

**BROMSGROVE DISTRICT COUNCIL**

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

**19TH JANUARY 2023, AT 6.00 P.M.**

PRESENT: Councillors A. D. Kriss (Vice-Chairman), A. J. B. Beaumont, R. E. Jenkins, J. E. King, M. Middleton, J. Till, P. J. Whittaker and B. McEldowney (Parish Councils' Representative)

Observers: Councillor G. Denaro (Portfolio Holder for Ms. K. Lees – Grant Thornton (on Microsoft Teams)

Officers: Mr P. Carpenter, Mrs. C. Felton, Ms M. Howell and Mr. A. Bromage (on Microsoft Teams), Mrs. J. Bayley-Hill, and Mr. M. Sliwinski.

41/22

**ELECTION OF CHAIRMAN OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE FOR THE REMAINDER OF THE MUNICIPAL YEAR 2022-23**

Nominations were requested for the position of the Chairman of the Audit, Standards and Governance Committee for the remainder of the municipal year 2022-23.

A nomination was received in respect of Councillor S. Colella and on being put to the vote it was

**RESOLVED** that Councillor S. Colella be appointed as the Chairman of the Audit, Standards and Governance Committee for the remainder of the 2022-23 municipal year and that as Councillor S. Colella had submitted his apologies for this meeting, the Vice-Chairman, Councillor A. Kriss, assume the Chair for this meeting.

42/22

**APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors S. Colella, L. Mallett and C. Spencer.

Councillor J. Till attended the meeting as a named substitute for Councillor C. Spencer.

Apologies were also submitted on behalf of the Leader of the Council, Councillor K. May, who was due to attend as an observer.

43/22

**DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no Declarations of Interest nor of any Whipping Arrangements.

44/22

**TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 14TH DECEMBER 2022**

The minutes of the Audit, Standards and Governance Committee held on 14<sup>th</sup> December 2022 were submitted.

**RESOLVED** that the minutes of the Audit, Standards and Governance Committee held on 14<sup>th</sup> December 2022 be approved as a correct record.

45/22

**ELECTION OF A RISK CHAMPION**

Members were advised that a role description that had been requested for the role of a Risk Champion could be found in the appendix to the main report.

Nominations were requested for the position of a Risk Champion for the remainder of the municipal year 2022-23.

A nomination was submitted in respect of Councillor M. Middleton and on being put to the vote it was

**RESOLVED** that Councillor M. Middleton be appointed as the Risk Champion for the remainder of the municipal year 2022-23.

46/22

**STANDARDS REGIME - MONITORING OFFICER'S REPORT**

The Head of Legal, Democratic and Property Services Property Services presented the Monitoring Officer's report and in doing so highlighted that there had been training delivered to Members on the Elections Act 2022. It was also highlighted that since the last meeting there had been a number of complaints 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 a District Council's Monitoring Officer.

It was reported that, regarding complaints received concerning District Council Members, there was one outstanding complaint which remained live as of this meeting.

Following the update, the Committee discussed the issue of poor attendance at recent Code of Conduct and other training sessions for Members. It was reiterated that attendance by Members at training sessions was imperative for ensuring good governance of the Council and would likely be raised looked in the upcoming peer review of the Council.

**RESOLVED** that the Monitoring Officer's Report be noted.

47/22

**ROOT AND BRANCH REVIEW OF HOW THE COUNCIL ARRIVED AT THE SECTION 24 NOTICE**

The Committee considered the arrangements for the proposed Audit Task Group to enable the root and branch investigation of how the Council arrived at section 24 notice to proceed.

The Interim Director of Finance stated that an LGA peer review of the Council was due to begin on 6<sup>th</sup> March 2023 and it was deemed imperative that the root and branch investigation was concluded before this date. It was added that once arrangements were agreed at tonight's meeting, Members chosen to sit on the Task Group would be provided with a starting set of documentation such as Enterprise Resource Planning (ERP) Board minutes.

The dates for the meetings of the Audit Task Group were proposed as follows:

- 2<sup>nd</sup> February to review the documentation provided and to decide the witnesses to be interviewed
- 20<sup>th</sup> or 21<sup>st</sup> February (or both dates) to undertake interviews with the witnesses
- 28<sup>th</sup> February or 1<sup>st</sup> March (or both) to prepare and finalise a set of recommendations.

It was advised that the membership of the Audit Task Group be restricted to the Members of the 'parent' Audit, Standards and Governance Committee.

**RESOLVED**

- 1) that the Audit Task Group be established to undertake the root and branch investigation of how the Council arrived at a section 24 notice;
- 2) that Councillor S. Colella be appointed as Chairman of the Audit Task Group and that the Vice-Chairman be appointed at the first meeting of the Task Group.
- 3) that the membership of the Audit Task Group be comprised of Councillors S. Colella (Chairman), A. Beaumont, J. King, A. Kriss, M. Middleton, and P. Whittaker.
- 4) that the terms of reference for the Audit Task Group, attached at Appendix 1, be approved.
- 5) that the indicative date for completion of the root and branch investigation be the beginning of March 2023.

48/22

**VERBAL UPDATE ON SUBMISSION OF STATEMENT OF ACCOUNTS**

## **2020-21**

The Head of Finance and Customer Service reported that the amount of items and total amounts held in the suspense account had decreased significantly since this was reported at the last meeting. The amount held in suspense had decreased from £3.190m (representing 500 lines of items) to £52k (and representing approximately 150 items).

Following this update, it was reported that as the amounts to allocate from suspense accounts got smaller it was correspondingly more difficult to establish where transactions should be allocated. It was noted, however, that now the finance team had managed to reduce the amount in suspense to only £50k, the focus had to be on the task of 2021-22 Accounts, as during the whole of that financial year the Council experienced issues with cash receipting. The External Auditor commented that £52k in suspense was considered non-material compared to the previous and that this should therefore mean no qualification would be issued to the 2020-21 Accounts.

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

In response to questions from Members, it was noted that the Section 24 issued to the Council would lapse once the 2020-21 Statement of Accounts had been signed-off by the Auditors. It was deemed highly unlikely that the Council could receive another Section 24 notice relating to 2021-22 Accounts as the issues underlying the delays for both these sets of Accounts were the same.

In response to a Member question concerning whether Grant Thornton prioritised auditing accounts for some organisations over others, it was noted that at the start of year the external auditors profiled all the audits to be completed for the year and no priority was given to any one organisation. There were set time periods within the year set aside for health sector (NHS) accounts, which was April to June for auditing accounts of NHS entities.

49/22

## **INTERNAL AUDIT PROGRESS REPORT**

The Committee received the Internal Audit Progress Report from the Head of Worcestershire Internal Audit Shared Service. The report before the Committee summarised progress made against the delivery of the Internal Audit Plan 2022/23 as of end of December 2022. It was noted that Appendix 2 provided a complete overview of the plan and a holistic view of the progress against the plan.

The Head of Worcestershire Internal Audit Shared Service reported that two data sets were to be uploaded to central database as part of the National Fraud Initiative (NFI) matching exercise in January 2023, concerning Council Tax Single Person Discount and Electoral Registration. It was noted there were no exceptions to report in terms of fraud or other serious risk.

The Head of Worcestershire Internal Audit Shared Service reported that the main internal audit report before the Committee concerned monitoring of the Council's fleet and plant fuel usage and efficiency and other internal audit reports were now nearing completion. Three follow-up reports had also been submitted following the Committee's request for follow-up internal audit reviews in these areas.

Officers provided an update on the assurance status of items on the internal audit follow up programme and reported that Council fleet fuel usage remained the only area of moderate internal assurance.

Following the update, Members expressed concern about the summary of delivery against the internal audit plan as it was noted that only 98 days of audit had been delivered against the annual target of 230 days (as at 31<sup>st</sup> December 2022) and that the current target for this financial year was therefore impossible to fulfil. Officers explained that depending on investigations and in-depth reviews and audits that had to be undertaken the annual target was subject to change in days, and that of much more importance to the effectiveness of internal audit function was the coverage of internal audit across all areas of council business and not the actual budgeted days spent. It was also explained that 'day' targets were also indicative and there was a variation allowed to account for different priorities year-on-year.

Members sought assurance that all Council vehicles were appropriately taxed and had an up-to-date MOT. Officers assured Members that this was the case and also noted that the appropriate head of service would be approached to provide a full response to Members on this matter. It was also reported that the issue of accounting for all key fobs for council vehicles would also be raised with the appropriate head of service.

It was reported that it was likely that cyber security insurance would not be available to local authorities after the end of this financial year due as insurers were withdrawing this option due to high risk. Bromsgrove Council was covered by cyber security insurance until June 2024. This was a great risk to local authorities, especially with a number of councils recently hit by cyber security attacks. It was therefore 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.

Officers noted that District Councils would not normally offer support to Parish Councils on cyber security as these were separate entities

operating on different types of IT systems and with different requirements.

Members requested that information about the current cost of the Council's cyber security insurance be provided at the next meeting of the Committee.

**RESOLVED** that the report be noted.

50/22

### **FINANCIAL SAVINGS MONITORING REPORT**

The Interim Director of Finance presented this report and reported that £428k of non-allocated savings and efficiency targets from previous years had now been allocated as shown in the report.

It was reported that in-year overspend position at Q2 only stood at £342k, and this overspend position needed to be adjusted for the effect of the staff pay award paid in December 2022 which had an overall effect of increasing cost in year by another £720k. In addition, £411k of reserves were already utilised to support the budget as part of the 2022-23 Medium Term Financial Plan (MTFP). Therefore, the 2022-23 in year overspend position of the Council stood at £1.472m, which would reduce General Fund Reserves from opening position of £4.485m to £3.013m.

It was reported that the £342k overspend in Q2 was mainly due to the overspend in Facilities Management / SLM of £408k. This was as the Council had a contract with SLM for delivery of Leisure Management Services on behalf of the Council. It was noted that the leisure sector continued to recover from the effects of Covid-19 pandemic and it was prudent to assume an in-year pressure in this area.

In terms of arrangements, it was noted that the Council operated open book accounting with SLM where key financial information was shared. It was noted that leisure centres also contributed to reducing costs by keeping costs of the NHS down.

Following the presentation, the following answers were provided to Members' queries:

- With regards to Artrix it was noted that it was operated by a Trust while the Council was a separated entity. The Council worked with Artrix to find funding streams.
- It was noted that the high vacancy rates and agency staff cover were common issues across the local authority sector and the Council planned to implement initiatives to recruit and retain younger staff such as creating career graded posts with training for the job provided and utilising the apprenticeship levy for graduate recruitment.

**RESOLVED** that

- 1) Progress on 2022/23 Departmental Savings be noted.
- 2) Progress on Efficiency Savings be reported back to the Committee following allocations part of Quarter 2 2022/23 monitoring.
- 3) Present Council overspend position for 2022-23 and actions to mitigate this be noted.

51/22

### **RISK REPORT**

The Committee considered the Quarterly Risk Update and it was noted that this was the third risk update to the Audit, Standards and Governance Committee since no assurance had been provided in June 2021 following an Internal Audit Review of Risk Management Strategies.

It was noted that the Council now had an agreed definition of a Corporate Risk and the Officer Risk Board had an agreed definition with regards to when Departmental Risks should be raised to Corporate Risks and, conversely, when Corporate Risks should be reduced to Departmental Risks.

The number of departmental risks had continually reduced in the last 9 months, down to 55 as at the end of December 2022, and these included two red departmental risks, relating to robustness of the revenues performance indicator data and the Bromsgrove Leisure contracts. There were twenty-one amber risks.

It was reported that monitoring of mould/damp issues in private sector properties was a significant issue that was deemed to warrant inclusion as a separate risk, and Officers also noted that cost of living would also be included as a separate risk item.

**RESOLVED** that

the present list of Corporate and Departmental Risks be noted and additional risk requests considered.

52/22

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

The Committee noted that the Audit Task Group would be launched with meetings taking place over February 2022 as agreed under Minute Item No. 47/22 – Root and Branch Review of how the Council arrived at the Section 24 Notice.

The meeting closed at 8.10 p.m.

Audit, Standards and Governance Committee  
19th January 2023

Chairman