

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

WEDNESDAY 14TH DECEMBER 2022, AT 6.00 P.M.

PRESENT: Councillors A. J. B. Beaumont, R. E. Jenkins, J. E. King, C. J. Spencer, P. J. Whittaker, R. J. Deeming (Substitute), A. J. B. Beaumont, R. E. Jenkins, J. E. King, J. Till (Substitute), C. J. Spencer, C.A. Hotham (Substitute) and P. J. Whittaker

In attendance: Mr Jackson Murray – Grant Thornton (on Microsoft Teams)

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

33/22

ELECTION OF THE CHAIRMAN FOR THIS MEETING

As apologies had been submitted by the Vice-Chairman, the Committee was requested to elect a chairperson for this meeting.

On being put to the vote it was

RESOLVED that Councillor P. Whittaker be elected as Chairman for the meeting of the Audit, Standards and Governance Committee on 14th December 2022.

34/22

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors L. Mallett, A. Kriss, M. Middleton, and K. Van Der Plank.

Councillors R. Deeming, J. Till, and C. Hotham attended the meeting as named substitutes for Councillors A. Kriss, M. Middleton, and K. Van Der Plank respectively.

35/22

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

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

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TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT,

**STANDARDS AND GOVERNANCE COMMITTEE MEETINGS HELD ON
13TH OCTOBER AND 9TH NOVEMBER 2022.**

The minutes of the Audit, Standards and Governance Committee meetings held on 13th October 2022 and 9th November 2022 were submitted for Members' consideration.

Some Members asked for information with respect of the number of local authorities where Grant Thornton provided external audit services in the 2020/21 financial year and the proportion of these authorities that had not yet had their audit opinions issued for 2020/21. Officers clarified that the response to these questions had been provided to all Committee Members via email on 11th November 2022.

RESOLVED that the minutes of the Audit, Standards and Governance Committee meetings held on 13th October 2022 and 9th November 2022 be approved as a true and correct record and signed by the Chairman.

37/22

ANNUAL GOVERNANCE STATEMENT 2020-21

The Interim Director of Finance presented the Annual Governance Statement 2020/21 and in doing so highlighted that the Annual Governance Statement (AGS) formed part of the annual closure of accounts process and provided a corporate overview of the processes and procedures adopted by the Council to manage its affairs.

The preparation of an Annual Governance Statement (AGS) was necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The Council's AGS included the review of effectiveness of the Council's governance arrangements and commentary on significant governance issues in 2020/21 and the up-to-date information on their resolution status under the 'progress' column in the AGS document.

Following the presentation, a number of questions were asked by Members to which the following responses were provided:

- Officers clarified that the purpose of this Annual Governance Statement was to provide the Council's governance position as of 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 worked correctly, whilst on the AR side the issue with cash receipting was 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.

RESOLVED

- (1) that the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement be noted;
- (2) That the Draft Annual Governance Statement was reviewed and commented on, including any areas which should be considered; and,
- (3) that subject to changes identified above, the Draft Annual Governance Statement be agreed and approved for signature by the Chief Executive Officer and Leader of the Council for inclusion in the Statement of Accounts.

38/22

STATEMENT OF ACCOUNTS 2020-21

The Interim Director of Finance presented the draft Statement of Accounts 2020/21 and in doing noted that the Council had not been able to deliver these Accounts before the statutory deadline of 30th November

2021, which had resulted in a Section 24 Statutory Recommendation being issued to the Council on the 31st October 2022.

It was highlighted that the Accounts had been published in a supplementary agenda because the S151 Officer had to be fully satisfied that they complied with legislation before they were presented before the Committee. It was added that a significant work had been required to reallocate balances in the Council's suspense accounts and the method of this reallocation represented a risk for the 2020/21 Accounts that would need to receive signoff by the external auditors as part of the overall Audit process.

It was noted that the presentation of the draft Statement of Accounts provided the Committee with an opportunity to review the Accounts and formally approve them prior to the commencement of the external audit, estimated to start in mid-January 2023. Whilst under regulations the Council's Audit Standards & Governance Committee was no longer required to approve the accounts prior to audit, the Council considered it a good practice for Members to have the opportunity to review these draft Accounts.

The Interim Director of Finance proceeded to provide an explanation of the most relevant sections of the Statement of Accounts 2020/21 submitted before the Committee. The following sections and technical notes were highlighted for Members' consideration:

- Page 8 provided an infographic of what services Council delivered during the pandemic period (January 2020 – February 2021) and it was preceded by the significant amount of grants that the Council provided in that period.
- The Statement of Accounts included an Internal Audit Statement given in July 2021 on the internal audit control for the financial year 2020/21 at pages 19-20.
- Comprehensive income and expenditure statement was on page 25.
- Note 3 on page 40 provided critical judgements in applying accounting policies for the 2020/21 Accounts.
- Note 5 on page 42 detailed material items of income and expense applicable from the 2019/20 Accounts.
- Note 10 on page 46 highlighted the movement in the Council's reserves position for the 2020/21 financial year.
- Note 33 on page 64 showed the Council's Grant Income which included significant amount received in Government support grants during the Covid-19 pandemic.

It was highlighted for Members' attention that the General Fund Balance table as note 9 on page 45 included £3.190 million of items in suspense to be discussed with external auditors, which was flagged up as a major issue. Officers reported that they would continue to work on trying to reduce the number of items in suspense in the next couple of weeks before the Accounts were handed over to the external auditors. The Committee would be updated if further reallocation of items in suspense was necessary.

Following the presentation, Members discussed the contents of the Statement of Accounts 2020/21 and the responses provided to questions were as follows:

- Members commented that the formatting of some statements could be made clearer. Officers undertook to rectify this and explained that there was work done to embed spreadsheets directly in word processor documents rather than as images.
- In relation to the £3.1 million of transactions in suspense, it was queried how many items of business this represented. Officers responded that the figure was not to hand but undertook to review the data and provide Members with an approximate figure.
- Officers reported that it still had to be confirmed whether the £3.1 million of items in suspense would impact on the balance sheet of the Statement of Accounts. The allocation of suspense items in the Accounts needed to be agreed with external auditors and this might lead to a restatement of the 2020/21 Accounts.
- The external auditors confirmed that they would be provided with proposals by the Council's finance Officers regarding the allocation of suspense items on the balance sheet which would then be audited on the basis of that proposal.
- It was highlighted that Auditors would not issue a specific report to confirm that Section 24 had been lifted. In the case of Bromsgrove, the reason for issuance of Section 24 was the non-submission of the 2020/21 Statement of Accounts to the Auditors by 30th November 2021. As such the approval of the 2020/21 Accounts by the Auditors and then the Committee would represent a confirmation that the Council was no longer under the Section 24 measures.
- It was noted that Officers monitored cash position daily as the Council could not be in an overdraw position. Throughout the 2020/21 financial year the capital position was subject to fluctuation as significant cash movements took place due to

Covid-19 related grants being received which needed to be distributed to businesses and residents.

- It was noted that usable reserves had increased significantly from 2019/20 to 2020/21 due largely to provision of Covid-19 grants. Many of these grants had to be distributed in 2021/22 financial year.
- Members queried why the Council's balance sheet displayed a deficit in total liabilities of over £19 million. Officers explained that this was in large part due to the accounting practices that had to be followed by public bodies, which meant that for example any fluctuations in pension fund liabilities were reflected in the long term liabilities. Another factor affecting the year-on-year figures was the valuation of assets which displayed a significant downward trend in 2020/21 due to the Covid-19 pandemic with many of the assets valued down in that period. Reassurance was provided, however, that the Council was solvent with a recovery plan in place and had a fully functioning pension fund.
- A typographical error was identified in note 27 on page 61 (cash flow from investing activities) where the figure for short term investments read as £353 million instead of £353,000. Officers undertook to rectify this error.
- In relation to external audit fees, it was noted that a fee increase due to additional auditor work on 2020/21 Accounts would be noticeable from the 2021/22 financial year with the figure provided for 2020/21 remaining a standard audit fee.

RESOLVED that the draft Statement of Accounts be approved prior to the commencement of the Audit.

39/22

RECOMMENDATION FROM COUNCIL FOR THE CONSIDERATION OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

The Committee discussed the recommendation of Full Council made at its meeting on 7th December 2022, which asked for the Committee to undertake a root and branch review of the process leading up to the Council's Section 24 Notice.

The Head of Legal, Democratic and Property Services explained that the Committee was endowed with investigatory powers under the Council's constitution and as such it would be permissible for the Committee to set up a task and finish group, composed of a subset of the Committee Members, to investigate the matter recommended by Council in detail and report back to the parent Committee on a regular basis.

Members debated whether to accept the recommendation and concluded that acceptance of the Council's recommendation was the best course of action. Members also expressed preference for the task and finish group to be set up in order to undertake the proposed investigation in a timely manner. It was suggested that the chairperson and vice-chairperson for this task and finish group be appointed at the next meeting of the Committee.

RESOLVED that the Audit, Standards and Governance Committee carry out a root and branch investigation on how the Council arrived at the Section 24 Notice.

40/22

ELECTION OF A RISK CHAMPION

With Chairman's agreement the Committee proceeded to discuss the appointment of a risk champion for the rest of the municipal year 2022/23. During the discussion, Members present concluded that it was necessary for all the regular members to be present and for a role description to be available in order for Members to make an informed decision. The consideration of this matter was therefore deferred to the next meeting of the Committee and Officers were asked to prepare an appropriate document detailing risk champion role description.

A reference was made to the need for the Constitutional Review Working Group to consider increasing the membership of the Audit, Standards and Governance Committee from 9 to 11 councillors for future municipal years. It was reiterated, however, that regardless of the number of councillors assigned to a Committee it was imperative that those councillors who were chosen regularly attended its meetings and contributed to the discussion in a constructive manner.

The meeting closed at 7.28 p.m.

Chairman