

**BROMSGROVE DISTRICT COUNCIL**

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

**THURSDAY, 11TH MARCH 2021, AT 6.00 P.M.**

PRESENT: Councillors L. C. R. Mallett (Chairman), P. J. Whittaker (Vice-Chairman), A. J. B. Beaumont, J. E. King, A. D. Kriss, M. Middleton, J. Till, K. J. Van Der Plank, G. N. Denaro and Cypher (Parish Councils' Representative)

Observers: Councillor G. N. Denaro – Portfolio Holder for Finance and Enabling

Officers: Mr. K. Dicks, Mr. K. Dicks, Mrs. C. Felton, J Howse, Ms. C. Flanagan, Mr C. Forrester, Mr. A. Bromage, J Gresham and Mrs. P. Ross

45/20

**APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillor C. Spencer with Councillor J. Till in attendance as the substitute member.

The Chairman took the opportunity to welcome the new Executive Director of Resources, Bromsgrove District and Redditch Borough Council's to his first meeting of the Committee.

46/20

**DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest nor of any whipping arrangements.

47/20

**MINUTES**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 21st January 2021 were submitted.

**RESOLVED that** the minutes of the Audit, Standards and Governance Committee meeting held on 21st January 2021 be approved as a correct record.

48/20

## **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Head of Legal, Democratic and Property Services presented the report and in doing so, informed the Committee that the report referred to the Standards complaints that she was currently managing and to the Member Development Steering Group where training for Members would be considered in advance of the new municipal year.

Mr. J. Cypher clarified that he was in attendance as the representative for Bromsgrove Parish Councils. He referred to the points made in the report with regard to the Parish Council complaint and asked to what extent did the Monitoring Officer find herself having to manage complaints that were not related to the Councillors Code of Conduct.

It was reported that in some Parish Councils there was some confusion between the ordinary complaints procedure and Code of Conduct issues and the role of the Monitoring Officer.

The Head of Legal, Democratic and Property Services responded and stated that the Code of Conduct and the Standards regime were not necessarily that easy to navigate for members of the public and that sometimes there was an expectation in terms of the Code of Conduct and its ability to manage procedures, both at Parish and District level.

The Monitoring Officer clarified that she took a pragmatic approach, and that the role of the team was to maintain high standards and so if they could do anything to help the Parishes or members of the public to understand the district procedures then they tended to be quite flexible.

With regards to the role of the Monitoring Officer, she undertook to provide Mr. Cypher with a narrative in respect of her role.

The Head of Legal, Democratic and Property Services further commented that the procedure generally tended to form part of the complaint, but Parish Clerks did not have the same support as District Councils, so the approach taken was to be generous with her time wherever possible.

**RESOLVED that** the Monitoring Officers' Report be noted.

49/20

## **MODEL CODE OF CONDUCT**

The Principal Solicitor reminded the Committee that at the last meeting held on 21<sup>st</sup> January 2021, she had indicated that she would be

presenting a report regarding the new model Code of Conduct issued by the Local Government Association (LGA).

It was highlighted that the style was very different in the new LGA model Code of Conduct, in addition to the provisions of the model Code there was quite a detailed narrative attached within the model Code itself. Members were advised that the guidance could be separated from the model Code in order to make the model code more streamlined.

The Principal Solicitor drew Members' attention to the recommendations and highlighted the main areas of difference between the new LGA model Code of Conduct and the Worcestershire Code. Members were reminded that they had previously expressed a preference for a pan-Worcestershire model Code of Conduct that would apply across all three tiers of Local Government.

Members were informed that the countywide Monitoring Officers Group had looked at the existing Code and it was felt that the new LGA model Code of Conduct could be adapted slightly for local purposes, if required. It was clarified that any future changes from Local Government would more than likely be based on the new LGA model Code of Conduct and that a pan-Worcestershire Code would be based on the LGA model Code.

The Principal Solicitor also commented that Members had recently revisited the current Worcestershire Code and had agreed to keep the value for registering gifts and hospitality £15, the LGA model Code would be £50.

During lengthy discussion Members debated the option of a new pan-Worcestershire Code and the adoption of the LGA model Code and questioned the need for a different Worcestershire Code. Members also queried as to why a decision could not wait until primary legislation was passed.

The Principal Solicitor explained that there was currently so much going on with the recommendations to strengthen the Standards regime, that primary legislation may take quite a while to be passed.

The Head of Legal, Democratic and Property Services further informed the Committee that Members had previously looked at the current Code before receiving anything from the LGA as it had taken longer than anticipated to receive the LGA model code. Members had looked at the current Worcestershire Code from a Bromsgrove perspective and had

also taken into account the recommendations identified by the Committee on Standards in Public Life.

Mr. J. Cypher commented that the Bromsgrove area Parish Councils continued to support the 'Worcestershire Way' and it was felt that the new LGA model Code be adopted and adapted locally, he would emphasise that sticking together with a pan-Worcestershire Code was the way for the future.

In response to Members, the Principal Solicitor explained that should the Committee be minded to approve recommendations C and D, that the new Worcestershire Code would be presented to the Committee for consideration.

The Chairman took the opportunity to thank officers for their detailed responses and clarification with regard to the decisions Members had made when they had previously looked at the current Code.

**RESOLVED that** taking the five bullet points into consideration, as detailed at paragraph 5, that

- a) **the model Code issued by the LGA be amended; and**
- b) **the Monitoring Officer liaises with the other Monitoring Officers across Worcestershire to consider the feedback from all councils and to bring forward a new Worcestershire wide Code.**

50/20

### **AUDIT FINDINGS 2019/2020 - GRANT THORNTON**

Mr. J. Murray, the Engagement Lead, Grant Thornton presented the Grant Thornton Audit Findings 2019/20 report and in doing so highlighted that Members had previously been made aware of the challenges faced by both themselves and officers due to the outbreak of the Covid-19 coronavirus pandemic, which had had a significant impact on the normal operations of the Council.

During consideration of this item, Members' attention was drawn to the following:

- There was one item, in relation to housing benefit payments to claimants, which amounted to £72k, which was shown in 2019/20, rather than in 2020/21. Officers had declined to adjust this owing to the impact on ongoing claim payments and would process the change at the beginning of 2021/22. This was included in the Letter of Representation.

- The audit adjustments, as detailed at Appendix C.
- Recommendations raised for management, as detailed at Appendix A.
- The follow up of recommendations from the prior year's audit, as detailed at Appendix B.
- The work was substantially completed, and it was anticipated that the audit opinion would be unmodified, but would include an 'Emphasis of Matter, highlighting the material uncertainty around property valuations.

It was explained to members that Grant Thornton had completed the risk-based review of the Council's value for money arrangements in respect of the significant risks identified in the Audit Plan around financial sustainability. It was concluded that Bromsgrove District Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources in this area.

It was also considered whether the significant challenges in relation to the financial statements audit also needed to be reflected in our value for money conclusion, given one of the National Audit Office, Value for Money (VFM) criteria which related to 'Unreliable and untimely financial reporting that doesn't support delivery of strategic priorities, such as the late submission of financial statements for audit'. This was considered by an independent consistency panel who agreed with their assessment that the VFM conclusion should not be qualified in this regard. This was principally because of the support from the Chief Executive to the Acting S.151 officer, and of the audit process.

Grant Thornton advised Members that they had updated their VFM risk assessment to document their understanding of the Council's arrangements to ensure critical business continuity in the current environment. It was confirmed that they had not identified any new VFM risks in relation to Covid-19.

As detailed in the 'Key Messages' the need to improve the quality of working papers supporting the financial statements had been noted; to reflect the significant amount of additional audit time required as a result of poor quality of working papers.

Grant Thornton would ensure that all findings were actioned appropriately before issuing their audit opinion.

The significant audit risks included the valuation of land and buildings, as detailed on page 67 of the main agenda report. Work was

undertaken to challenge management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.

Members' attention was drawn to the 'Significant findings – key estimates and judgements', as detailed on pages 69 to 72. The use of the going concern assumption was reasonable as the Council had a realistic Medium Term Financial Plan (MTFP) and sufficient reserves to cover any short-term unexpected need.

Mr. N. Preece, the Engagement Lead, Grant Thornton further informed Members that with regard to VFM, that the MTFP as approved by Cabinet in February 2019 showed a financial gap up to and including 2022/23 of £3.4m, by February 2020 that had improved to forecast a gap, up to and including 2023/24 of £2m. The full impact of Covid-19 was still unknown. However, officers were reasonably confident that the grants would cover these costs, but this was still currently ongoing.

Whilst this was very good news, Members were reminded not to be complacent as there were still significant savings that needed to be made, which would be slightly more challenging for the Council to make as it did not provide non-discretionary services that other authorities provided. Therefore, Members were informed that there were some difficult decisions to be made in the future.

Members were referred to the Action Plan, as detailed on pages 78 to 79 of the main agenda report; and that the managements responses received were reasonable.

In response to questions from Members with regard to the comments in the report, in respect of the accuracy of the information provided by officers, the Head of Finance and Customer Services agreed that this had been ongoing issue. The archaic and cumbersome finance system that officers had had to work with did not produce the information required.

The new Enterprise Resource Planning system (ERP) system was now live, with the old system operating as a read only system. The ERP system would provide detailed information. There was a comprehensive training programme across the organisation.

The Head of Finance and Customer Services suggested that the first year would be a learning curve but was confident that the ERP system would produce better working papers. The quality of the new working

papers would be more compliant with modern working practices across the organisation, enabling officers to respond to the auditors in a more timely fashion going forward.

Members were advised that there had been a full reconciliation of both systems in the run up to going live and a substantial amount of testing was carried out to ensure that the information transferred across to the ERP system was a complete record. Grant Thornton were also using some of their specialist teams to check data quality and report writing going forward. The ERP system would directly drive working papers and reports. Members were informed by the Head of Finance and Customer Services that he was confident that the crossover had been extremely successful.

With regard to the fixed assets, there had been a massive leap forward in the amount of work undertaken on the fixed assets register and the quality of work that had come from that undertaking. In respect of property, plant and equipment valuations this was currently being reviewed.

Mr. J. Murray, the Engagement Lead, Grant Thornton commented that he would agree with the Head of Finance and Customer Services. It was absolutely right that Grant Thornton had responded on the quality of working papers for the last few years. He would also agree that the new finance system was a great step forward, however, there may still be some teething problems along the way. There was a need to ensure that the training on the new system was done properly so that the system could produce what was required. They would continue to monitor this over the coming years.

Members expressed their thanks to officers and stated that there was a need to look after Council reserves and to identify savings. It was recognised that officers had worked incredibly hard during the Covid-19 pandemic, but Committee Members absolutely needed to ensure that issues were resolved for the next municipal year.

The Chairman took the opportunity to thank officers and Grant Thornton for a comprehensive report and their work in a challenging environment.

**RESOLVED that** the Grant Thornton - Audit Findings Report 2019/20, as detailed at Appendix 1 to the report, be approved.

The Head of Finance and Customer Services presented the Statement of Accounts 2019/2020 report and informed the Committee that the Statement of Accounts elements that required signature were detailed at Appendix 1 to the report, which included the core statements for sign off. A full clear set of accounts would be presented to a future meeting of the Committee.

The Head of Finance and Customer Services further stated that he did not anticipate any other changes, however, if there were any changes were identified, they would be reported back to the Committee.

In response to Members' questions, the Head of Finance and Customer Services clarified the differences between the Balance Sheet and Group Balance Sheet, as detailed on pages 9 and 10 of the Supplementary Agenda Pack. Members were informed that the Group Balance Sheet included the rolling in of the Artrix element.

**RESOLVED that** the Audit, Standards and Governance Committee approve the Statement of Accounts 2019/2020 elements that required signature, as detailed at Appendix 1 to the report.

52/20

**HOUSING BENEFIT / SUBSIDY CERTIFICATION WORK 2019/20 -  
SUMMARY REPORT**

Mr. N. Preece, the Engagement Lead, Grant Thornton, presented the Housing Benefit Subsidy Claim Audit Letter.

Members were informed that they had certified the Housing Benefit Claim for 2019/20 relating to over £12.6m of expenditure. The Department for Work and Pensions (DWP) set the parameters and guidelines that auditors had to go through when auditing. It was almost impossible not to have any errors due to the complexity of the work required.

There were a number of issues that required further testing. Members were asked to note that there was no level of materiality when auditing the housing benefit claim and therefore the errors could be minor in value but required further testing.

The Engagement Lead, Grant Thornton further commented that the number of cases tested had increased, however, the error rate had decreased. He was pleased with the error rate and was happy that there would be less testing to carry out next year.



Members' attention was drawn to Appendix 1, and the table that detailed the number of cases tested and the number of errors found in recent years.

He also asked the Committee to note that the work had been finished by the extended deadline given.

**RESOLVED that** the Grant Thornton certification letter 2019/20 be noted.

53/20

### **INTERNAL AUDIT - PROGRESS REPORT**

The Head of the Worcestershire Internal Audit Shared Service presented the Internal Audit Monitoring Report to Members and explained that this was the regular update report that was presented to the Committee and summarised the reviews and progress made in respect of the Audit Plan since the last Committee meeting.

Members were informed of the following:

- Two reviews had been finalised - Treasury Management and Debtors.
- Three reviews were awaiting sign off – Council Tax, National Non-Domestic Rates and Benefits.
- One audit was progressing through clearance stage – Health and Safety.
- Audits progressing through testing stage – Creditors, Main Ledger and Risk Management.

The outcomes of all of the above would be reported to the Committee in due course, once completed and once management had confirmed an action plan.

The 2020/21 plan reflected the delayed start and certain lesser risk reviews would be needed to be rolled to next year's plan. Priority continued to be given to potentially higher risk areas, e.g. limited assurance audits. As we returned to the new normal the impact of restrictions of the Covid-19 lockdown on the plan had been closely managed as the year had progressed.

Members' attention was drawn to:

- Appendices 1 and 2 which reflected the challenges faced over the eleven months.

- Appendix 5 – Quality Assurance Improvement Plan.

The Head of the Worcestershire Internal Audit Shared Service commented that despite the challenges faced, the Council was in a position whereby he was comfortable and confident that come year end he would be able to give an audit opinion. He would also be looking at other potential assurance work that had taken place in the Council over the last 12 months in order to provide that opinion as at the year end.

Members' attention was further drawn to the National Fraud Initiative (NFI), as detailed on page 98 of the main agenda report. Going forward he would need to work closely with the Head of Finance and Customer Services team to get information loaded onto the new (ERP) system. The new ERP system should make it easier for the Head of Finance and Customer Services team to extract this information and upload in the format that the NFI required it.

The Head of the Worcestershire Internal Audit Shared Service explained that he had not presented the 2021/22 Audit Plan to this meeting, as he had wanted to engage with the new Executive Director of Resources before presenting it to the Committee. The 2021/22 Audit Plan would be presented to Members at the next meeting of the Committee.

The Chairman took the opportunity to thank the Head of the Worcestershire Internal Audit Shared Service and his team for a comprehensive report.

**RESOLVED that** the Internal Audit Monitoring Report be noted.

54/20

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE DRAFT ANNUAL REPORT**

The Chairman briefly introduced the Audit, Standards and Governance Draft Annual report 2020/2021 and in doing so, stated that the report highlighted the work of the Committee and the reports presented and considered by Committee Members during the municipal year 2021/2021.

He expressed his sincere thanks to all serving Members of the Committee and those Members that had served the Committee during the year. He also thanked the Portfolio Holder for Finance and Enabling, senior officers, officers and the Council's external auditors who had supported and presented reports to the Committee during the course of the year; and to the support given by the Democratic Services Officer.

The Chairman further extended his sincere thanks to Councillor K. J. Van Der Plank, as the Committee's Risk Champion. Councillor Van Der Plank had really added depth and dimension to her role. He appreciated the work she had undertaken as the Committee's Risk Champion.

**RESOLVED** that the draft annual report for the Audit, Standards and Governance Committee 2020/2021, be noted and presented at Council as a final version.

55/20

**RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR K. VAN DER PLANK)**

Councillor K. J. Van der Plank, as the Committee's Risk Champion, provided a verbal update to the Committee, as attached.

The Chairman thanked Councillor K. J. Van Der Plank for her verbal update and for her work as Risk Champion. He further took the opportunity to express thanks on behalf of the Committee; and stated that it was a unique role to fill.

**RESOLVED that** the Risk Champion verbal update be noted and that the Democratic Services Officer to include a copy of Councillor K. J. Van Der Plank's written update with the published minutes.

56/20

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Democratic Services Officer undertook to update the work programme to ensure that all items were considered at the appropriate time and to provide an amended version at the next meeting of the Committee.

**RESOLVED that** the Committee work programme be noted.

**Appendix**

The meeting closed at 7.48 p.m.

Chairman

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# Risk Champion – Final Report from KVDP– March 2021

## Introduction

The purpose of this report is to:

- Review and reflect on previous risk champion reports over my last two years in the role
- Highlight any outstanding issues or suggested areas for follow up
- Offer guidance and suggestions about the role of Risk Champion for future role holders

## Summary of Risk Champion reviews since Sept 2019

I have explored the following areas in my Risk Champion reports (copies available if anyone would like them):

Sept 2019	Overview of risk management at BDC: Risk strategy & processes
Jan 2020	Environmental Services
March 2020	Planning
July 2020	Pandemic Response
Sept 2020	Safeguarding
Nov 2020	People processes: training and wellbeing
Jan 2021	Outcome of Motions & Written questions
March 21	Final report

## Outstanding Issues

In my opinion, I think there are 3 areas that need further focus this year:

### 1. Risk management processes

- In my first report I gave an overview of BDC's risk management processes which at the time had already been deemed inadequate and needing improving, following the Zurich audit.
- Some of these gaps and weaknesses have been addressed or have remedial plans in place. However, due to the staff changes and lengthy period without our 151 officer who had overall responsibility for risk management, I suggest a repeat audit of our risk management processes is completed at the earliest opportunity to make sure everything is on track as previously planned. In particular, checking the following areas:
  - Is the Risk Steering Group and the departmental Risk Champions that were established in 2019 still working effectively?
  - Compliance was identified as an area of concern and commitment made to address this. Has that happened and have we seen improvements?
  - It was recognised that risk management needed to be made a higher priority across the organisation as risk meetings were often cancelled and this regularly dropped off the agenda but a commitment was made to improve this. Has that happened?
  - Once the new risk strategy and processes were developed, it was recognised that training would be required to ensure these are fully embedded. Has this happened?

## 2. Identifying risks

The focus of our risk register is predominantly inward looking, often focused on operational risks and less consideration for reputational risk or wider external factors. Given the impact and extent of external factors over the last 12 months, we may want to look at how we define risk and check our top strategic risks are wide enough and broad enough. That includes more horizon scanning and planning to enable us to manage future issues.

## 3. Reflections and learnings after Covid

We did an interim review of our Covid response last summer, but that was before the second wave so given the scale and impact of this emergency response, I suggest a further review and evaluation of how we have handled this ongoing situation would be useful.

## **The role of Risk Champion**

- There is nothing defined or formally documented about this role, which I think is positive, as it means each role holder has freedom to approach it differently, making the best use of their own skills and interests which will maximise the value to the committee.
- The role provides a great opportunity for the Risk Champion to gain a better understanding of different parts of the council – whether that be a broad area or something specific – through an informal review, and then share this insight and learning with the rest of the committee.
- The Risk Champion informal review is just that: It doesn't duplicate or replace the comprehensive audits which are something quite different and essential.
- In a Risk Champion review, issues may be noted that are worth flagging up to the Audit and Standards Committee or other committees within council. However, it's important to note that the Risk Champion has no formal mandate in these areas so whilst observations may be passed on, this is in the format of 'suggestions to explore' not formal recommendations.

## **Thank you!**

I have enjoyed my two years as Risk Champion. It has given me a useful and interesting insight into a variety of areas and improved my understanding of the council and how it functions. In turn, coming in as someone new, with a different perspective and a wide and flexible brief I feel I have been able to make suggestions for improvements in a variety of areas, which have gone on to be implemented.

Key to the Risk Champion rolling working effectively has been the attitude of officers which has been open and welcoming and receptive to suggestions: we've had some really interesting discussions, and I'd like to thank all officers I've spoken to. Most of all though, I'd like to thank the Chair of Audit and Standards Committee, Cllr Mallett for his support and encouragement throughout my two years in this role, which has been much appreciated.

I recommend the role and am happy to discuss it further if anyone is interested in taking it on.

*Kate Van der Plank, March 2021*