

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

10TH OCTOBER 2024, AT 6.00 P.M.

PRESENT: Councillors H. D. N. Rone-Clarke (Chairman), S. T. Nock (Vice-Chairman), R. Bailes, S. M. Evans, D. J. A. Forsythe, R. E. Lambert, D. J. Nicholl and S. R. Peters

Observers: Councillor S. R. Colella, Cabinet Member for Finance

Officers: Mr P. Carpenter, Ms. N Cummings, D Goodall, K Lees, Mr. M. Sliwinski and Mrs S. Woodfield

25/24 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors D. Hopkins, C.A. Hotham and J. Stanley.

26/24 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest.

27/24 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 15TH JULY 2024**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 15th July 2024 were submitted for Members' consideration.

RESOLVED that the minutes of the Audit, Standards and Governance Committee held on 15th July 2024 be approved as a correct record.

28/24 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Principal Solicitor for Governance presented the Standards Regime Monitoring Officers' Report and key points were discussed with Members as follows:

Since the last report the Council had received two new complaints. Both were assessed and found not to be member conduct matters.

The latest meeting of the Constitution Review Working Group (CRWG) took place on 31st July 2024. During the meeting, Members discussed potential changes to the procedural rules for the Licensing Committee (and Licensing Sub-Committees), the rules in the constitution for

consideration of Questions on Notice at Council meetings and the allowance paid to the Chairman of the Council. Recommendations from the CRWG in respect of the matters were considered at a meeting of the Council held on 9th October 2024.

The next meeting of the Member Development Steering Group (MDSG) was to be held on 28th October 2024.

Member training sessions which had taken place since the last Monitoring Officer Report or were due to take place were also reported.

Following the By-election in September 2024, a number of one-to-one training exercises had been arranged for Councillor Clarke.

Members were advised that third party Audit Committee training was being sought externally and would be actioned by the Deputy Chief Executive and Section 151 Officer.

Members requested if more specific information could be provided in future reporting regarding the types of Member complaints raised. The Principal Solicitor for Governance explained that only limited information could be specified within the report. It was agreed that a more "high view" approach could be considered, provided it would not be prejudice to investigations.

RESOLVED that subject to Members' comments, the report be noted.

29/24

ANNUAL REVIEW FROM THE LOCAL GOVERNMENT OMBUDSMAN

The Principal Solicitor for Governance presented the Annual Review from the Local Government Ombudsman (LGO). Members were advised the report set out the statistics for complaints made against the Council and the aim was to provide Councils with information which could assist performance in handling complaints and to learn from them.

For the period ending on 31 March 2024 the number of complaints received was thirteen and the number of complaints decided was ten. Of the ten decided cases, there was only one case where the LGO upheld the complaint and found the Council to be at fault which was in the category of Planning and Development. The LGO provided a suitable recommendation, and the amount of financial redress was £200. The Ombudsman found five complaints did not warrant an investigation and three complaints were referred back to the Council as premature.

Since the last report on the Ombudsman's Annual Review letter in November 2023, Officers were continuing with a project to review and update the complaints handling system for the Council. The project was due to be completed and the updated system to be launched imminently.

During discussions Members raised a typographical error within the report regarding there being no direct financial implications as a result of the report when it had also been reported there had been a financial redress of £200. The Principal Solicitor for Governance noted the oversight.

Further discussions continued regarding the three complaints referred back to the Council as “premature”. Members asked if there was a timeframe for when these complaints should be determined. It was suggested that it was difficult to comment and would depend on individual circumstances.

Members also queried if there were any outstanding complaints from the previous reporting period to which Members were advised that there were none.

The Chairman commended the high compliance rate, adding the Council seemed to be in good position in relation to other Local Authorities and showed strong governance with only one complaint upheld.

RESOLVED that, subject to Members’ comments, the report be noted.

30/24

GRANT THORNTON - EXTERNAL AUDIT PROGRESS UPDATE

The External Auditors Grant Thornton introduced an update on the application of the Local Authority Backstop to Members.

On 30th July 2024, the Minister of State for Local Government and English Devolution provided a written statement to which confirmed the Government’s intention to introduce a backstop date for English Local Authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 was proposed for 28 February 2025.

The Board were reminded that audits for years 2020/21 to 2022/23 had not yet been signed, largely due to challenges with the ledger implementation in February 2021 and the challenges it had presented in preparing draft financial statements.

Grant Thornton considered there would not be sufficient time to conclude the work in advance of the 13 December 2024 backstop deadline. On that basis, the expectation would be that the backstop for the 2020/21, 2021/22 and 2022/23 years be applied. Given that a number of key audit areas remained outstanding the proposed audit reports would be issued as a disclaimer of opinion, effectively meaning that the External Auditors had been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date. The Government had set out its intention that from 2023/24, auditors should work with Local Authorities to begin the process of recovery.

Discussions continued further and Members enquired if the Council had made any representations to partners in relation to the disclaimer and in particular to the limitation of scope imposed by statute (not by the Local Authority). It was agreed this would be reviewed.

It was also noted that a letter of representation would be required for the financial statements and Members queried if this had been drafted. In response Members were advised that this was a necessity each year and was confident that the Council had delivered on the requirements necessary.

The Board were advised that Bishop Fleming had resigned as the Council's external auditors due to limited resource and that external auditors Ernst and Young would be the Council's new auditors for the outstanding accounts. A letter from Ernst and Young concerning conflicts of interest would need to be assessed, prior to the appointment.

RESOLVED that the Grant Thornton External Audit Progress Report be noted.

31/24

INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT AND IMPROVEMENT PLAN

The Deputy Chief Executive and Section 151 Officer presented the Internal Audit External Quality Assessment and Improvement Plan. The purpose of the report was to inform Members of the results of the Internal Audit Independent External Quality Assessment (EQA) and Associated Quality Assurance and Improvement Policy and Plans.

The Standards required that an independent External Quality Assessment (EQA) of the internal audit service be completed every 5 years. An EQA had been completed in May 2024 the results confirmed that the service was operating in General Conformance to the Standards which is the highest of the three available assessment grades.

To support continued improvement against the positive outcome, a new Quality Assurance and Improvement Policy had also been developed which would set out; the required service standards, help to ensure compliance with those standards, provide assurance to stakeholders that sound arrangements were in place, to ensure internal audit work was of good quality and that the service was striving for continuous improvement, provide a framework against which service performance could be evaluated and met the recommendations of the EQA.

In relation to the minutes of the meeting for 15th July 2024 members asked if the vacancy in the audit team had been sought. It was reported that the vacancy had been filled by an internal candidate.

RESOLVED that the Internal Audit External Quality Assessment and Improvement Plan be noted.

FINANCIAL COMPLIANCE REPORT INCLUDING UPDATE ON STATEMENTS OF ACCOUNTS

The Committee considered a report setting out progress against key financial requirements. The Deputy Chief Executive and Section 151 Officer presented the accounting policies report.

Key legislative deliverables were discussed with the Board and the progress been made.

The key returns that had not been delivered were the Revenue and Capital Outturn forms for 2021/22 and the VAT returns. Significant data would be sent to His Majesty's Revenue and Customs (HMRC) following work with the Council's Tax Consultants PS Tax to bring the Council back into normal reporting and reclaim significant funds.

The key closure deliverables for each financial year were also discussed with the Board.

Following the General Election in July 2024, the New Minister of State for Housing, Communities and Local Government wrote to Councils on the 30th July. The Minister noted the significant and unacceptable backlog of unaudited accounts. To tackle the backlog, an initial backstop date of 13 December 2024 for financial years up to and including 2022/23 and five subsequent backstop dates: 2015/16 through to 2019/20 were to be signed off by the 30th December 2023.

Parliamentary approval was given on the 9th September for financial years 2024/25 to 2027/28 the date by which local bodies should publish 'draft' (unaudited) accounts would change from 31 May to 30 June, following the financial year to which they relate. Due to the time constraints, auditors were likely to issue 'disclaimed' audit opinions on many accounts.

Draft accounts for 2021/22 were presented to the Board by the Assistant Director of Finance and Customer Services. The accounts showed the Council was in a positive overall position, in particular, with regards to earmarked reserves and general funds. It was highlighted that significant work had been carried out by Officers to complete the accounts. Members were also informed that the next stage for the 2021/22 draft accounts was for Public Inspection.

Members commended Officers on the significant work carried out with Members feeling reassured and satisfied with the position of the accounts.

Discussions continued regarding the Narrative Report and the Council's vision, with the use of retrospective text. The Deputy Chief Executive and Section 151 Officer explained that this was necessary when reviewing old accounts.

A typographical error within the report was raised by Members. The Assistant Director of Finance and Customer Services noted the comments.

The Deputy Chief Executive and Section 151 Officer discussed the possibility that the Board was in a better position to review reverting back to quarterly meetings with the need to establish Member confidence.

It was agreed that the 2022/23 accounts would be shared with Members and that a useful link would be considered when draft accounts were sent out to public consultation.

RESOLVED that

- 1) Progress on the 2020/21, 2021/22, 2022/23 and 2023/24 Audit processes be noted.
- 2) Any areas of concern within the key compliance report are raised with Cabinet.

33/24

FINANCIAL SAVINGS MONITORING REPORT

The Deputy Chief Executive and Section 151 Officer presented the Financial Savings Monitoring Report to Members. The report was a quarterly requirement of the 2020/21 External Audit Report, measuring the effectiveness of the Councils' delivery of savings within the budget. The report set out the overall financial position as at Quarterly 1 2024/5.

In terms of savings, the report covered previous years as well as items required for the following financial year. The position at the year-end for 2023/24 in terms of Departmental Savings was that two amber items for The Service Review and The Capacity Grid Project required careful monitoring. The red item in relation to finance savings could not be achieved until closure of accounts had been completed. The largest savings in recent years were pension costs which linked to the 2023 triennial revaluation.

Delivery of the 7% increase on Fees and Charges across the majority of Council's chargeable services and the deliverability of Planning income increases also required careful tracking.

Members queried what risks would need to be considered for the Council's future accounts. The Deputy Chief Executive and Section 151 Officers suggested that pensions, government initiatives, cost of living, Council fees and charges and changes to waste legislation were the main areas of risk to the Council. The Board also discussed Cyber Security as being another significant risk. Mandatory training for Members had been a consideration and talks were ongoing.

RESOLVED that the Q1 position on the 2024/25 Departmental Savings Programme, including any potential implications for future years be noted.

34/24

APPOINTMENT OF RISK CHAMPION

The Chairman nominated Councillor R. Bailes as Risk Champion which was agreed by the Board. Councillor R. Bailes requested further guidance from Officers to carry out the role effectively. The Deputy Chief Executive and Section 151 Officer agreed to assist.

35/24

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee considered the proposed work programme as circulated with the agenda. The Deputy Chief Executive and Section 151 Officer requested the following changes to the work programme as follows:

- The wording “*Grant Thorton – External Audit Progress Report*” to read “*Grant Thornton – Backstop Report*”.
- The wording “*Finance Compliance Report including update on statement of accounts*” to read “*Finance Compliance Report*”.
- To add “*Whistleblowing*” as an item for the next committee meeting held on 5th December 2024.

RESOLVED that the contents of the Committee’s work programme, as reported and amended, be noted.

The meeting closed at 7.25 p.m.

Chairman