentation – March 2019 (7 slides)
  - ERP System – Update – November 2021 (4 slides)

- Financial Recovery Plan Report – Published September 2022 (7 pages)

## Corporate Management Team Meetings (71 pages)

Corporate Management Team Reports between 22<sup>nd</sup> May 2018 to 5<sup>th</sup> October 2022 including the following:

- Corporate Management Team – Finance Project Updates (Peter Carpenter) between 8<sup>th</sup> April 2022 and 28<sup>th</sup> September 2022
- Corporate Management Team Notes and Actions between 16<sup>th</sup> October 2019 and 28<sup>th</sup> September 2022

## Project Board Meetings (347 pages)

Notes between 9<sup>th</sup> September 2019 and 20<sup>th</sup> December 2022.

## Housing Project Board Minutes (29 pages)

Notes between 10<sup>th</sup> June 2019 and 14<sup>th</sup> November 2022.

## Notes for the Task Group meetings

76 pages of notes were taken at meetings of the Audit Task Group held between 1<sup>st</sup> February and 21<sup>st</sup> February 2023 (whilst the notes of the other three meetings had not yet been completed by the date of this report being published Members are asked to note the total length of the notes of the Audit Task Group will be well in excess of 100 pages).

## **Written Submissions**

Grant Thornton – External Auditors

Human Resources

List of officers who left Bromsgrove and Redditch Councils' Finance Department October 2019 – September 2022

PSAA Appointed Auditors – Quality of Audit Services, (report published by the Local Government Association in May 2022)

## **Expert witnesses**

The following expert witnesses were interviewed, unless otherwise stated below:

Councillor Geoff Denaro – Portfolio Holder for Finance and Governance

Councillor Charlie Hotham – Chairman of the Finance and Budget Working Group

Councillor Karen May – Leader of the Council

Andy Bromage – Head of Worcestershire Internal Audit Shared Service

Peter Carpenter – Interim Section 151 Officer (*Pete was asked a number of questions at the first meeting in relation to the setting up of the ERP system and to explain the data that Members had been given in the agenda – 456 pages*)

Kevin Dicks – Chief Executive

Mark Hanwell – ICT Transformation Manager

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Mike John – Final Project Manager

Deb Poole – Head of Business Transformation, Organisational Development and Digital Strategy

Sanjay Sharma – System Implementation Support Officer

Becky Talbot – HR and Organisational Development Manager (submitted written evidence)

Carmen Young – Procurement Officer

Bromsgrove District Council



Audit, Standards and  
Governance Committee

# ANNUAL REPORT

2022-2023



**Bromsgrove**  
District Council

[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

## **CHAIRMAN'S FOREWORD**

On behalf of the Committee, I would like to thank Councillor Luke Mallett for his Chairmanship during this municipal year and wish him every success in the future.

I have had the pleasure of chairing the Audit, Standards and Governance Committee for the remaining municipal year and honour of chairing the Section 24 Audit Task and Finish Working Group.

My particular thanks go to Democratic Services Officers for their support, Mr Carpenter, Mrs Felton and Ms Howell for guiding the Task Group through what has been a very detailed process and members of the Task Group for reading through over 1,000 sides of reports and participating in almost 20 hours of Teams meetings.

Thanks should also go to those interviewees who have been open and honest in helping complete the Task Group's investigations.

There is one observation, from my short time as Chairman and that is that I believe the membership of this Committee should be expanded in line with similar challenge committees in this Council.



## MEMBERSHIP



Steven Colella (Chairman)  
December 2022 - May 2023



Adrian Kriss (Vice-Chairman)



Andrew Beaumont



Rachel Jenkins



Janet King



Peter Whittaker



Maria Middleton



Luke Mallett



Caroline Spencer



Kate Van Der Plank  
(May – December 2022)

## **INTRODUCTION**

This report provides an overview of the Audit, Standards and Governance Committee's activities during the municipal year 2022-23.

The ultimate responsibility for Audit rests with the Portfolio Holder with responsibility for Finance and the Section 151 Officer. The Portfolio Holder is expected to attend each meeting as determined in the Council's Constitution.

During the year the Committee has considered reports and updates on the following subjects:

- Monitoring Officer's Report – which details complaints and training which has taken place during the period between meetings.
- Updates from the external auditors, Grant Thornton in respect of their work.
- Updates on the work of the Internal Audit Team.
- Section 24 Notice
- Risk Update
- Annual Review from The Local Government Ombudsman
- Financial Savings Monitoring Report
- The Statement of Accounts
- Regulation of Investigatory Powers Act 2000 (RIPA) Report.

Further information about some of the key responsibilities of the Committee are detailed within this report.

Meeting dates and minutes of the Audit, Standards and Governance Committee meetings can be found on the Bromsgrove District Council website, link detailed below:

[Meeting dates and minutes of the Audit, Standards and Governance Committee meetings 2022-23](#)

## **THE ROLE OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

### **Scope and Responsibility**

The Audit, Standards and Governance Committee provides independent assurance to the Council in respect of:

- The effectiveness of the Council's governance arrangements
- The Annual Governance Statement
- The Review of the Annual Statement of Accounts
- Risk Management Framework and strategies
- The effectiveness of the Council's financial and non-financial performance
- Anti-Fraud arrangements
- Whistle-blowing strategies
- Internal and external audit activity
- Democratic governance

The Committee is also responsible for the Council's Standards Regime which covers both District and Parish Councils. Areas encompassed within the Standards Regime include:

- Promoting High Standards of Conduct by Councillors and co-opted members of Council bodies.
- Assisting Councillors and co-opted members to observe the Members' Code of Conduct.
- Advising and training Members and co-opted members in respect of the Code of Conduct.
- Formulating advice to members and officers in declarations of gifts and hospitality.
- Granting dispensations to Councillors and co-opted members from requirements relating to interests as set out in the Code of Conduct.
- Considering reports from the Monitoring Officer following investigation into complaints about elected Members.

### **Meetings of the Committee – 2022-2023**

The Council's constitution requires the Audit, Standards and Governance Committee to hold quarterly meetings.

## **Standards Regime**

There are two main areas which are considered regularly in terms of the Committee's responsibility for Standards.

### **Monitoring Officer's Report**

This covers Member Training, Member Complaints and Parish Council matters.

If the elected Member was found to have breached the Authority's Code of Conduct, the powers available to the authority include a formal letter of warning to the Member and formal censure by motion, of a committee, for the removal of the Member from a committee (which did not legally prevent the Councillor in question from attending) and adverse publicity.

The Head of Legal, Democratic and Property Services added that the Council's Code of Conduct was designed primarily with the view of maintaining standards through a conciliatory approach and that there was a high reliance on the Monitoring Officer working in cooperation with political group leaders when finding resolutions to Member complaints.

It was reported through the Monitoring Officer's report that Members received training throughout the 2022-2023 municipal year. The training included the following sessions:

- Cyber Security training
- Safeguarding
- Member Safety Training
- Members on the Elections Act 2022

The Member Development Steering Group met a number of times throughout the municipal year and discussions took place regarding the Member Induction training that would be undertaken following the District Elections due to take place in May 2023.

The Constitution Review Working Group continued to meet during 2022-2023. Recently the group has discussed Supplementary Questions at Full Council meetings and Quorum Arrangements for the Audit, Standards and Governance Committee.

A number of Member complaints were received throughout the municipal year 2022-2023. In addition to this a number of general Parish Council queries of a procedural nature were also received and were being dealt with at a local level. It was also confirmed that a number of complaints have been made to the Monitoring Officer by Parish Councillors regarding matters that related to the Parish Councils. It was noted that these were most appropriately dealt with by Parish Councils and not by the District Council's Monitoring Officer.

## Dispensation Report

At the Audit, Standards and Governance Committee meeting held on 21<sup>st</sup> July 2022 the Dispensations Report was presented to the Committee. This report explained that under the Localism Act 2011 there was a requirement to consider the granting of Individual Member Dispensations. In addition to this, it was also necessary to consider General Dispensations (including Budget and Council Tax discussions) and Outside Body Appointment Dispensations. The dispensations agreed at this meeting remain valid until the first meeting of the Audit, Governance and Standards Committee following the next District Council Elections in May 2023.

## Parish Council Involvement

The Parish Council representative is able to add any item on to the agenda as required and this is highlighted within the Monitoring Officer's Report. Whilst Parish Councils have the opportunity to appoint two representatives on to the Committee, as has happened in previous years, only one of these places was taken up and the Parish Council representative for the municipal year 2022-2023 is Mr B. McEldowney.

## Investigations and Enquiries

There have been a number of complaints this year at both a Parish and District level. These continue to be investigated locally by the Monitoring Officer.

There have been no investigations about Members which required a Hearings Sub-Committee to be convened.

The appointed Independent Person has continued to support the Monitoring Officer where necessary.

## **INTERNAL AUDIT REPORTS**

During the year the Committee has continued to receive updates on the work of the Internal Audit team including details of the following completed audit reports:

- Internal Audit Plan 2022-2023
- Internal Audit - Progress Report
- Interim Auditor's Annual Report 2020-21

## **EXTERNAL AUDITORS**

During the year the Committee received reports from the current External Auditors, Grant Thornton on the following subjects:

- Grant Thornton - Sector Update
- Section 24 Report

The Progress Reports were considered at each meeting of the Committee and covered a range of issues including the following:

- Value for money
- Significant Risks
- Financial Statements
- Housing Benefits

## **SECTION 24 NOTICE**

In November 2022, Bromsgrove District Council was issued with a Section 24 Notice with the key reason being the non-delivery of the 2020-2021 Statement of Accounts. As a result of this, it was agreed at a Full Council meeting held on 7<sup>th</sup> December 2022 that a root and branch investigation would be undertaken on how the Council arrived at the Section 24 Notice. Further details of this investigation and any recommendations are available in the Audit Task Group's final report. The following Members of the Committee were appointed to the Audit Task Group on 19<sup>th</sup> January 2023:

- Councillor S. Colella (Chairman)
- Councillor A. Beaumont
- Councillor J. King
- Councillor A. Kriss
- Councillor M. Middleton
- Councillor P. Whittaker

**21<sup>st</sup> July 2022**

## RIPA Report 2022-23

This report is considered annually by the Audit, Standards and Governance Committee as the legislation it relates to is required to be reviewed each year.

As part of the presentation Members were informed that the regime was overseen by the Investigatory Powers Commissioner's Office and included inspections of organisations by an Inspector appointed by the Commissioner.

At this meeting Members were advised of changes which had taken place since the Committee considered the last report in 2021 and were provided with details of refresher training which had also taken place.

## Grant Thornton - Housing Benefit 2020-21 Certification Letter

This is a report that is presented annually to Members in respect of the work undertaken each year in the certification of the Council's Housing Benefit subsidy claim to the Department for Work and Pensions (DWP).

During consideration of the Certification Letter for 2020-2021 it was reported that the workbook completion undertaken by Officers at the Council was of good quality. However, a number of issues had been identified and therefore additional testing needed to take place. It was also confirmed to the Committee that although the values were very small, any difference in monetary value was classified as a 'fail' and needed to be reviewed.

However, overall, it was a good news story as the number of errors had reduced and the Officers work was considered excellent.

## Internal Audit Plan 2022-2023

At this meeting it was outlined that this was a risk-based plan which considered the adequacy of the Council's risk management, performance management and other assurance processes, as well as organisational objectives and priorities. Included in the report was the following:

- The adequacy of the resource allocation.
- The changing internal environment and ongoing transformational work being undertaken.
- Internal and external audit findings in respect of the financial systems and their inclusion as audit areas, as it is considered certain risks remain in these areas.

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- The flexibility of the plan and the balanced approach taken, with progress being monitored and reviewed regularly.
- If the plan were to be amended in the future this would be done in consultation with the Interim Section 151 Officer and brought back to this Committee.

Cyber Security was highlighted as currently of great concern to all Councils particularly in respect of insurance.

## Internal Audit Annual Report & Audit Opinion 2021-22

This report was a summary of looking back over the last year's work and provided commentary on Internal Audit's planned delivery for the period 1st April 2021 to 31st March 2022, against the performance indicators agreed for the service and further information on other aspects of service delivery.

During consideration of this report, it was noted that 4 reviews had limited or no assurance with potential risks to be addressed and 10 had moderate or above assurance and that an action plan was in place to address those areas with no or limited assurance.

At this meeting it was suggested that there was no doubt that the biggest challenge faced had been working through the new finance system together with the significant loss of experienced staff. It was noted that there had been a number of implementation issues, particularly with regards to cash receipting.

## Risk Register Update

At the meeting that took place on 21<sup>st</sup> July 2022 the Risk Register report was considered. As part of this report, it was noted that the Corporate Management Team (CMT) had met in March 2022 and although there was a risk management system in place further work was needed to be done to embed this into Council practices. As a result of this, Members were informed that a Risk Group was to be established. In addition to this, it was confirmed that Risk Champions had been appointed and trained for each service area and that they provided a pro-active role in cascading down information to other Officers.

## **13<sup>th</sup> October 2022**

## Annual Review from The Local Government Ombudsman

The Committee considered the report on the Local Government Ombudsman's Annual Review Letter, which set out the statistics for complaints made against the Council covering the years ending 31st March 2021 and 31st March 2022.



During consideration of this report, it was noted that the Monitoring Officer was required to report to Members, to summarise the findings on upheld complaints over a specific period. It was reported that any costs incurred from upheld complaints had been met from existing budgets and as such there was no direct financial implication to the Council resulting from any Ombudsman's recommendations.

## Grant Thornton - Sector Update

The Committee received a local government audit sector update from the Engagement Lead for Grant Thornton. Included in this update was information regarding the future requirement from the Department of Levelling Up, Housing and Communities (DLUHC) for an Independent Member to be introduced to sit on Audit Committees at Local Councils. Members discussed the potential need for remuneration for this post and the difficulties the Council had encountered with past attempts at recruiting an Independent Member to the Committee.

## Internal Audit - Progress Report

At this meeting the Committee received the Internal Audit Progress Report that summarised progress made against the delivery of the Internal Audit Plan 2022-23 as of 31st August 2022.

Information was provided regarding the Core Financial Systems which continued to occupy a substantial part of the internal audit team's planned time, due to the rectification work associated with the Council's new finance system. It was also reported that work continued on making progress with respect to areas which had returned a level of 'limited' assurance as reported in the Internal Audit Annual Report at the July Committee meeting.

There were concerns raised at this meeting regarding the 'limited' assurance in core areas of Council business such as Safeguarding and Fire Safety and at the request of Members the Council's Chief Executive attended the next meeting of the Committee.

## Financial Savings Monitoring Report

The Interim Director of Finance presented the Financial Savings Monitoring Report and provided information on vacancy levels within the organisation, the staff pay award and increased energy costs.

## Risk Update (Q1 & Q2)

During this update the Committee was advised that the Officer Risk Board continued to take place and that the process of risk monitoring was resulting in more risks being registered and mitigated.

The number of Departmental Risks continued to reduce and in terms of Corporate Risks, a risk had been added in relation to the delivery of Levelling Up, the UK

Shared Prosperity Fund (UKSPF) and the Towns Fund projects, due to resource implications and the time limited spend of the funding.

## 9<sup>th</sup> November 2022

### Section 24 Report

As this meeting Members were provided with the Section 24 Report from the external auditors and that they had powers under the Local Audit and Accountability Act 2014 to make, if necessary, statutory recommendations under Section 24 of the Act.

The background to the statutory recommendations was outlined for Members information with regard to the implementation of the new financial ledger system and the significant challenges experienced in respect of the Cash Receipting module.

Members were informed that the Cash Receipting module issues had been resolved and that the module was now live. However, the delays experienced had resulted in the non-delivery of the financial statements for 2019-20. This, in turn, had also impacted on the delivery of the publication of the 2020-21 accounts, which had been due by the end of July 2022.

Included in this report was the management response to the statutory recommendations and the actions that had already been undertaken.

During consideration of this report Members discussed the following in detail:

- Strict timescales and protocols that needed to be followed by the Council and auditors concerning the issue of a Section 24 Notice.
- The disappointment in respect of the statutory recommendations that had been issued by Grant Thornton
- The loss of Council staff and staffing levels within the Finance Team during the implementation of the new finance system.
- The timeline for completion of the outstanding financial statements for 2020-2021, 2021-2022 and 2022-2023 financial statements.
- The external auditors' capacity to look at the financial statements.
- The approval process of the ERP including a Cash Receipting module system.
- The impact of Covid-19 on the finalisation of the accounts and implementation of the financial ledger system.
- The role of Internal Audit in the implementation of the new financial ledger system.
- Risk Management during the implementation of the new financial ledger system.

### Interim Auditor's Annual Report 2020-21

The Interim Auditor's Annual Report 2020-21 was presented at this meeting. The report covered arrangements that were in place in the period up to 31st March 2021 and highlighted the following 3 key areas:

1. Financial Sustainability
2. Governance
3. Improving economy, efficiency and effectiveness

In addition, there were 5 key recommendations and 13 improvement recommendations contained within the report.

During consideration of this report the importance of delivering the Medium Term Financial Plan 2023-2024 in two tranches and to have the correct staffing levels in order to do this was highlighted as vital to the Committee. In addition to this the following information was provided to Members:

- That the Corporate Management Team were driving extremely hard to increase the savings and a significant amount of the budget deficit had been covered.
- A considerable challenge that was still unknown was the large rise in inflation and associated pressures.
- Information on the Chancellor's Autumn Statement due on 17th November 2022.

Some concerns raised by Members during this item were as follows:

- Budget Holders' Responsibilities
- Workforce Planning
- Procurement Strategy

#### Audit Assurance of Safeguarding And Fire Evacuation (Verbal Update)

This verbal update in respect of the Audit Assurance of Safeguarding and Fire Evacuation was requested by the Chairman at the previous meeting of the Committee.

Members were reminded that the Safeguarding Audit, was given a moderate assurance not a limited assurance and that the Committee had received a report in April 2022, which had updated Members on the status and had highlighted that all actions had been completed. A further Safeguarding Audit would be undertaken in 2023-24 and the outcomes would be reported to the Committee. In addition to this, the Safeguarding Policy had been updated and Safeguarding training had also been rolled out to all Officers across the Authority.

The Health and Safety Training Records Audit, which had been undertaken in 2018 had been followed up and a report presented to the Committee in October 2021, stating that all of the actions had been completed and addressed.

## Annual Appointment of Risk Champion

At this meeting no nominations were received for the role of the Risk Champion and therefore it was agreed that this item be considered at the next meeting of the Committee.

## **14<sup>th</sup> December 2022**

### Annual Governance Statement 2020-21

The Interim Director of Finance presented the Annual Governance Statement 2020-21 which formed part of the annual closure of accounts process.

- Officers clarified that the purpose of this Annual Governance Statement was to provide the Council's governance position as of the 2020-21 financial year with sections on significant governance issues, including governance recommendations from the Section 24 Statement and the Interim 2020-21 Audit Report providing additional commentary on the progress that had been made up to the current point in time.
- Members requested that references to 'robust financial management' be removed from the Annual Governance Statement on the basis that the document referred to the financial year 2020-21, with only the appended sections in the tables referring to the progress that had been made since.
- It was clarified that AP/AR processes referenced on page 34 of the main agenda pack referred to the Accounts Payable/Accounts Receivable (AP/AR) systems. It was explained that the AP side of the system had worked correctly, whilst on the AR side the issue with cash receipting had been rectified as of 6 November 2022, but the process still required embedding.
- Officers noted that the Council's finance department was now almost up to full capacity, holding four vacancies with three agency staff covering those vacancies.
- Members asked how the effectiveness of working from home arrangements could be measured from an internal audit perspective. In response, it was stated that this was a matter of service delivery rather than audit and its effectiveness would be measured primarily by customer satisfaction rates, followed by the savings that it delivered. It was highlighted that local authorities had generally experienced a growth in productivity after switching to hybrid working measures.

### Statement of Accounts 2020-21

The Interim Director of Finance presented the draft Statement of Accounts 2020-21 which provided the Committee with an opportunity to review the Accounts and formally approve them prior to the commencement of the external audit, estimated to

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start in mid-January 2023. A verbal update in respect of the Statement of Accounts was presented at a further meeting of the Committee on 19<sup>th</sup> January 2023.

## Recommendation from Council for the Consideration of the Audit, Standards and Governance Committee

As stated earlier in this report, at a meeting of Full council on 7<sup>th</sup> December 2022 a recommendation was made that the Audit, Standards and Governance Committee carry out a root and branch review of the process leading up to the Council's Section 24 Notice.

Following discussion of the recommendation it was agreed that an Audit Task Group would be set up and the investigation to take place in a timely manner.

## Election of a Risk Champion

During consideration of this item Members requested that a role of the Risk Champion be presented for Members consideration at the next meeting of the Committee.

## **19<sup>th</sup> January 2023**

### Root and Branch Review of how the Council arrived at the Section 24 Notice

At this meeting the Committee considered the arrangements for the proposed Audit Task Group to enable the root and branch investigation of how the Council arrived at the Section 24 Notice.

It was proposed that the meetings would start in early February 2023 and conclude prior to the Local Government Association's Corporate Peer Review which was due to commence on 6<sup>th</sup> March 2023.

### Verbal Update On Submission Of Statement Of Accounts 2020-21

It was reported that the indicative timeline for the issuance of opinion on the 2020-21 Statement of Accounts was July 2023 or later, with 2021-22 Accounts not expected to have an opinion issued before the end of the 2022-23 financial year, and the delivery of the 2022-23 Accounts expected before the end of the 2023-24 financial year; by which time the Council should be up-to-date with the auditing of the financial statements.

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In response to questions from Members, it was noted that the Section 24 Notice issued to the Council would lapse once the 2020-21 Statement of Accounts had been signed-off by the Auditors.

## Internal Audit Progress Report

The Head of Worcestershire Internal Audit Shared Service reported that the main internal audit report before the Committee concerned the monitoring of the Council's fleet, and that three follow-up reports had also been submitted following the Committee's request for follow-up internal audit reviews in these areas.

Cyber security was raised at this meeting. The Committee was informed that cyber security insurance would not be available to local authorities after the end of this financial year as insurers were withdrawing this option due to the high risk. Bromsgrove District Council was covered by cyber security insurance until June 2024. But it was imperative that the Local Government Association (LGA) was lobbied on this matter to ensure that a 'self-insurance' option was available in the sector in the absence of private insurance provision.

## Financial Savings Monitoring Report

This was the second Financial Savings Monitoring Report provided to Members this municipal year. During consideration of this item the overspend position of the Council and the amount of reserves were highlighted for Members' attention.

## Risk Report

The Committee considered the Quarterly Risk Update at this meeting and that the Council now had an agreed definition of a Corporate Risk and that the number of departmental risks had continually reduced in the last 9 months. Issues with mould/damp in private sector properties and the cost of living would be included as a separate risk items in the future.

DRAFT

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