

**BROMSGROVE DISTRICT COUNCIL**

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

**8TH JUNE 2026, AT 6.00 P.M.**

**PARKSIDE SUITE - PARKSIDE**

PRESENT: Councillors J. Clarke, S. R. Colella, A. M. Dale, E. M. S. Gray, D. Hopkins, R. J. Hunter, B. McEldowney and J. D. Stanley

Observers: Councillor S.T. Nock, Cabinet Member for Finance

Officers: Mr J. Walton, Mrs D. Goodall, Mrs S. Woodfield,

Other Parties: Mr M. Ahmad and Mr H. Rohimun –  
Representatives of Ernst & Young LLP

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**ELECTION OF CHAIRMAN**

Nominations for the election of chairman were received with the following recordings.

Councillor J. Clarke proposed that Councillor D.J. Nicholl be appointed Chairman of the Committee. This was seconded by Councillor R.J. Hunter.

Councillor D. Hopkins proposed that Councillor E.M.S Gray be appointed Chairman of the Committee. This was seconded by Councillor A.M. Dale.

Councillor B.M. McEldowney proposed that Councillor S.R. Colella be appointed Chairman of the Committee. This was seconded by Councillor S.R. Colella.

Following a show of hands it was

**RESOLVED** that Councillor E.M.S. Gray be elected Chairman of the Audit, Standards and Governance Committee for the 2026-27 Municipal year.

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**ELECTION OF VICE CHAIRMAN**

Councillor A.M. Dale proposed that Councillor B. Kumar be appointed Vice-Chairman of the Committee. This was seconded by Councillor J.D. Stanley.

Following a show of hands it was

**RESOLVED** that Councillor B. Kumar be elected Vice-Chairman of the Audit, Standards and Governance Committee for the 2026-27 Municipal Year.

3/26      **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillor D.J. Nicholl with Councillor J. Clarke as a substitute. Apologies for absence were also received from Councillors D.J.A Forsythe and B. Kumar.

4/26      **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest or whipping arrangements.

5/26      **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 17TH FEBRUARY 2026**

The minutes of the meeting for 17<sup>th</sup> February 2026 was considered by the Committee.

**RESOLVED** that the minutes of the Audit, Standards and Governance Committee held on 17<sup>th</sup> February 2026 be approved as a correct record.

6/26      **REVISED ANNUAL GOVERNANCE STATEMENT 2023/24 AND 2024/25**

The Committee considered the Revised Annual Governance Statement for 2023/24 and 2024/25 presented by the Director of Finance and Section 151 Officer.

The key points were highlighted as follows:

- Updates were requested by external auditors Ernst and Young including four key additions:
  - Disclaimer audit opinions
  - Section 24 statutory recommendation
  - VAT compliance issues
  - Future governance implications
- The purpose of the reporting was to ensure statements accurately reflected governance weaknesses and risks.

During Member's consideration of the item, the following key points were discussed:

- When would the review of the financial system be completed by?
  - In response Members were advised that there were no fixed dates, however, a project plan was being developed.

- Should the finance system issue remain as a corporate risk? – Members were advised that this would be considered as a specific corporate risk.
- Some Members expressed the view that the report highlighted fundamental historic issues with limited clear actions and timelines. Members also pointed out the importance of the reported issues to be addressed prior to the Local Government Reorganisation (LGR) with concerns of reputational damage. – In response the Committee were informed that the July meeting would give Members an opportunity for challenge for the Final Statements of Accounts for 2023/24 and 2024/25 and Draft Statement of Accounts for 2025/26 and there would also be a consolidated action plan provided in the Annual Governance Statement for 2026/26.
- The Chairman requested further clarity on a point stated in the report which related to the disclaimer of opinions, indicating a significant weakness in financial governance and assurance arrangements during 2023/24. – It was explained that delays were due to key staff shortages, however, a Financial Services Manager and Chief Accountant were in place which would assist with future accounting.
- Members requested clarity whether disclaimer opinions could continue indefinitely? – Members were informed by the external auditors Ernst and Young that typically, as shown in documentation from the National Audit Office, years of disclaimers occurred prior to improvement, however, disclaimer opinions should lead to eventual progression to qualified and then unqualified opinions.
- Further clarity was requested regarding three audit returns within the reporting with assurance of “limited”. – In response Members were assured that the specific debts would be reviewed in more detail.
- The portfolio holder expressed the view that the Council should focus on moving forwards and was encouraged that the Council was moving in a more positive direction with the newly recruited Section 151 Officer in post.
- Was the Section 151 Officer confident that resources and skillsets within the Finance Department were sufficient to proceed future accounting within the Council? - In response the Section 151 Officer explained that further recruitment was underway, however, capacity had improved but further development was required.

**RESOLVED** that

1) The Committee were assured of the revised Annual Governance Statements for 2023/24 and 2024/25 as attached at Appendix 1 and 2, particularly the additional wording highlighted in red;

2) The Committee were assured of the significant governance issues identified since the original accounts were produced, and the additional

assurance now included in the revised AGS documents in response to the external auditor's request; and

3) The Committee approved the revised Annual Governance Statements for inclusion alongside the Statement of Accounts for the relevant financial years.

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### **EXTERNAL AUDIT COMPLETION REPORT - 2023/24 AND 2024/25**

The Committee considered the External Audit Completion Report 2023/24 and 2024/25 with the key findings outlined by the external auditors Ernst and Young:

- Disclaimer opinions were given for 2023/24 and 2024/25 accounts due to:
  - Insufficient audit evidence
  - Historic reporting weaknesses
  - Audit backlog and timing constraints
- Identified significant weaknesses included:
  - Financial reporting delays
  - Enterprise Resources Planning (ERP) system issues
  - Workforce capacity constraints
  - VAT compliance failures
- Value for Money review identified governance weaknesses

During Member's consideration of the item, the following key points were discussed:

- Members expressed their disappointment that the accounts for 2023/24 and 2024/25 had been given disclaimer options and queried if it was possible that disclaimer opinions could continue for future accounts and to consider that LGR was fast approaching? – In response Ernst and Young advised that it was likely that in the short-term disclaimer opinions were likely to continue, however, improvement was expected over several years. Future findings and recommendations would be provided in future reports which would include a flag system to assist with requirements, demonstrating gained assurances or the lack of. The Chief Finance Officer and Section 151 Officer assured Members that future accounts would be moving in a more stable direction.
- Were disclaimer opinions typical for the local government sector? – In response Members noted that Bromsgrove District Council (BDC) were slightly behind some Local Authorities, but it was not unique.
- Would the recommendations in the Recovery Plan be accepted by the external auditors? - Ernst and Young responded by explaining that progress would be tested in future audits.
- Concerns were raised by Members regarding the delays in previous audit provision requested by the external auditors. – In response the Assistant Director of Finance and Customer

Services explained that delays were primarily caused due to timing issues, following the external audit appointment and staffing capacity. The external auditors added that they were encouraged by the inclusion of an Annual Governance Statement for future accounts which was outlining governance arrangements.

- What was the financial impact of capital underspends as reported and what assurances could be given for future capital spending? – In response it was advised that capital underspends were mainly due to delayed expenditure rather than savings, however, improved reprofiling of monitoring plans were in place, with quarterly reporting to Cabinet.
- Assurances were sought that adequate checks and balances would be carried out for future accounting purposes. – In response Members noted that a workforce strategy was being incorporated to ensure that the structure would be fit for purpose for future accounting purposes.
- Meeting frequency was discussed by Members to review progress management in further detail. After careful consideration it was agreed by the Committee that this would be considered further after consideration of the project plan proposals at the next meeting which would take place in July.
- The portfolio holder requested assurances on behalf of the Committee from the external auditors that the 2025/26 accounts were in a good position for sign off? – Members were advised that with the review of adequate staff resources, targets should be met.

**RESOLVED** that

- 1) The Committee acknowledged the significance of consecutive years of disclaimed opinions and considered and endorsed, with appropriate comment the Completion Report attached at Appendix 1;
- 2) Requested a detailed updated Recovery Plan, including milestones and reporting arrangements, to address the recommendations raised within the Completion Report; and
- 3) Continue to oversee arrangements for financial reporting, including regular monitoring of progress against improvement actions and key milestones.

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**ANNUAL APPOINTMENT OF RISK CHAMPION**

The former Risk Champion Councillor S.R. Colella discussed findings in his capacity as Risk Champion for the last municipal year of 2025/26 which included:

- The introduction of the Power BI dashboard assisted the role of Risk Champion; however, it would be helpful for reporting to be

up to date, suggesting that “live” tracking would be more beneficial.

- It would be beneficial to the role if the Risk Champion could be invited to Corporate Management Team (CMT) meetings.

In response to the findings of the former Risk Champion the Director of Finance and Section 151 Officer advised that there would be an opportunity for the new Risk Champion to have involvement in the development of the new Risk Management Strategy during the municipal year. It was agreed that the suggestion of a live version of the Power BI Dashboard and the Risk Champion’s involvement in CMT meetings would be considered further by relevant officers.

The portfolio holder also suggested that the Risk Champion could be invited to regular meetings held with the Director of Finance and Section 151 Officer.

Members also considered if Councillor S.R. Colella should be reappointed for the role of risk champion for the 2026/27 municipal year.

After careful consideration and following a show of hands, it was

**RESOLVED** that Councillor S.R. Colella be elected Risk Champion of the Audit, Standards and Governance Committee for the 2026-27 Municipal Year.

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### **RISK MANAGEMENT REPORT/CORPORATE RISK REGISTER Q4 2025/26**

The Committee considered an update report about corporate and departmental risks, with the following key points discussed:

- The risk management process had been refreshed
- Corporate risks had been reviewed by Assistant Directors
- The new approach proposed was as follows:
  - “Opportunity risk” framework
  - Improved alignment and reporting
  - Three highest risks identified
- Work was ongoing to embed operational risk processes

After the presentation, Members discussed the following:

- What were the timelines for the refreshed Corporate Risk Management Strategy? – Members were informed that there would be ongoing work with internal audit but it was hoped that progress would be made within the next couple of months.
- If risks could be more dynamic and in real time? – Members were advised that dashboard developments would improve live tracking.
- There was a need for clearer triggers and actions on the risk register. – In response the Committee were advised that a new

framework would be incorporated to include controls, ownership and timelines.

**RESOLVED** that the Committee are assured of the Risk Management Report/Corporate Risk Register Q4 2025/26.

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### **VAT RECOVERY UPDATE REPORT**

Members considered the Value Added Tax (VAT) Recovery Update Report presented by the Director of Finance and Section 151 Officer.

The following key points were outlined:

- Historical VAT treatment errors and compliance issues were identified across multiple years.
- Engagement with external specialists and HMRC were in place to review historic VAT claims and confirm correct VAT treatment going forward.
- It was acknowledgement that some VAT had been incorrectly treated or not recovered. However the Council was working to maximise legitimate recovery and ensure compliance.
- Initial progress reviews had been completed for key service areas.
- Further detailed work was ongoing to quantify potential recovery.
- Risks identified financial exposure if claims were rejected and reputational and compliance risks if issues persisted.
- Assurances were provided which included that processes were being strengthened to prevent recurrence, including improved internal controls, officer training and clearer guidance on VAT categorisation.

Following the review of the item, Members raised key points below:

- Further clarity was sought regarding BDC not submitting periodic VAT returns to His Majesty's Revenue and Customs (HMRC) for a period of three and a half years. – Members were advised that this was largely due to the loss of a key VAT expert and the introduction of the new Technology One ERP finance system.
- Did HMRC formally write to the Council informing them that net cash gains were owed to the Council? – In response it was advised that there was no contact from HMRC in this regard.
- Could the Council risk penalties in the future? – Members were informed that penalties were suspended due to more effective, proactive engagement with HMRC and extensive training to all staff using the finance system. Penalties were not expected to be significant, however, could not be ruled out.
- Were there adequate preventative measures being undertaken to ensure issues were not repeated in the future, with LGR considerations in mind? – Members were assured that there would be future strengthened controls, with specialist advice and staff training being embedded throughout the Council.

- The portfolio holder expressed the view that the Council was making good progress and was confident that the future actions being undertaken should resolve the outstanding VAT matters.

**RESOLVED** that the Committee were assured of the VAT Recovery Update Report.

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## **FINANCIAL COMPLIANCE REPORT**

The Assistant Director Finance and Customer Services introduced the report which set out details of delivery against key financial requirements.

The key points were highlighted as follows:

- Ongoing weaknesses identified were:
  - Financial controls
  - Reconciliations
  - System processes linked to ERP finance system issues
- Key improvement areas were:
  - Balance sheet reconciliations
  - Documentation and audit trails
  - Budget monitoring consistency
- Progress made were:
  - Additional staffing recruited
  - Improved oversight arrangements in place. However full compliance had not yet been achieved and there would need continued reliance on manual processes in some areas
- The report emphasised the need for:
  - Sustainable improvement
  - Embedding good financial practice across services

Following the presentation clarity on the terminology used in the report “No Compliance/No Order” was explained to Members as a procurement policy implemented by the Council. This system would prevent orders and flag any orders being raised in the Council’s finance system (TechOne) unless they were linked to an approved contract or a valid procurement route.

**RESOLVED** that

- 1) The Committee were assured regarding the position in relation to the auditing of the 2023/24 and 2024/25 Accounts from an internal perspective;
- 2) The Committee were assured in relation to the position for the other financial indicators set out in this report; and
- 3) The Committee were assured in relation to the position on the Financial Stability Plan.

The Committee did not raise any areas of concern within this key compliance report.

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**ANNUAL AUDIT, STANDARDS AND GOVERNANCE COMMITTEE REPORT 2025/26**

The Committee considered the Annual Audit, Standards and Governance Committee Report 2025/26.

**RESOLVED** that the Committee were assured of the Annual Audit, Standards and Governance Report for 2025/26.

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**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME 2026/27**

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

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

The meeting closed at 8.55 p.m.

Chairman