

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

29TH SEPTEMBER 2025, AT 6.00 P.M.

PRESENT: Councillors E. M. S. Gray (Chairman), S. T. Nock (Vice-Chairman), S. Ammar, R. Bailes, S. R. Colella, D. J. A. Forsythe, B. Kumar, D. J. Nicholl, J. D. Stanley and H. D. N. Warren-Clarke

Observers: Councillor S. J. Baxter, Cabinet Members for Finance

Officers: Mr B. Watson, Ms. N Cummings, D Goodall, Mrs S. Woodfield

Other Parties: Mr A. Mughees and Ms. H. Clark

17/25

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillor D. Hopkins with Councillor H.D.N. Warren-Clarke in attendance as the substitute.

18/25

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

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

19/25

TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 14TH JULY 2025

The minutes of the meeting of the Audit, Standards and Governance Committee held on 14th July 2025 were submitted for Members' consideration.

It was felt by some Members that the announcement at the start of the minutes concerning the appointment of Councillor E.M.S. Gray to the Board may not have been in keeping with the constitution and expressed dissatisfaction.

Also during consideration of the item, Members requested the following to the minutes:

Page 5, Minute No. 1/25 to add, "During the voting process Councillor D.J. Nicholl proposed that Councillor S. Ammar be appointed Chairman of the Committee. This was seconded by Councillor J.W. Robinson".

Page 5, Minute No. 2/25 typographical error, which read:

“Councillor D. Hopkins proposed that Councillor S.T. Nock be appointed Vice-Chairman of the Committee. This was seconded by Councillor B. Kumar”.

Which should read:

“Councillor B. Kumar proposed that Councillor S.T. Nock be appointed Vice-Chairman of the Committee. This was seconded by Councillor D. Hopkins”.

It was also reported by Councillor S.R. Colella that his apologies had been omitted from the minutes.

RESOLVED that the minutes of the Audit, Standards and Governance Committee held on 14th July 2025, subject to any amendments be approved as a correct record.

20/25

ANNUAL REVIEW FROM THE LOCAL GOVERNMENT OMBUDSMAN

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 year ending 31st March 2025.

Members were informed that the Local Government Ombudsman had changed its reporting approach. Annual letters would only be issued in cases of exceptional practice or concerns about complaint handling. Bromsgrove District Council (BDC) had not received such a letter for the period ending 31st March 2025.

During that period, 3 new complaints were received and 6 were decided. Of the 6 decided cases, only 1 complaint was upheld, relating to housing and home adaptations under a Disabled Facilities Grant. Both BDC and Worcestershire County Council (WCC) were found to be at fault, resulting in a service failure. The Ombudsman's recommendations were detailed in the report and had been considered by Cabinet on 22nd January 2025. All recommendations had been complied with. Of the remaining decided complaints, 3 were referred back to the Council as premature and 2 were closed after initial enquiries due to insufficient evidence of fault or injustice. A link to the Ombudsman's website was provided for Members to view statistics for other local authorities.

After the presentation the following were discussed:

- What lessons were learned from the upheld complaint? - Officers confirmed that the report's purpose was to present statistics and that all recommendations had been implemented.
- Clarification on complaint numbers and suggested tabular presentation for clarity was requested. – In response it was

confirmed that the six decided complaints included cases carried over from the previous period and that no complaints remained unresolved at the end of the municipal year.

- Concerns were raised about the lack of feedback from the Ombudsman regarding how close the Council was to receiving either commendation or criticism. - Officers confirmed that the Ministry of Housing, Communities and Local Government (MHCLG) had submitted proposals for improving complaint handling and that the Council would review its procedures to align with best practice. Members expressed interest in pursuing improvements to transparency and identifying recurring issues in complaint handling. Officers agreed to produce relevant statistics and revise the complaints policy accordingly.

RESOLVED that the Annual Review from the Local Government Ombudsman report be noted.

21/25

AUDIT UPDATE REPORT 2023/24

The Chairman initiated discussions with the Committee regarding the use of acronyms within the audit report, noting that several had been used without explanation and requested clarification for the benefit of all attendees. The external auditors for the Council, Ernst and Young (EY) acknowledged the oversight and committed to ensuring that acronyms would be explained throughout future reporting.

The Committee were informed in further detail that the Ministry of Housing, Communities and Local Government (MHCLG) was a government department involved in coordinating the reset and recovery of the local audit system, particularly in relation to backstop dates and clearing audit backlogs. The National Audit Office (NAO) was a Central Government body responsible for setting the Code of Audit Practice, which outlined the roles and responsibilities of auditors. The Financial Reporting Council (FRC) acted as the regulator for audit firms, inspecting their work to ensure high quality audits, who had also contributed to the sector wide reset and recovery efforts.

The report provided a background and status update on the 2023/24 audit for the Council and context regarding the Government's legislation aimed at clearing the backlog of local audits and establishing a sustainable audit system.

It was noted that the Council had missed Phase One of the recovery deadline, as the 2021/22 and 2022/23 accounts were signed in January 2025, beyond the 13th December 2024 backstop date. This delay impacted the 2023/24 accounts, which were not published until mid-January 2025, with the inspection period ending on 27th February 2025. Consequently, Phase Two of the recovery had not been met.

The audit commenced in June 2025, following onboarding delays. Challenges were encountered which included management resources

being prioritised toward meeting the 30th June 2025 deadline for publishing 2024/25 draft statements, conflicting annual leave schedules and delays in the provision of requested information.

It was acknowledged that the Council had not been subject to audit for several years, which had impacted capacity and created challenges for the management team, however, efforts to address the issues was ongoing.

Despite the disclaimer of opinion on the 2023/24 financial statements, EY confirmed that auditing standards required certain procedures to be performed, which were currently underway. The local regulations also required Value For Money (VFM) work to be completed, which was also in progress.

Following the presentation Members raised the following queries:

- Several governance issues were highlighted on page 40 of the report, including high staff turnover, public correspondence and challenges with the finance system, particularly around compliance with taxation laws, which required further explanation.
 - EY explained that these issues related to significant weaknesses identified by Grant Thornton in the 2022/23 financial reporting. Members were also informed that high staff turnover had led to a loss of corporate knowledge, particularly due to interim arrangements in statutory positions during the 2020–2024 period. Correspondence had been received from a member of the public outside the formal inspection period which raised concerns about governance arrangements, including fraud policies. The audit team was assessing whether follow-up procedures were necessary and considering the correspondence in relation to both 2023/24 and 2024/25 arrangements.
- If fines had been issued to the Council due to delays? - It was confirmed that no fines had been issued to the Council due to delays in presenting audited accounts. The Government had not indicated any sanctions when setting backstop dates and the delays had not impacted the Council's ability to borrow or apply for grants.
- Whether the issues reported would affect the new authority under Local Government Reorganisation (LGR)? - It was clarified that the Council had caught up with outstanding accounts and was working to complete the 2024/25 accounts before the statutory deadline of 26th February 2026. The aim was to ensure a clean set of accounts for BDC closure in 2028, with transitional arrangements in place for the new unitary authority.
- Concerns were raised about the reliability of other authorities' accounts and the implications for future decision making.
 - Assurance was provided that although some authorities had disclaimed accounts, VFM assessments would still be conducted. The Government would make final decisions following the Council's business case submission on 28th November 2025.

- Further clarification was requested for the VAT returns. - It was explained that the Council had not submitted VAT claims for approximately three years, resulting in His Majesty's Revenue and Customs (HMRC) owing money to the Council. The Council had received its refund and ongoing assurance work was being conducted with HMRC. Monthly VAT returns were being submitted and finance staff would be receiving further training.
- Clarification was sought on the seriousness of the public correspondence received by the auditors. – It was confirmed that while there was no obligation to formally respond, EY was considering the contents and discussing relevant matters with the Council. A Member suggested that the whistleblowing policy should be used as a framework for addressing such concerns. Members were also informed that the internal audit plan included a review of the Council's counter-fraud, bribery and corruption framework, which would provide an independent report to Members and management.

RESOLVED that the Annual Update Report 2023/24 be noted.

22/25

INTERNAL AUDIT PROGRESS REPORT

The Committee received the routine internal audit progress report. It was noted that good progress had been made since the audit plan was approved in July 2025. The service was fully staffed and 82 audit days had been delivered against a full year plan of 250. Although this was below the pro-rata target, it had been planned to load more work into the second half of the year.

It was further reported that 2 audits were at draft report stage and 7 were in progress. Members' attention was drawn to the report provided which detailed 22 outstanding recommendations, including 1 high and 3 medium priority actions overdue as of June 2025. It was confirmed that actions related to aged debt reporting had since been implemented, reducing the total to 20 outstanding. The remaining overdue actions related to member training on cybersecurity and confirmation that third-party contracts included robust data security provisions. It was noted that the Council's new procurement regulations were expected to address the latter, pending confirmation.

Members also noted that no significant changes to the internal audit plan were proposed. Members were informed of upcoming team training events which included assignment management training and integrity and objectivity training.

Member questions and comments were as follows:

- Further details were requested regarding the effectiveness target of 75%. - It was clarified that this was a judgement-based target, not a national standard and that the current performance was above 75%.

- Clarification on the internal control limitations were also requested. - It was explained that the statement reflected inherent limitations in audit work and was a standard disclaimer.
- Concerns were raised regarding cybersecurity training compliance. - It was informally suggested by the internal auditor that sanctions, such as account suspension, could be considered for non-compliance. Members were reminded of the importance of completing training due to the national risk level. Members discussed the suggestion of repeating phishing email exercises to encourage training completion. It was confirmed that a phishing test had recently been conducted and feedback mechanisms were discussed.
- Clarification on the previous audit of the procurement policy was also raised. - It was confirmed that the previous audit resulted in limited assurance and that a follow-up audit was planned for later in the financial year and that the scope would include the new policy and its application. Members also queried whether vetting of business owners was included; it was clarified that vetting focused on the entity's financial viability rather than individual owners.
- The Chair and Members discussed risks which related to using personal devices for Council work and transferring documents with potential gaps in security and the need for further review.

RESOLVED that the Internal Audit Progress Report be noted.

23/25

FINANCIAL COMPLIANCE REPORT

The Committee received an update from the Assistant Director of Finance and Customer Services on progress made in response to the Section 24 Statement and the Council's financial recovery and stabilisation efforts.

It was reported that the Council had made good progress overall, with key deliverables such as the Quarter 1 Finance Performance and Treasury Management reports completed. However, 2 national returns remained outstanding which included VAT returns and Whole of Government Accounts (WGA).

Significant work had been undertaken with HMRC and tax advisors (PS Tax) with monthly VAT returns being submitted. A VAT accountant had been appointed and mandatory VAT training was being rolled out across the finance team, with introductory training planned for the wider organisation.

The WGA had not been produced for several years, in line with many other authorities. A substantial mapping exercise was planned to bring the Council back on track.

The 2023/24 and 2024/25 accounts were expected to be disclaimed due to audit timelines. Public consultation on the 2024/25 accounts had closed on 11th August 2025 and discussions with EY were ongoing.

The Council had transitioned to clearing routine accounts on a monthly basis, marking a significant step forward from previous backlog clearance efforts.

Following the presentation, Members and Officers discussed the following:

- Adequacy of the Tech One finance system. - Officers confirmed that a detailed health check was underway to assess whether the systems configuration could be improved or required partial reinstallation. Lessons had been learned from the initial implementation and the Council aimed to have a fully functioning system in place, ahead of Local Government Reorganisation (LGR).
- Concerns were raised about past issues with the Tech One system and the importance of rigorous testing before adopting systems in the future were emphasised. Members urged Officers to “test to break” and avoid pioneering unproven software.
- Members noted that Worcestershire County Council (WCC) had adopted the Tech One system. However, any future unitary authority would likely implement a new system rather than inherit existing installations.

A verbal update on the financial stabilisation plan was provided by the Deputy Chief Executive and Chief Finance Officer. The recovery phase had placed significant strain on the finance team and stabilisation was the priority. Several interim appointments had been made to strengthen the team including Chief Accountant (interim), Finance Services Manager, 2 Senior Finance Business Partners (permanent), 2 Finance Business Partners (interim), VAT Specialist, Tech One Systems Manager and Tech One Technical Support Officer.

A Project Manager was still to be recruited who would oversee major workstreams. The Council would utilise its finance stabilisation reserve to fund these temporary arrangements. A report outlining the structure and associated budget pressures was being prepared.

Following the financial stabilisation update, Members made the following comments:

- A request for an organisational chart of the finance team, showing filled and vacant posts. - Officers confirmed that this would be shared once it was reviewed by Senior Management and Leadership.
- The Chair and Members expressed appreciation for the finance team’s efforts, acknowledging the pressure they had endured.
- The Portfolio Holder for Finance confirmed her support for the stabilisation approach, recognising the need to separate project work from day-to-day operations and the importance of investing in short-term capacity to secure long-term resilience.

No areas of concerns were noted by the Board for Cabinet's consideration.

RESOLVED that

- 1) The Committee note the position in relation to the delivery of the 2024/25 Accounts and the auditing of the 2023/24 accounts.
- 2) The Committee note that the 2024/25 Accounts public consultation period finished on 11 August 2025.
- 3) The Committee note the position in regard to other financial indicators set out in this report.
- 4) The current position with the Council's new External Auditor, Ernst and Young, be noted.
- 5) Note the position on the Financial Stability Plan following the successful delivery of the Financial Improvement Plan.

24/25

ANNUAL GOVERNANCE STATEMENT

The Committee received the Annual Governance Statement (AGS) for the financial year ending 31st March 2025. It was explained that the AGS was a statutory requirement under the Accounts and Audit Regulations 2015 and provided a corporate overview of governance arrangements. Although it formed part of the Statement of Accounts, it was not a financial report.

The AGS was based on principles of good governance set out by The Chartered Institute of Public Finance and Accountancy (CIPFA) and The Society of Local Authority Chief Executives and Senior Managers (SOLACE) and covered systems, processes, culture, values, strategic objectives, stewardship of public funds and VFM. It also included internal controls, risk management, performance monitoring, compliance with the constitution, decision-making processes, scrutiny functions and contributions from internal and external audit.

It was noted that the AGS identified significant governance issues, including delayed accounts and the Section 24 statements. The delay in signing off the 2023/24 accounts was attributed to the withdrawal of the Council's previous external auditors Bishop Fleming and the onboarding of EY. The Council had made representations to Central Government explaining the delay, which were accepted.

The Committee was informed that although disclaimer opinions were expected for 2023/24 and 2024/25, each audit cycle was providing increasing levels of assurance. The Council was working towards achieving a full audit opinion in future years.

Members raised several points as follows:

- The AGS should include a summary of significant issues at the beginning of the report and proposed a comparative table showing

progress from the previous year. - Officers agreed to include a summary of key movements in future reporting.

- The lack of an appeals processes for complaints and the need for safeguards to ensure fair treatment was raised by Members.
- The governance basis for the AGS was also discussed, referencing outdated documentation on the Council's website. Officers acknowledged the need to update the website and confirmed that the AGS was based on best practice guidance from CIPFA and SOLACE.
- The Portfolio Holder suggested adding a future agenda item to invite the Monitoring Officer to explain the standards regime and councillor conduct procedures.
- A policy was suggested to avoid adopting untested software systems, referencing past issues with the Tech One financial system. - Officers noted that lessons had been learned and would be passed on to any future unitary authority.

RESOLVED that the Annual Governance Statement be noted.

25/25

RISK CHAMPION (OVERVIEW OF ROLE AND CONSIDERATION OF APPOINTMENT)

The Chairman addressed the Board and requested that the Committee consider the draft terms of reference for the Risk Champion role, following the previous postholder stepping down and requests for a draft role description and proposal to be reported back to Committee.

The purpose of the role was outlined, acting as a key advocate for effective risk management within the Council, supporting the development of risk awareness and providing a link between the Council's risk management function and elected members.

Discussion points were as follows:

- The previous Risk Champion shared experience in the role noting that while reports had been produced and worked closely with Officers, the role lacked impact and visibility. Reports did not reach Cabinet and therefore questioned the expectations of the role and its effectiveness.
- A Member suggested reviewing previous reports and learning from past work rather than starting afresh.
- It was confirmed that the Risk Champion had not attended the Council's Corporate Risk Management Officer Group, although this had been proposed.
- A Member raised the longstanding issue of the absence of a lay member on the Audit Committee, which was common practice in other councils. It was also suggested that the role of Risk Champion could be fulfilled by a lay member, though acknowledged that Local Government Reorganisation (LGR) may limit feasibility in the short term.

- The Portfolio Holder noted the challenge of the Risk Champion operating outside the Council's operational structure and suggested that departmental Risk Champions might be more effective and queried how many currently existed. Members also discussed whether the role should focus solely on risks to the Council or also include risks to individual members, such as reputational or safety concerns.
- The Deputy Chief Executive and Chief Finance Officer explained the function of the Corporate Risk Management Officer Group, with meetings scheduled every 6–8 weeks and reviewed departmental and corporate risks, mitigation strategies and residual risk ratings and confirmed that the Risk Champion could be invited to attend these meetings.

Following consideration of the item, a recommendation was proposed by Councillor S.R. Colella.

The recommendation was:

The Committee invite Group Leaders to consult with their members to identify interest in taking on the Risk Champion role. The draft terms of reference to be shared, with flexibility for the appointed member to propose amendments, subject to the Committee's approval.

The recommendation was proposed by Councillor S.R. Colella and seconded by Councillor S. Ammar.

On being put to the vote the recommendation was carried.

RESOLVED that the Risk Champion (Overview of role and consideration of appointment) be noted.

26/25

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Audit, Standards and Governance Committee Work Programme was considered by Members.

Members briefly reviewed the Committee Work Programme and discussed whether to incorporate the earlier conversation regarding the possible inclusion of standards regime and councillor conduct procedures. It was agreed that feedback from the Monitoring Officer would be sought before deciding whether to formally add discussions on Members Conduct and reporting requirements to the work programme. It was also noted that the Monitoring Officer was scheduled to present a report at the next meeting on 24th November 2025 and it was suggested that this would be an appropriate opportunity to raise the matter.

RESOLVED that the contents of the Committee's work programme, as reported, be noted.

The meeting closed at 8.27 p.m.

Chairman