



## **BROMSGROVE DISTRICT COUNCIL**

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

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

**PARKSIDE SUITE - PARKSIDE**

**MEMBERS:** Councillors L. C. R. Mallett (Chairman), A. D. Kriss (Vice-Chairman), A. J. B. Beaumont, R. E. Jenkins, J. E. King, M. Middleton, C. J. Spencer, K. J. Van Der Plank and P. J. Whittaker

### **AGENDA**

1. **Election of the Chairman for this meeting**
2. **Apologies for Absence and Named Substitutes**
3. **Declarations of Interest and Whipping Arrangements**

To invite Councillors to declare any Disclosable Pecuniary interests or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

4. **To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meetings held on 13th October and 9th November 2022** (Pages 1 - 24)
5. **Annual Governance Statement 2020-21** (Pages 25 - 38)
6. **Statement of Accounts 2020-21** (Pages 39 - 44)

*Appendix A to the report, the draft Statement of Accounts 2020/21, will follow in a Supplementary Papers pack.*

K. DICKS  
Chief Executive

Parkside  
Market Street  
BROMSGROVE  
Worcestershire  
B61 8DA

6th December 2022

**If you have any queries on this Agenda please contact  
Mat Sliwinski**

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# Agenda Item 4

Audit, Standards and Governance Committee  
13th October 2022

## **BROMSGROVE DISTRICT COUNCIL**

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

**13TH OCTOBER 2022, AT 6.00 P.M.**

PRESENT: Councillors L. C. R. Mallett (Chairman), P. J. Whittaker, A. J. B. Beaumont, R. E. Jenkins (from Minute No. 19/22), J. E. King, A. D. Kriss (Vice-Chairman), K. J. Van Der Plank and J. Till (Substitute)

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

Officers: Mr. P. Carpenter, Mr. A. Bromage (on Microsoft Teams), Mrs. C. Felton (from Minute No. 15/22 to 19/22), Ms. A. Khan (on Microsoft Teams), Mrs. V. Swashorme (on Microsoft Teams), Mr. G. Day and Mr. M. Sliwinski.

15/22

#### **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillor M. Middleton and Councillor C. Spencer with Councillor J. Till attending as named substitute for Councillor Spencer.

An apology was also submitted by the Portfolio Holder for Finance and Governance, Councillor G. N. Denaro.

16/22

#### **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest nor of any party whip.

17/22

#### **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 21ST JULY 2022**

The minutes of the Audit, Standards and Governance Committee held on 21<sup>st</sup> July 2022 were submitted.

**RESOLVED** that the minutes of the Audit, Standards and Governance Committee held on 21<sup>st</sup> July 2022 be approved as a correct record.

18/22

#### **ANNUAL REVIEW FROM THE LOCAL GOVERNMENT OMBUDSMAN**

[With the Committee's agreement, item 5 on the agenda, Annual Review from the Local Government Ombudsman, was considered before item 4, Standards Regime – Monitoring Officers' Report.]

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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 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2022.

The Property Lawyer for the Council reported that the Local Government Ombudsman guidance recommended that where routine mistakes and service failures occurred on the part of the local authority, the Monitoring Officer was required to report to members, summarising the findings on upheld complaints over a specific period. It was noted that in all cases the Council had cooperated fully with Ombudsman enquiries and investigations and had agreed to implement the recommendations of the Ombudsman in relation to all upheld cases.

It was reported that costs resulting from upheld cases detailed in this report had been met from existing budgets and as such there was no direct financial implication to the Council resulting from the Ombudsman's recommendations.

Following the presentation of the report, Members made comments and asked questions of Officers. Clarification was sought on why in some years (such as that ending 31 March 2021) there were more complaints decided than had been received, and it was explained that this was because some complaints might be received in one year but only resolved in the following year.

The staged process for dealing with complaints was explained to Members. Initially, the Council would attempt to resolve the complaint internally. Failing this, the complaint would be passed to the Ombudsman who would first investigate if the Council had fully exhausted its complaints procedure. Only once this was confirmed, did the independent Ombudsman investigation of the complaint begin.

Members queried the fact that, contrary to what was stated during the presentation, the report indicated the Council did incur costs of £450 in relation to the Ombudsman's findings of service failure in 3 cases detailed in the report. The Council's Property Lawyer explained that these small payments came out of existing departmental budgets, from within internal contingency funds set aside for the eventuality of upheld complaints, rather than any corporate budget. As such there were no direct, unexpected financial implications to the Council's budget.

Officers were asked whether it was of concern that for the period ending 31 March 2022, the Local Government Ombudsman (LGO) upheld all three complaints against the Council it investigated, in comparison to the average of 51% for similar organisations. It was explained that given the small number of complaints against the Council the Ombudsman investigated in that year it was not of significant concern, although it was highlighted that work was currently undertaken to compile a new complaints procedure to improve the local resolution rate.



Members suggested that officers should include, in future iterations of the annual ombudsman review reports, a section providing a number of compliments that the Council had received, in addition to complaints.

It was also suggested by Members that future iterations of this report should contain a breakdown of how many total complaints were received by the Council over a given period and, out of those, how many were resolved internally and how many were brought before the Ombudsman. Members also requested that future reports should detail how much officer time was spent on dealing with the complaints. Lastly, Members asked that a comparison with other similar authorities be provided.

**RESOLVED** that the report be noted.

19/22

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

The Head of Legal, Democratic and Property Services presented the Monitoring Officer's report and in doing so highlighted that there had been one new complaint received since the last meeting, which had now been resolved as the matter did not result in a breach of the Members' Code of Conduct.

In response to a Member request for an update on the nature of the resolved complaint, the Head of Legal, Democratic and Property Services undertook to provide the details at a future meeting of the Committee.

In addition, one previously reported complaint remained live and whilst investigation of the matter had now concluded, a conversation with the County Council was required to determine whether the complaint could be resolved locally or not.

As the Council would be holding elections in May 2023, Members were informed that if any additional training was required by Members they could approach Democratic Services or the Monitoring Officer with the view of adding it to the already established programme of training.

Following the presentation of the report, Members asked whether, following resolution, details of a member complaint could be released to the public. It was noted that all member complaints at a local level (i.e., those complaints that stayed internal to the authority) remained confidential, unless both the complainant and the defendant agreed for details to be released.

Members asked about complaint cases where an individual under investigation ceased to be a councillor (for example due to not being re-elected) and it was noted that such cases would no longer be assigned as much priority as those relating to existing elected members. Additionally, such cases would often be resolved by virtue of the individual no longer being an elected member.

Members queried what sanctions could be imposed on elected members whose behaviour attracted numerous complaints and was deemed to bring the authority into disrepute. It was explained that powers available to councils in this area were very limited, as the Localism Act 2011 did not confer any power to the relevant authority (or its standards committee) to impose sanctions for breach of its code. Consequently, councils could not impose substantive sanctions such as disqualification from office, a financial penalty, or withdrawal of monetary allowances. If the complaint could not be resolved locally, the Monitoring Officer could direct that the complaint be heard before a standards committee comprised of fellow elected members with findings subsequently reported at a Full Council meeting. The Head of Legal, Democratic and Property Services added that no further method of sanction was available towards councillors under investigation, and they could continue to attend meetings of the authority.

If the elected member was found to have breached the Authority's Code of Conduct, the powers available to the authority included a formal letter of warning to the member and formal censure by motion of a committee to 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.

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

20/22

## **GRANT THORNTON - SECTOR UPDATE**

The Committee received a local government audit sector update from the Engagement Lead for Grant Thornton. It was drawn to the Committee's attention that in its response to the local audit consultation, the Department for Levelling Up, Housing and Communities (DLUHC) announced plans for introducing a statutory requirement for all local authorities to have audit committees with at least one independent member appointed.

Following the presentation of the update, Members asked about when the requirement for an independent member was likely to be introduced, and the Engagement Lead for Grant Thornton responded that DLUHC had not provided a specific implementation date as the introduction of that requirement was dependent on the parliamentary schedule. Members would be updated as soon as the date became known. The Interim Director of Finance added that details on arrangements regarding remuneration of the independent members had not been released either.

Members discussed the difficulties the Council had with past attempts at recruiting an independent member to the Committee, and the ways the post could be advertised. The Interim Director of Finance commented that the biggest obstacle to finding an independent member was level of remuneration, and there was a much greater demand to fill independent person posts where remuneration was high, as was the case with independent persons at pension funds.

The Interim Director of Finance added that in authorities which were under Government intervention, an independent member would be enforced as a chairman of the audit committee, and in such cases, this would be a remunerated post.

Members expressed hope that a degree of flexibility would be provided to local authorities, especially districts, with regards to setting the allowance for the independent member.

The Chairman concluded that all Councillors should be encouraging the Member of Parliament (MP) for Bromsgrove to raise this issue in Parliament.

**RESOLVED** that the updates, as included in Appendix 1 to the report as now submitted, be noted.

21/22

## **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 31<sup>st</sup> August 2022. It was noted that Appendix 2 provided a complete overview of the plan and provided a holistic view of the progress against the plan.

The Head of Worcestershire Internal Audit Shared Service reported that data sets continued to be uploaded to central database as part of the National Fraud Initiative (NFI) matching exercise. The role of internal audit was in providing support to services which were uploading their audit documentation. Internal audit expected that most data sets would be received by December. It was added there were no exceptions to report in terms of fraud or other serious risk.

The Head of Worcestershire Internal Audit Shared Service reported that work on Core Financial Systems continued to occupy a substantial part of the internal audit team's planned time because of the rectification work associated with the Council's new finance system. Regular meetings were taking place with the Head of Finance and Customer Services in order to achieve progress in this area.

The Head of Worcestershire Internal Audit Shared Service explained that work continued on making progress with respect to areas which returned a level of 'limited' assurance as reported in the Internal Audit

Annual Report at the July meeting. It was highlighted that progress was also made with respect of the assurance work for the Leisure Strategy.

Following the presentation of the report, Members expressed serious concerns that the Council appeared to continue to receive 'limited' assurance in core areas of Council business such as Safeguarding and Fire Safety and in light of this the Chairman indicated he would write to request the Chief Executive Officer's attendance at a subsequent meeting of the Committee to discuss how the Council's performance could be progressed to 'full' assurance in these areas. Members concurred with the Chairman on the need to invite the Chief Executive Officer to a subsequent meeting of the Committee.

The Chairman further expressed his disappointment that the Committee had not been updated on the current audit assurance status in areas of Safeguarding and Fire Safety, nor had Members received assurance that the recommendations of the last follow up audits in these areas were being implemented.

The Chairman commented that audits for service areas had been investigated in isolation, without the Committee receiving a holistic picture of the corporate approach to audit assurance and performance monitoring, and consequently the Committee had little confidence that there was a corporate improvement. It was noted that, as presented in the 2021/22 Internal Audit Annual Report at the July meeting, a number of key areas such as budget monitoring and risk management were provided with 'limited' or 'no' assurance by the internal auditors, which some Members deemed unacceptable.

The Interim Director of Finance added that for the finance team, mostly composed of new staff, it was equally frustrating that work on rectification was taking the majority of the team's time, for example with the 2020/21 Statement of Accounts which had not been finalised yet due to issues with the cash receipting module of the finance system. Actions were now being taken to improve assurance across the organisation. For example, a new approach to budget setting was now taken with budget setting undertaken in two tranches, one in the pre-Christmas period and the second allowing for adjustment after the local government finance settlement had been published by the Government. In addition, one Corporate Management Team (CMT) meeting per month was devoted exclusively to discussions of assurance.

**RESOLVED** that the report be noted.

22/22

## **FINANCIAL SAVINGS MONITORING REPORT**

The Interim Director of Finance presented the Financial Savings Monitoring Report and in doing so drew Members' attention to the following:

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- The Council was on track to deliver £176k in Departmental Savings, agreed by Council in February 2022 with the purpose of delivering a balanced budget for 2022/23. In addition, a further £478k of existing efficiency savings were carried forward from the 2021/22 financial year, and these needed allocation to departmental budgets.
- There was a high vacancy level with the organisation currently at around 15% annual staff turnover rate and about 60 agency staff. A full linking of vacancies to efficiency savings was to be undertaken in the Quarter 2 2022/23 financial and performance report.
- Printing and stationery savings were monitored on an ongoing basis, although costs reflected the reduced number of staff in the building.
- The possible staff pay award would present around £700k increase in costs.
- The energy costs were increasing by an average of 100-200% which was worrying in terms of effect on Council buildings and after the current leisure contract at Bromsgrove was due to finish next year.
- The average rate of inflation on capital projects of between 10-15%, necessitated large contingency funds to be accommodated for. On projects currently valued at between £4-5m, for instance, the contingency was in the region of £1m.

Following the presentation, Members asked questions which were responded to as follows:

- It was reported that the Council did not possess any significant investments.
- Heads of Services were being asked to report on the impact of vacancies within their service areas to link into the Quarter 2 Finance and Performance Report.
- It was felt that building a given percentage of vacancies within the Council into the budget was not the right solution as the vacancies created a lack of resource and expertise in areas where it was needed.
- In response to a query about the Council's contributions to the Worcestershire Pension Fund, it was reported that as a result of pension fund revaluation in December 2021, Bromsgrove District Council's contribution to the fund would decrease from 2023/24.

**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.

23/22

## **RISK UPDATE (Q1 & Q2)**

The Interim Director of Finance presented the Quarterly Risk Update report and in doing so highlighted that a third round of Officer Risk Board quarterly meetings had now taken place since these were established in April 2022. It was explained that each department within the Council nominated a representative to the Risk Board and they reported back to their respective management teams, which facilitated with identification of risk owners. The process was now resulting in more risks being registered and mitigated.

It was noted that the Council 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 6 months, down to 75 as at the end of September, and there were currently four red departmental risks, which included two IT-related risks, one in relation to the Bromsgrove Leisure Contracts, and one related to the lack of robustness of the revenues system Performance Indicator data.

In terms of the Corporate Risk Register, one risk had recently been added in relation to the delivery of Levelling Up, the UK Shared Prosperity Fund (UKSPF) and Towns Fund projects, due to resource implications and the requirement to spend all funding before April 2025 (UKSPF) and April 2026 respectively. The conditions of the funds stipulated that any unspent monies had to be returned, and the risk of not spending the allocated funds was exacerbated as councils would be competing for a limited number of contractors to undertake the projects.

Members were reminded that it was within the remit of this Committee to recommend that a Corporate Risk be reclassified in severity, whether that be moved up or down the RAG rating scale.

Following the presentation of the update, Members asked about the Officer Risk Board meetings and membership. In response, the Interim Director of Finance reported that he was the chairman, and every department had a representative on the Officer Risk Board.

### **RESOLVED that**

- 1) the present list of Corporate Risks be noted.
- 2) the progress made on the Action Plan approved by the Corporate Management Team (CMT) on 16<sup>th</sup> March 2022 be noted.

24/22

## **RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR A. B. BEAUMONT)**

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Councillor A. Beaumont briefly stated that there was currently no verbal update and that an update would be provided at a future meeting of the Committee.

25/22

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

The Interim Director of Finance informed Members that the External Auditor's Annual Report for 2020-21 needed to be considered by the Committee, and this required an additional meeting to be scheduled for November. The exact date of the extra meeting would be confirmed in due course.

The Chairman requested that at the next meeting of the Committee the issue of ongoing follow up reviews and 'limited' assurance audits in the service areas of Safeguarding and Fire Safety be discussed. It was requested that the Chief Executive Officer be invited for this item.

The Chairman requested that a risk champion for the current municipal year be elected at the next meeting of the Committee.

The Democratic Services Officer undertook to update the work programme to include the items requested during the discussion.

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

The meeting closed at 7.46 p.m.

Chairman

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## **BROMSGROVE DISTRICT COUNCIL**

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

**WEDNESDAY 9TH NOVEMBER 2022, AT 6.00 P.M.**

PRESENT: Councillors A. D. Kriss (Vice-Chairman, in the Chair),  
A. J. B. Beaumont, C.A. Hotham, J. E. King, P. J. Whittaker,  
K. J. Van Der Plank, H. J. Jones and M. Glass

Observers: Councillor K. J. May, Councillor G. N. Denaro,  
Councillor P. L. Thomas, Jackson Murray and Neil Preece

Officers: Mr. K. Dicks, Mr P. Carpenter, Ms M. Howell,  
Mr. A. Bromage, Mrs J. Gresham and Mr. M. Sliwinski

26/22

#### **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors R. Jenkins, M. Middleton and C. Spencer with Councillors C. Hotham, H. Jones and M. Glass in attendance as named substitutes respectively. In the absence of the Chairman, Councillor L. Mallett, Councillor A. Kriss chaired the meeting in his capacity as Vice-Chairman of the Committee.

27/22

#### **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

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

28/22

#### **SECTION 24 REPORT**

Mr. J. Murray, Grant Thornton, presented the Section 24 Report. In doing so, it was explained that, as auditors, Grant Thornton, had powers under the Local Audit and Accountability Act 2014 to make, if necessary, statutory recommendations under Section 24 of the Act. The Committee were informed that following discussions with colleagues it was the judgement of Grant Thornton that the issues outlined within the report warranted statutory recommendations under the Act.

The background to the statutory recommendation was outlined for Members information and it was reported that a new financial ledger system had been implemented in February 2021. However, there had

been significant challenges in respect of the Cash Receipting module in the new system.

Members were reassured that Officers had worked exceptionally hard with the suppliers of the Enterprise Resources Planning (ERP) system, Tech1 and that the Cash Receipting module issues had been resolved and this module was now live. However, despite the progress that had been made in the Cash Receipting module 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 were due by the end of July 2022. As the Council had also fallen significantly behind in the finalisation of the accounts, other Government returns, such as Revenue Outturn and Capital Outturn had also been impacted.

It was highlighted that the Council had recognised these issues and in Q1 of 2022/23, planning had begun for the 2020/21 financial audit, which was when the issues highlighted above had come to the attention of the auditors.

The management response to the statutory recommendation had been provided within the report and Mr. Murray noted that some actions had already been undertaken. He explained that Grant Thornton would continue to liaise with management to understand the actions that the Council had taken and also to review the work that had been undertaken with Tech1. Finally, Grant Thornton would then look at the 2020/21 statements once they had been prepared. It was hoped that the 2021/22 financial statements would follow shortly after.

Once the presentation had concluded, Members were invited to ask questions in respect of the report. It was queried why, given the last meeting of the Audit, Standards and Governance Committee, which had only taken place 3 weeks previously in October 2022, had the Section 24 notice not been highlighted at that point? Grant Thornton explained that once a statutory recommendation was issued, there were very strict timescales and protocols that needed to be followed by the Council and auditors. Because the recommendation had not been issued at that point it would not have been appropriate to raise it at the October meeting. It was clarified that at the October 2022 meeting there had been a detailed update provided to Members regarding the financial ledger system. In addition to this it was confirmed that a Financial Recovery Report had been considered at the Cabinet meeting held on 12<sup>th</sup> October 2022, where the challenges regarding the financial ledger system had also been raised.

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The Interim Section 151 Officer provided a response to Grant Thornton's report and in doing so expressed his disappointment in respect of the statutory recommendation that had been issued by Grant Thornton, however, he understood the reasoning behind it. It was reported that there were three main elements regarding the delay to the preparation of the accounts. Alongside the challenges already highlighted regarding cash receipting, there had been a loss of Council staff, resulting in only 4 members of the Finance team during that financial year remaining. The Committee were informed that there had been two recruitment drives during 2021/22 with the second being more successful. It was noted that the Finance team were now almost up to capacity, with only 4 temporary staff remaining whose retention would be reviewed once the financial accounts had been finalised. It was further noted that the extra workload experienced during Covid-19 and the associated lockdowns, coupled with the limited numbers of finance staff had created a 'perfect storm' which had impacted greatly on the preparation of the 2020/2021 financial statements. Recruitment was highlighted as an issue at a national level and the Interim Section 151 Officer informed Members that 35% of Councils who had submitted their 2020/21 accounts had not had them signed off, at the time of this meeting, due to wider capacity issues across the finance sector. Members were informed that a further meeting would need to be called in December 2022 in order to have the Statement of Accounts 2020/2021 signed off by the Committee. The aim for completion of the draft financial statements for 2020/21 accounts was reported as being at the end of November 2022; and Members were reassured that all members of staff within the Finance Team were working on the accounts in order to meet this deadline. Once these were completed the plan was to commence the financial statements for 2021/2022, and that it was hoped that the Council would be working back to the "normal" financial timetable by the end of the 2022/2023 financial year.

Members expressed their concern as to whether the ERP system was fit for purpose. It was noted, by Officers, that there had been no other issues experienced in any of the other ledgers within the system and were reassured that as the issues had been resolved in respect of the cash receipting module the system was now considered fit for purpose. There was a detailed explanation provided by the Head of Finance regarding how the Cash Receipting module operated and where some of the issues lay. Members were informed that the accounts for Rubicon had been completed earlier in the year, and as a result of this, issues had been rectified. It was therefore hoped that once work had

commenced on the two remaining ledgers it would be from a good grounding.

There were some further questions from Members concerning the timeline once the Statement of Accounts had been signed. There was particular concern expressed regarding whether Grant Thornton would have capacity in looking at the financial statements very soon after receiving them. It was clarified that it was unlikely that the audit of the 2020/2021 accounts would commence prior to Christmas 2022. There was a query regarding the number of Councils audited by Grant Thornton with outstanding audit opinions and whether any had been issued with a statutory recommendation. Mr Murray explained that he did not have those figures however, he agreed to find out the information and circulate to Members.

Further detailed questions were asked by Members which included the following:

- When was the Section 24 issued? – It was confirmed that the Section 24 had been issued on 31<sup>st</sup> October 2022 and although the timeline for consideration of the statutory recommendation would usually be within one month of issue, in this instance Grant Thornton were comfortable with consideration of the recommendation at the next full Council meeting due to take place on 7<sup>th</sup> December 2022.
- What were the costs for the implementation of the ERP system so far? – Officers explained that they did not have the information at the meeting and undertook to provide the information to Members.

Officers were also questioned by some Members regarding the transparency of the process that had taken place so far and why Members had not been informed of the severity of the issues within the ERP system earlier. Clarification was provided that the ERP system had not been implemented for the 2019/2020 financial year and due to the delays experienced in the 2019/2020 audit, auditors were not looking at information provided from the new system until Q1 2022/23, which was when the issues were highlighted. It was strongly confirmed that information had not been withheld from Members and that once the issues were identified in Q1 information had been provided accordingly.

There were queries from Members in respect of the reconciliation of information from the old ledger system to the new ledger system. Mr.

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Murray confirmed that as Grant Thornton had not yet seen the information for the 2020/2021 accounts, they were unable to confirm whether the reconciliation had been successful. However, it was confirmed by Officers that there had been an exercise of 'back reconciliation' undertaken and these reconciliations had been fully documented. It was confirmed that this information would be provided to the auditors.

In respect of the approval process of the ERP including a Cash Receipting module system, it was highlighted by Officers that the Cabinet approved the business case for the new system in March 2019. In addition to this it was confirmed that there had been a robust tender process undertaken. Clarification was provided by the Interim Section 151 Officer that the previous financial system was outdated, and the cash receipting was being supported by an older version of Civica. Initially it had been agreed that an updated version of the Civica system would be used for cash receipting. However, after the tender process the project team highlighted that Tech1 could offer assurances that a cash receipting solution could be provided as part of the new system.

It was reported that in terms of the accuracy of the information currently within the finance system, most Councils had regular income and expenditure that would be fairly stable month on month. It was noted that throughout Covid-19, that Bromsgrove District Council had experienced some inevitable differences in receipt of income, which had not been seen in previous years. This had caused some backlog in the way that income was received, it was noted that this was a national issue and not specific to Bromsgrove. It was reported that there had been income received as a result of returns made to Government and grant funding received throughout Covid-19. These grants, which were significant, had separate assurance processes which had been adhered to.

The issue of auditor capacity was raised by some Members; however it was confirmed by Mr. Murray that this was not the case and that adequate resources had been allocated as necessary. He stated that, historically, and as had been reported to the Committee, previous audits of the Council had taken a long time to complete. It was clarified that this was not due to the incorrect information being provided but due to the significant time it took for Officers to answer questions that the auditors had in relation to the information. Although the number of audit days was raised by some Members it was clarified that number of days were not allocated to external audit

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and that as many days as were needed were taken in order to get the assurance required. Number of days was, however, applicable to Internal Audit. It was clarified that Internal Audit were not involved in the auditing the set-up of the ERP system. It was confirmed however, that Internal Audit had been involved in auditing various areas of the ERP system since its implementation. The Head of Internal Audit Shared Service reported that a risk-based approach was taken when looking at the Internal Audit Plan and that resources were allocated accordingly. It was noted that the number of audit days had been increased when looking at the Core Financials as they were aware that there had been some issues experienced in the cash receipting system. It was confirmed that the Core Financials would be looked at in Q3 2022/23. Any issues that were identified in previous Core Financials audits would be revisited and the outcomes would be reported back to the Committee. This reporting process would also include any audits that had been awarded Limited Assurance at the previous audit.

Risk management was considered by the Committee during the detailed debate. Members were keen to better understand whether the risk of the Council being the first and only Council in the country to use the cash receipting system was highlighted within the business case that had been previously approved. Additional questions were raised in respect of why a dual or back up system was not operated during implementation. It was confirmed that there could not be two ledgers running at the same time and therefore there could be no back up or dual ledger used as this could potentially cause more issues. An additional area of concern raised by some Members was regarding the implementation dates of the new system. Members queried why the implementation had taken place on 8<sup>th</sup> February 2021, nearing the end of the financial year and not at the end of the financial year 2021. It was explained that the implementation had originally been planned to take place in Q4 of 2021. However, due to the issues highlighted by the project team and the supplier, the decision was taken to delay by approximately 12 weeks which resulted in the date of the new system being implemented on 8<sup>th</sup> February 2021. This decision also took into account that the existing ledger was nearly out of support by the previous supplier and so the implementation needed to take place on this date.

The issuing of staffing levels was raised again by Members and further discussion was had as to whether there were lessons learned from the large number of staff who had left. In addition to this,

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Members questioned if there had been any 'Exit Interviews' carried out with staff who had left and whether during these interviews the ERP system was raised as an issue. Officers confirmed that they did not have the exact information in respect of the number of Exit Interviews carried out for those members of the Finance Team who had left during 2020 until the end of 2021. However, it was confirmed that all Council staff were offered an exit interview, although not all chose to take up the offer. In addition to this, it was noted that potentially the new skills that had been acquired by those members of staff who were trained on the new system were desirable to other employers in the work marketplace and this could have potentially been a reason why more staff than was usual left in a very short space of time.

In concluding the discussion, it was highlighted by some Members that the lack of information provided to them prior to the issuing of the Section 24 notice was not acceptable and that the management response provided in respect of the Section 24 did not include Member consultation. It was stated that Members wished to have more detailed briefings going forward in order to identify and challenge more rapidly and on an ongoing basis. The Chief Executive reiterated that there had been information provided in the Financial Recovery Report and that there would be more regular updates provided to Members and that the Financial Recovery report would be updated to reflect any updates in activity to both Cabinet and the Audit, Standards and Governance Committee.

The Portfolio Holder for Finance and Enabling, Councillor G.N Denaro, was invited to comment and in doing so thanked the Officers for recognising the issues and dealing with them. He expressed disappointment in the issuing of the Section 24 notice, particularly as it was felt that the issues had almost been resolved.

On being put to the vote it was

**RECOMMENDED** that the Section 24 Statutory Recommendation is accepted, and that Council review the recommendation, endorse the actions included in the management responses which form the rectification process required as per legislation.

29/22

**INTERIM AUDITOR'S ANNUAL REPORT 2020-21**

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Mr J. Murray presented the Interim Auditor's Annual Report 2020-21 on behalf of Grant Thornton and in doing so the following was highlighted for Members attention:

- This report was interim and would not be final until an audit opinion could be issued on the financial statements 2020/2021. It was the first time that Committee Members had considered this report in this format. The National Audit Office, who set the code of practice that auditors followed, had updated the format of these types of reports in 2021, specifically highlighting Value for Money arrangements. This new code removed the necessity of provision of an audit opinion and required a commentary which resulted in a more lengthy report than had been considered by the Committee in previous years. Members were informed that the report highlighted 3 key areas, as follows:-
  1. Financial Sustainability
  2. Governance
  3. Improving economy, efficiency and effectiveness
  
- The report covered arrangements that were in place in the period up to 31<sup>st</sup> March 2021. Members were reminded that this was a backward look at the 3 key areas, as highlighted above, and that some of the recommendations contained within the report had been discussed earlier in the meeting and actions had already been taken against these recommendations. There were 5 key recommendations and 13 improvement recommendations contained within the report. The 5 key recommendations were in respect of the following:
  1. The Medium Term Financial Plan – this recommendation covered the pressures that the Council was currently facing. It was noted that at the previous Audit, Standards and Governance Committee meeting the Interim Section 151 Officer has provided Members with a detailed update of the Councils' financial pressures as it moved into the next budget round. In addition to this Mr. Murray reiterated that with an uncertain economic climate, the effects of Covid-19 and the cost of living crisis it was a challenging environment. It was confirmed that Grant Thornton was content that Officers had a plan going forward and had considered the significant challenges that the Council faced.



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2. Improvement of management of key projects – this recommendation was discussed as part of the previous item in respect of the implementation of the ERP system.
3. Performance Reporting and Monitoring – This recommendation dealt with the reinstatement of Performance Monitoring. Members were informed that there had been no formal Performance reporting to Members throughout the 2020/2021 financial year. It was noted that Members had been able to access the Performance Dashboard but that the information included was not publicly available. Mr Jackson stated that formal performance monitoring had already begun and that the Q1 Performance and Finance report was considered by Cabinet at its meeting held in October. This formal monitoring would continue on a quarterly basis.
4. Risk Management and Risk Monitoring – This recommendation outlined the need for formal risk management reporting through the Audit, Standards and Governance Committee. It was noted that this had already commenced, and the definition of a Corporate Risk had been agreed by Members and this reporting was now considered at each meeting of the Committee.
5. Financial Monitoring – this recommendation was concerned with the lack of formal Financial Monitoring. It was stated that there had been no formal Financial reporting to Members throughout the 2020/2021 financial year. However, it was confirmed that there had been financial monitoring up to the implementation of the new ledger. As noted earlier in the meeting, the impact due to a lack of staff within the Finance team had inevitably impacted in this area in the 2021/22 financial year and now staffing levels had increased this had been reinstated and was now being considered on a quarterly basis starting with the Month 11 2021/22 monitoring report in May 2022, which covered period 11 (February 2022). It was clarified that although the lack of financial monitoring had occurred following the implementation of the new financial system, the auditors had a duty under the code to report any significant weakness identified in a timely way, which was why this particular recommendation was included in the 2020/2021 report. It was reported that these recommendations would be followed up as part of the 2021/2022 Auditor's Annual Report and work on that was expected to commence in January 2023.

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Following presentation of the report the Interim Section 151 Officer reiterated the importance of having staffing levels to deliver the Finance Recovery Plan. In addition to this it was reported that it was crucial to deliver the Medium Term Financial Plan 2023/2024 in two tranches. In terms of assurance, Members were informed there had been a number of internal assurance boards, one looking across the back office processes and another which included the 4<sup>th</sup> Tier managers who would be expected to review projects to ensure the correct people were included at that correct time. Risk Management had been considered by the Committee at the previous two meetings and this would continue going forward in order to embed these processes over the next year.

The Leader of the Council stated that everyone would work hard to fulfil the recommendations as outlined within the report. Additionally, she expressed her thanks to the senior Officers at the Council and all of the Finance Team for addressing the issues in a constructive way. In addition to this, it was reiterated that it was important to keep staffing levels at the correct level. Some Members were keen to better understand the impact that this Section 24 Notice would have on future recruitment and when would the Section 24 Notice process be completed. Mr. Murray explained that the Audit, Standards and Governance Committee would be provided with updates at future meetings. It was suggested that one of the updates to be included on future Committee agendas be Section 24 Notice – Progress report. As mentioned earlier in the meeting all of the recommendations included within the report would be followed up as part of the 2021/2022 Auditor's Annual Report.

Further discussion followed regarding the inclusion of the external stakeholders in the budget setting process going forward. It was explained by Mr Murray that it was good practice to include internal and external stakeholders, which included the public, in order to help understand priorities, areas of focus and investments in certain areas. It was reported by the Interim Section 151 Officer that this area had been picked up in a previous Peer Review and in order to fulfil this a feedback form had been included in the Tranche 1 budget documentation. Furthermore, in terms of the large amount of funding involved in the Levelling Up and UK Shared Prosperity Fund, a Project Board was initiated which would also help to meet this improvement recommendation in terms of public consultation. It was highlighted for Members' attention that there had been approximately £457k of unallocated savings in the

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2022/23 budget which had now been allocated through the 2022/23 financial and performance monitoring reports. Although Members found this reassuring there was a feeling that this saving had been a 'quick win' due to the success of the Worcestershire Pension fund; and had there been a more driven effort to access further savings, the Council could have potentially made more savings. The Chief Executive confirmed 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, which was an issue faced by all Local Authorities. It was hoped that there would be more clarity provided in this area once the Chancellor had provided his Autumn Statement on 17<sup>th</sup> November 2022. Members were informed that this was the most challenging landscape for budget setting, that the budget gap would not be deliverable within one year and that difficult decisions would inevitably have to be made.

Some Members expressed real concern at some of the recommendations contained within the report including budget holders' responsibilities, workforce planning and a procurement strategy. It was reiterated by Members that these recommendations must be prioritised and mitigations and adequate communications to Members put in place. Officers provided reassurance that this was being taken very seriously and reiterated that there was already a Financial Recovery Plan in place and steps had already been taken to address this and improvements made in respect of some of the issues outlined within the report. Furthermore, an explanation was provided in respect of the budget holders' responsibilities recommendation, and it was confirmed that the Corporate Management Team took these issues very seriously and that the Interim Section 151 Officer had rolled out a programme for 4<sup>th</sup> Tier Managers to better understand the role they played in the budget setting process.

It was raised by some Members how savings were identified and whether innovative methods had been employed for the future. In response to this, it was suggested that perhaps these kinds of ideas could be discussed at the Finance and Budget Working Group, and this could potentially be looked at in the future.

On being put to the vote it was

**RECOMMENDED** that

1. the 5 Key Recommendations and 13 Improvement Recommendations within this report be agreed.
2. Council agree that the Management Actions contained within this report will rectify these issues.

*[Following consideration of this item, the meeting was adjourned for 5 minutes].*

30/22

**AUDIT ASSURANCE OF SAFEGUARDING AND FIRE EVACUATION**  
**(VERBAL UPDATE)**

The Chief Executive Officer presented the verbal update in respect of the Audit assurance of Safeguarding and Fire Evacuation. During consideration of this item the following was highlighted for Members' attention:

- This update had been requested at the previous meeting of the Committee. The Corporate Management Team took all Limited and Moderate Assurance Audits extremely seriously and looked to ensure all recommendations were completed as soon as possible.
- In respect of the Safeguarding Audit, it was clarified that this was given a moderate assurance and not a limited assurance as suggested by Members at the previous meeting. In April 2022, it was noted that the Committee received a report updating Members on the status of the Safeguarding Audit and were informed that all actions had been completed. It was planned that a further Safeguarding Audit would be undertaken in 2023-24 and all outcomes of that audit would be reported to the Committee. Members were assured that Safeguarding measures and controls were taken seriously and it was confirmed that the Safeguarding Policy had recently been updated. Safeguarding training had also been rolled out to all Officers across the Authority.
- In terms of Fire Safety, it was again confirmed that the Health and Safety Training Records Audit, which had been undertaken in 2018 had been followed up. A report was presented to the Committee in October 2021 stating that all of the actions had been completed and addressed. However, it was acknowledged that the report did not appear in its entirety in the agenda provided for the October 2021 meeting and therefore this could potentially have caused confusion for Members. It was with this in

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mind that the manner in which audits and follow up audits were reported back to the Audit, Standards and Governance Committee would be explored in order to provide greater clarity for Members in the future. In addition to this, it was suggested that it may be worthwhile, should any audits be given Limited Assurance in the future, that a follow-up audit would be undertaken after 12 months in order to understand the status of the recommendations.

The Head of Internal Audit Shared Service also provided reassurance to Members that all recommendations in respect of the two audits had been completed and implementation of the recommendations had been evidenced by Officers.

Members were pleased that Safeguarding was being taken seriously, however concerns were expressed in respect of the public meetings and that robust measures in line with counter-terrorism guidelines were in place at these meetings.

Some Members queried if Safeguarding training was compulsory for Members. It was noted that compulsory training was difficult to enforce amongst Members, but that some training had taken place online. The Chief Executive reported that compulsory training would be considered at the Member Development Steering Group. In addition to this, it was reported that it would be discussed as part of the New Member Induction Programme which was currently being planned.

**RESOLVED** that the Verbal Update on Audit Assurance of Safeguarding and Fire Evacuation be noted.

31/22

## **ANNUAL APPOINTMENT OF RISK CHAMPION**

There were no nominations 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.

32/22

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

As discussed earlier in the meeting the Interim Section 151 Officer informed Members there would be an extraordinary meeting of the Committee arranged in mid-December 2022 in order to sign off the draft Statement of Accounts 2019/2022.

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It was noted that, the Chairman had raised the queries in respect of Safeguarding and Health and Safety Audits at the last meeting of the Committee, and a request was made by Councillor. A. Kriss, Vice-Chairman regarding the possibility of attendance by the Chief Executive at the next meeting of the Committee, in order to address any outstanding queries that the Chairman may still have. The Chief Executive confirmed that, subject to other commitments, he was happy to attend.

**RESOLVED** that the contents of the Audit, Standards and Governance Committee's Work Programme be noted.

The meeting closed at 8.05 p.m.

Chairman

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS & GOVERNANCE

14<sup>th</sup> December 2022

### ANNUAL GOVERNANCE STATEMENT

Relevant Portfolio Holder	Cllr. Geoff Denaro, Finance and Governance Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
Report Author	Job Title: Head of Finance & Customer Services email:michelle.howell@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

### 1. SUMMARY OF PROPOSALS

- 1.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise but a corporate overview of the processes and procedures adopted by the Council to manage its affairs.

### 2. RECOMMENDATIONS

**Audit, Governance and Standards Committee are Recommended to:**

- Note the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement;
- Review and comment on the Draft Annual Governance Statement including any areas which should be considered; and
- Subject to changes identified above, agree and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.

### 3. Background

#### Introduction

- 3.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS

## **BROMSGROVE DISTRICT COUNCIL**

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covers the Council's governance arrangements for the 2020 / 2021 reporting year. Set out in the Appendix A is the Draft AGS.

- 3.2 This report includes the AGS for Audit, Governance & Standards Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.
- 3.3 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
- The Council's policies are implemented in practice;
  - High quality services are delivered efficiently and effectively;
  - The Council's values and ethical standards are met;
  - Laws and regulations are complied with;
  - Required processes are adhered to;
  - Its financial statements and published information are accurate and reliable; and
  - Human, financial and other resources are managed efficiently and effectively.

#### **Arrangements for compiling the Annual Governance Statement**

- 3.4 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government.

#### **Supporting Evidence**

- 3.5 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the District Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.

#### **Internal Audit**

- 3.6 The Internal Audit Opinion is contained in the Statement of Accounts. Due to the global COVID-19 pandemic, 2020/21 was a very challenging year regarding governance. Changes in the way services needed to be delivered and staff deployed saw a move from traditional office-based working to remote working. This created many challenges with a move to an almost total reliance on back-office ICT solutions for those staff having to work from home. Appropriate and proportionate remote access to files and systems was a



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necessity to ensure the services could continue to be delivered during the national lockdowns experienced during 2020/21.

- 3.7 Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2020/21 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, risk remains present which could jeopardise this in the future regarding certain areas and emerging risks will need to be identified and managed. Close monitoring of deployed measures is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2020/21 will be critical to create better transparency, expectation, and accountability. This will be necessary to ensure the District can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk.

#### **External Auditors**

- 3.8 Our External Auditors Grant Thornton issued the Council with a Section 24 Statutory Recommendation on the 31<sup>st</sup> October 2022 due to non-delivery of the Statutory Accounts for 2020/21. This Statutory Recommendation was debated by the Audit, Standards & Governance Committee on the 9<sup>th</sup> November and Cabinet on the 23<sup>rd</sup> November. At both meetings, the Statutory Recommendation was accepted as was the management action plan to rectify that position. The report will be debated at Full Council on the 7<sup>th</sup> December. This Governance Report, along with the Statement of Accounts Report, address this Statutory Recommendation and by presenting these to Audit, Standards & Governance Committee the draft Statement of Accounts can now be Audited by the External Auditors.
- 3.9 In addition, the External Auditors also presented the Council with its Interim Auditor's Annual Report on the 31<sup>st</sup> October. This report had 5 Key Recommendations and 13 Improvement Recommendations. The 5 Key Recommendations along with the Statutory Recommendation, and associated Management Action Plans to rectify the situation are set out in the governance issues and risks for the Council in the Governance Statement in Appendix A.

#### **Internal Control and Governance Self-Assessment**

- 3.10 Internal Audit issued each Service Area with the Internal Control Assurance Statement and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. Heads of

### **AUDIT, STANDARDS & GOVERNANCE**

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Service completed this Assurance Statement which didn't highlight any further areas of risk / concern.

#### **Risk Management**

- 3.11 Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives. Risk Management had a limited assurance Audit. This has been rectified via a rectification plan since March 2022. Risk Management is overseen through a separate Risk Management Board which has representatives of all Services as well as specific risk specialists such as the Insurance Manager. Meeting on a quarterly basis, it is chaired by the Interim Director of Finance. Risks at a Directorate level are discussed on a monthly basis and those considered strategic escalated through to Corporate Management Team in line with the risk appetite. A report is also submitted to Audit Standards and Governance Committee on a quarterly basis.

#### **Corporate Governance**

- 3.12 Regular updates on governance arrangements are reported through Corporate Management Team, Cabinet Audit, Standards & Governance Committee and ultimately to Full Council. This covers all aspects of governance – from constitutional changes, operational procedures such as Financial or Contract regulations or standards issues. Significant governance issues established in the AGS are reported to Audit Standards & Governance Committee.

### **4. IMPLICATIONS**

#### **Financial Implications**

- 4.1 Financial implications are set out in section 3.

#### **Legal Implications**

- 4.2 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

#### **Service / Operational Implications**

- 4.3 Outputs of Governance Reports must be addressed by Services.

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**Customer / Equalities and Diversity Implications**

4.4 Outputs of Governance Reports must be addressed by Services; however this will reflect best practice.

**5. RISK MANAGEMENT**

5.1 Contained in section 3.11 above

**6. APPENDICES and BACKGROUND PAPERS**

Appendix A – Annual Governance Statement 2020/21

**6. BACKGROUND PAPERS**

None.

**7. KEY**

None

### AUDIT, STANDARDS & GOVERNANCE

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#### BROMSGROVE ANNUAL GOVERNANCE STATEMENT 2020/21

##### **Scope of Responsibility**

Bromsgrove District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and provides value for money. Bromsgrove District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromsgrove District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

##### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromsgrove District Council's Policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

##### **The Governance Framework**

The framework to deliver good governance across the Council's services in delivering the Strategic Purposes encompasses a number of elements;

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan 2020-2021 is in place and reflects the activities that need to be undertaken by the Council to further support the delivery of these purposes. The Plan was reviewed and revised during 2019 to reflect community needs with changes made to the Strategic Purposes and priorities which were approved by the Council.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- The Council has a dedicated partnership manager who liaises with community groups and other partners

### **AUDIT, STANDARDS & GOVERNANCE**

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- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the District.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Boards operated by the Council. The cross-party Constitution working group considers changes and updates to the roles and responsibilities.
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined.
- Financial Regulations and Contract Procedure Rules have been approved by Council. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes; induction, chairmanship and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols. Updates are presented to the Audit, Standards and Governance Committee by the monitoring officer at each meeting.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the scheme of delegation to officers.
- Decision making is carried out through Cabinet, Planning Committee and Audit, Standards and Governance Committee. Overview and Scrutiny Board has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and 4th tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council
- Robust financial management arrangements in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls ensure that the Council complies with statutory legislation. A new enterprise system was approved in 2018/19 to improve functionality of the systems and access for managers, this was

### **AUDIT, STANDARDS & GOVERNANCE**

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implemented on the 8th February 2021. Existing arrangements were in place on the legacy system through to Quarter 3 of the 2020/21 financial year.

- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no issues raised during 2020/21.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.

### **Review of Effectiveness**

Bromsgrove has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Bromsgrove District who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Cabinet, Overview and Scrutiny and Audit, Standards and Governance Committee all of which have fully understood governance responsibilities.

Throughout 2020/21, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Standards and Governance Committees, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

### **Audit, Standards and Governance Committee**

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

### **Internal Audit**

BDC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources.

During 2020/21 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems audits which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example Governance, and

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- a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

Internal Audits work programme helps to assure Audit, Standards and Governance Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon,
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the BDC governance process.

Internal Audit reports are considered by the relevant Head of Service and Interim Director of Finance, before submission to the Audit, Standards and Governance Committee for further scrutiny. At the time of writing this opinion in relation to the 12 reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of ‘limited’.

As a result of the Covid-19 pandemic the Council quickly put in place:

- An emergency operations structure
- Movement of staff and resources to cover new pandemic delivery priorities;
- Arrangements to track the financial implications of the pandemic on the Councils resources; and
- Arrangements for the democratic decision making in line with the Council’s Constitution and emergency legislation including remote decision making.

### Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address:

Area of Assurance	Assurance Gap/Proposal to Mitigate	Progress
Delivery of the 2019/20 Audit Opinion significantly later than planned and inconsistent levels of working papers.	Assignment of staff to specific working papers with a consistent template to follow, plus management of a full closure timetable to deliver the Accounts to statutory deadlines. This is part of the financial recovery process.	Accounts were not delivered to statutory timescales in 2020/21 due to implementation of a new financial system and loss of key financial staff. Following recruitment of new finance staff during the spring of 2022 draft 2020/21 Accounts will be approved by Audit Committee in December 2022. The 2021/22 Accounts process will start in December 2022

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		and so will also be late. This issue will remain until 2022/23 accounts are submitted.
The implementation of a new Finance system on the 8th February 2021.	Ensure data migration is fully documented and signed off, that staff are fully trained to use and support the system to deliver financial information to the required standards. Cash Receipting is not working as expected and so rectification with software providers Tech1 is required to ensure accounts for 2020/21 and subsequent years can be progressed. This is part of the financial recovery process	Financial recovery process highlighted the critical path for recovery and rectification of the Cash Receipting issue, which went live over the weekend of the 5/6 November 2022. Opening balances have been back engineered and await audit signoff. Training did take place with business on key AP/AR processes but still require full embedding
The loss of significant numbers of finance staff during 2021	Recruitment campaign planned for Fall of 2021.	Recruitment campaign was not successful and only 3 staff onboarded. Subsequent recruitment campaign undertaken in Spring of 2022 where 10 staff have been onboarded by August.
Delivery of Services during Covid-19	Ensure processes are in place to keep staff and customers safe while delivering existing and additional services to all stakeholders.	Revised arrangements for services delivery set up with majority of staff working remotely. ICT enabled this to happen quickly. Additional Grants for individuals and business community allocated and BEIS and DLUHC compliance regimes met.



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The following Governance recommendations were highlighted in the S24 Report and Interim Auditors Annual Report 2020/21 submitted on the 31st October 2022

Area of Assurance	Assurance Gap/Proposal to Mitigate	Progress
Section 24 issued due to inadequate arrangements relating to issues with financial systems which further impact on key statutory returns and related financial governance. The non-delivery of the 2020/21 financial statements is a key reason for the S24 Recommendation	Full mitigation steps set out in the S24 Report. Key items include rectification of the Cash Receipting Issue and delivery of the 2020/21 accounts. Full process set out in the finance recovery process which was presented to Cabinet in October 2022.	Cash Receipting issues rectified over the 5th/6th November. 2020/21 Accounts being drafted for presentation to Audit, Standards and Governance Committee on the 14 December 2022
The Council needs to ensure that the Medium Term Financial Plan presented to Members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.	Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Cabinet in October 2022.	MTFP is being produced in 2 Tranches in 2023/24. First Tranche, with full backing papers, went to Cabinet on the 26th October. Second Tranche will take place following the Local Government Settlement in January 2023 when all variables are understood. Existing 2022/23 unallocated savings allocated as part of the Quarter 2 Finance and Performance monitoring report.
The Council needs to improve management of key projects, such as the financial ledger implementation, to ensure that expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.	Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Cabinet in October 2022.	Additional working groups (Back Office and 4th Tier) set up to ensure that projects are properly identified and "gatekept". Key projects reviewed by CMT on a quarterly basis. Full learning process will be run following the closure of the 2020/21 account in relation to lessons learnt.

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<p>The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice per year.</p>	<p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Cabinet in October 2022.</p>	<p>Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.</p>
<p>The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standing item on the Audit, Standards &amp; Governance Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.</p>	<p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Cabinet in October 2022.</p>	<p>Risk Management now reported to Audit, Standards and Governance Committee on a quarterly basis with updates in the new format in July and October 2022. This includes a revised definition of a "corporate risk"</p>
<p>The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.</p>	<p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Cabinet in October 2022.</p>	<p>Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.</p>

The Heads of Service have actions in place to address any recommendations from Audit reviews and all assessed as being either of high or medium importance have been reported to the Audit Standards and Governance Committee. The Internal Audit team will continue to review the actions as they are implemented.

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#### **Conclusion and Evaluation**

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Leader of the Council & Chief Executive on behalf of Bromsgrove District Council.

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#### DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Relevant Portfolio Holder	Cllr. Geoff Denaro, Finance and Governance Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
Report Author	Job Title: Head of Finance & Customer Services email:michelle.howell@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

### 1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the draft 2020/21 accounts for approval by Audit, Governance & Standards Committee prior to Audit.

### 2. RECOMMENDATIONS

**Audit, Standards & Governance Committee are Recommended to:**

- Approve the draft Statement of Accounts prior to the commencement of the Audit.

### 3. Background

#### Introduction

- 3.1 The Council is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which facilitate the production of accounts in a standardised and consistent format across all industries, public and private sectors, providing greater transparency to all stakeholders.

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- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2020/21 Code of Practice (the Code) and are followed in the preparation of the 2020/21 Statement of Accounts.
- 3.3 The 2020/1 Statement of Accounts is the first set of accounts to meet the requirements and timeline for approval as contained in The Accounts and Audit (Coronavirus) Amendments Regulations 2020. The Ministry of Housing, Communities and Local Government (MHCLG) have made changes to the Accounts and Audit Regulations 2015 due to Coronavirus. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2020/21 and the publication date for audited accounts will move from 31 July to 30 November 2021 for all local authority bodies
- 3.4 Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit, Standards & Governance Committee.
- 3.5 The Accounts must be signed and certified by 30 November 2021 by the Council's Section 151 officer / Chief Finance Officer (CFO), in accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2021. The Audit Committee is required to approve the Accounts no later than 30 November 2021 following, and in the knowledge of, the audit findings.
- 3.6 The Council has not been able to deliver to this timetable which has resulted in a Section 24 Statutory Recommendation being issued to the Council on the 31<sup>st</sup> October 2022. This report kicks off the Audit process for 2020/21 by approving the draft accounts for Audit through this report.
- 3.7 As per the Section 24 Statutory Recommendation, the Council has only now been able to deliver the 2020/21 Statement of Accounts. The most significant issues that have held up the compilation of the Statement of Accounts have been: the implementation of a new financial system on the 8<sup>th</sup> February 2021; the loss of all but 4 of the original finance team in place who delivered the 2019/20 Accounts; and the C-19 pandemic which significantly affected service delivery during this period.
- 3.8 The most significant technical issue has been implementation of the new financial system, and in particular the Council to date being the only Council to implement the Cash Receipting solution. Issues with this module were only finally rectified in the "live" system on the 5<sup>th</sup> and 6<sup>th</sup> November. The issue has resulted in significant volumes of transactional items ending up in

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suspense instead of being coded to the correct nominal codes. The items in suspense, some with limited means of identifying their correct place of allocation, have needed to be cleared and a key part of the audit will be the agreement of the treatment of these balances with the External Auditors.

- 3.9 The Finance team will continue to review the accounts after Committee agenda despatch, working towards the Chief Finance Officer certification. If any substantial changes are needed to the Accounts, then an update will be provided to Committee.

#### Key Points in the draft 2020/21 Accounts

- 3.10 The 2020/21 draft Statement of Accounts is shown in Appendix A.
- 3.11 The presentation of the draft Statement of Accounts provides Audit, Standards & Governance Committee the opportunity to review the accounts and ask relevant questions so that they are better informed before being asked to formally approve the audited accounts at the November Audit Standards & Governance Committee meeting.
- 3.12 Whilst under regulations the Council's Audit Standards & Governance Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for Members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification.
- 3.13 For the Accounts to be presented to this Committee, the S151 Officer must be satisfied that the accounts comply with legislation. As highlighted in 3.8 above, significant work has been required to reallocate balances in the Council's suspense accounts and the method of this reallocation is a risk that will need signoff by the external auditors as part of the overall Audit process.
- 3.14 Our External Auditors will also see the movement from our existing financial system to Tech1 on the 8<sup>th</sup> January 2021 as a risk and will be reviewing all the Council's data take balance reports to assure themselves that a complete transfer of data did take place at that time.
- 3.15 The key contents of the various sections are as follows:
- **Narrative Report** - provides a fair, balanced and understandable guide (previously known as the Explanatory Foreword);
  - **Statement of Responsibilities** – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts;

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- **Comprehensive Income and Expenditure Statement** – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
- **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council;
- **Balance Sheet** – shows the value of the assets and liabilities recognised by the Council as at 31 March 2021;
- **Cash Flow Statement** – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2020/21;
- **Notes to the Financial Statements** - the various statements are supported by technical Notes and by the Statement of Accounting Policies;
- **The Collection Fund & Notes** – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates;
- **Statement of Accounting Policies** – outlines the accounting policies adopted by the Council;
- **Group Accounts** – this integrates the accounts of The Bromsgrove Arts Development Trust; and
- **Annual Governance Statement** – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts following its approval.

#### Next Steps - Approval, Signing, Inspection and Audit

- 3.16 At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2020/21.

#### Consultation

- 3.17 No external consultation, other than with the Council's External Auditors, Grant Thornton, is taking place. However, the accounts will be open to public inspection.

#### 4. IMPLICATIONS

##### Financial Implications

- 4.1 Financial implications are set out in section 3 above.



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#### **Legal Implications**

- 4.2 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

#### **Service / Operational Implications**

- 4.3 Outputs of Governance Reports must be addressed by Services.

#### **Customer / Equalities and Diversity Implications**

- 4.4 Outputs of Governance Reports must be addressed by Services; however this will reflect best practice.

### **5. RISK MANAGEMENT**

- 5.1 Contained in Annual Governance section 3.15 above

### **6. APPENDICES and BACKGROUND PAPERS**

Appendix A – Statement of Accounts 2020/21 (to follow)

### **6. BACKGROUND PAPERS**

Statement of Accounts 2019/20

Auditors S24 Statement – ASG Committee November 9<sup>th</sup>, 2022

### **7. KEY**

None

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