

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

WEDNESDAY, 2ND FEBRUARY 2022, AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), A. J. B. Beaumont,
J. E. King, A. D. Kriss and M. Middleton

Observers: Councillor G. N. Denaro, Portfolio Holder for Finance
and Enabling

Officers: Mrs. C. Felton, J Howse, Mr. A. Bromage and
Mrs. P. Ross

Also in attendance: Mr. N. Preece, Manager, Grant Thornton

24/21

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors R. E. Jenkins, C.
J. Spencer and P. J. Whittaker.

25/21

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

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

The Chairman suggested that the running order of the agenda be
altered, so that Agenda Item 7 – Decision to opt into the National
Scheme for Auditor Appointments Managed by the PSAA be presented
to the Committee as the last agenda item. Therefore, allowing the
representative from Grant Thornton the opportunity to remain in the
meeting for all other agenda items. Committee Members agreed with
this.

26/21

MINUTES

The minutes of the meeting of the Audit, Standards and Governance
Committee held on 7th October 2021 were submitted for consideration by
the Committee.

The Executive Director of Resources responded to Councillor A. D. Kriss with regard to the number of working audit days, and in doing so explained that there would be more multiple people from the audit team delivering against the Audit Plan, hence 284 working audit days.

RESOLVED that the minutes of the Audit, Standards and Governance Committee meeting held on 7th October 2021 be approved as a correct record.

27/21

STANDARDS REGIME - MONITORING OFFICERS' REPORT

The Monitoring Officer presented her report and in doing so, the following was highlighted for Members' attention:

- There had been a number of Member complaints received since the last meeting of the Committee, all with a common theme.
- Member training was detailed at paragraphs 6.6 and 6.7 on page 12 of the report.
- New Model Code of Conduct, Monitoring Officers across the county have been working to agree a version, based on the LGA's Model Code of Conduct. This work was now largely completed and a full report with the proposed new Code would be presented at the Committee meeting scheduled for 10th March 2022, for Members' consideration.

The Monitoring Officer responded to the concerns raised with regard to Member safety, following on from the recent tragic death of Conservative MP Sir David Amess. Members were mindful that there was a lack of security at Council meetings, with doors being left open for public access.

The Monitoring Officer stated that this was a difficult issue as members of the public were permitted to attend public meetings. It was stated that Members needed to decide if they wanted to refer member safety to the Member Development Steering Group for consideration. The Monitoring Officer reiterated that there were a number of issues to take into consideration before restricting public access to public meetings.

It was noted that Members agreed to their concerns with regard to member safety at public meetings, being raised with the Member Development Steering Group.

Councillor G. N. Denaro, Portfolio Holder for Finance and Enabling, briefly informed the Committee, that volunteers were currently taking part in the Lone Working trial.

The Chairman commented that it was important that the Committee were made aware of the common theme in respect of Member complaints received, without the Monitoring Officer disclosing any specific details of the investigation. In response to the Chairman, the Monitoring Officer informed the Committee that there would come a point whereby she would be in a position to inform the Committee, but currently it was still forming part of her investigation.

RESOLVED that the Monitoring Officers' Report be noted.

28/21

GRANT THORNTON - SECTOR UPDATE

Mr. N. Preece, Manager, Grant Thornton presented Members with the Grant Thornton, Sector Report.

The report provided the Committee with a summary of emerging national issues and developments that may be relevant for local authorities.

In response to a question raised in respect of the comment shown on page 30 of the main agenda report "The commercial attractiveness to audit firms of auditing local authorities has declined". Mr. Preece highlighted that, as detailed on page 30 of the main agenda report; there was a growing complexity of local authority accounts, with audit firms now being asked to carry out more work in each audit, to comply with new regulatory demands and to adapt to the new multifaceted landscape in which local authorities operated, whilst also struggling to hire and retain experienced auditors; making the work quite challenging, which not everyone welcomed.

Mr. Preece further explained that there were 3 key areas:

1. The public sector was not as attractive as the private sector. Grant Thornton could recruit, local authorities could not.
2. Fees had been deflated, so were not acceptable to most audit firms.
3. There was an increased focus on the quality of public sector auditing, with a heightened degree of monitoring.

Mr. Preece responded to further questions regarding fees and in doing so, informed the Committee that, fees had been reduced very

significantly during the last tender process (approximately 4 years ago). Nationally fees were driven down to a level that was not sustainable. Fees only increased due to the additional work required. The core fee had not really changed and needed to increase.

Mr. Preece further stated that a range of further pressures documented in the Redmond Report (as referred to on page 31 of the main agenda report), were also continuing to impact performance.

The Executive Director of Resources further added that it was absolutely a national trend. Bulk buying had driven down audit fees, which were now generally tens of thousands and were historically hundreds of thousands. The amount of work for external auditors to finalise local authority accounts has significantly increased, with added pressure on local authorities, as highlighted in the Redmond Report.

Further discussions were had on management capacity in local government, recruiting and retaining staff in local authorities and the broader sector, salary increases to retain good staff, agile working and graduate trainees. The impact of hybrid working, with people being able to work outside of London whilst earning a London salary, making it a far more competitive market.

The Chairman took the opportunity to express his thanks to Mr. Preece.

RESOLVED that the Sector Report update, as detailed at Appendix 1 to the report, be noted.

29/21

GRANT THORNTON - ANNUAL AUDIT LETTER 2019/20

Mr. N. Preece, Manager, Grant Thornton presented Members with the Grant Thornton, Annual Audit Letter 2019/20.

The Annual Audit Letter 2019/20 provided Members with a high-level summary and overview of the key findings arising from the work carried out for the year end 31st March 2020.

An unqualified opinion on the group's financial statements on 5th October 2021. There were significant delays to the financial statements audit for 2019/20 which led to the late sign off of the audit opinion, which Committee Members were aware of.

Members' attention was drawn to the Overall Value for Money conclusion, as detailed on page 53 of the main agenda report.

In response to a question raised on 'Risks identified in our audit plan, management override of internal controls; Mr. Preece highlighted that, as stated on page 51 of the main agenda report, that their work in this area did not identify any issues regarding journals, there was nothing untoward. Journals were used for correcting of mis-coding and correcting any wrong amounts entered.

In response to a question raised with regard to the need for auditors to improve the quality of audit challenge on PPE valuations across the sector, the Executive Director of Resources, assured Members that the 2021 period would see steps undertaken to improve in this area. It was confirmed that officers needed to ensure that we did have this information and that lots of work was being undertaken to make sure that the information was robust.

It was noted that the Recommendation on page 39 of the main agenda report should read as follows:

RESOLVED that the Committee (not Cabinet) note the Annual Audit Letter 2019/20, as detailed at Appendix 1 to the report.

30/21

INTERNAL AUDIT - PROGRESS REPORT

The Head of the Worcestershire Internal Audit Shared Service presented the Internal Audit Progress Report to Members, which provided commentary on Internal Audit's performance for the period 1st April to 31st December 2021, against the performance indicators agreed for the service and further information on other aspects of the service delivery.

The final full audit, as detailed at Appendix 3 to the report, were provided for the following reviews:

- Strategic Acquisitions
- General Data Protection Regulations (GDPR)
- Treasury Management
- Worcester Regulatory Services
- Benefits

Reviews that had commenced and at planning or testing stages included:

- Procurement
- Grants

- NNDR
- Council Tax

Members were informed that due to the implementation of the new financial system and an extended delay in providing audit with a 'read only' access profile the rolling testing programme that should have continued during Quarters 1 and 2 for Debtors and Creditors had been delayed.

One high priority audit area had been identified within the GDPR – Document Retention 2021/22, final audit report, as detailed on page 89 of the main agenda report. Officers were working closely to resolve this, and ICT resources had been targeted to deal with this issue. A further update to be provided at the next meeting of the Committee.

All recommendations before Members, have a clear management plan and implementation dates. Several implantation dates had not been reached; however, auditors would be going back to the relevant service areas to follow up on these actions. A further update would be provided at the next meeting of the Committee.

It was noted that whilst Worcestershire Regulatory Services (WRS) was hosted by Bromsgrove District Council, the final internal audit report had been shared with all WRS partner authorities.

Follow up reviews were an integral part of the audit process. There was a rolling programme of review that was undertaken to ensure that there was progress with the implementation of the agreed action plan.

Some Members raised concerns with regard to Safeguarding and the number of 'follow up' reviews that were taking place. It was emphasised that Safeguarding was important to everyone. It was highlighted that, as detailed on page 116 of the main agenda report, that there was a 3rd follow up report, with actions not being implemented and that a further follow up report was scheduled six months later. However, Members felt that this follow up report should be made a priority.

The Head of the Worcestershire Internal Audit Shared Service commented that Safeguarding was a sensitive area, an area of risk and a risk-based approach was taken. A further full audit would consider all areas within the District Audit Plan 2022/23, when compiling the plan, with actions or in actions being considered. The District Audit Plan 2022/23 would be presented to the Committee for scrutiny.

Safeguarding was revisited on a number of occasions in order to satisfy auditors, who when revisiting an area, would check that all implementation dates had been addressed. Where there was a transition period, this could cause a delay and management would consider this as part of the roll out of any new systems.

The Head of Worcestershire Internal Audit Shared Service further stated that he would revisit this, to ensure that the requirement to reduce risk was undertaken and he would continue to review until satisfied and would endeavour to report back to Committee Members. The report before Members was a fully transparent report.

The Executive Director of Resources reassured Members that this was a very important issue and, he would remind the relevant Head of Service (HOS). We needed to ensure that at the next follow up review, if all of the actions had not been completed, Members could invite the HOS to the next meeting of the Committee.

The Chairman reiterated the concerns raised by some Members and queried whether the Council took these issues seriously and that the Corporate Management Team (CMT) should prioritise safeguarding, and that an organisation could not be run safely with these issues not being addressed. It appeared that there was somewhat of a disconnect between Internal Audit and the CMT and for such an important issue, CMT needed to work hand in hand with Internal Audit.

The Executive Director of Resources highlighted that he had noted the concerns raised and would feed these back to the CMT.

The Head of Worcestershire Internal Audit Shared Service further explained that Internal Audit were concerned as they liked to see implementation dates adhered to. Having to revisit service areas was not a good use of their resources.

Members were informed that follow up reviews were an integral part of the audit process. The outcomes of the follow up reviews were reported in full so that the risk exposure could be considered by the Committee. An escalation process involving CMT, and the Senior Management Team (SMT) was in place to ensure more effective use of resource regarding follow up visits to reduce the number of revisits necessary to confirm the recommendations had been satisfied.

In response to further questions with regard to the implementation of the new financial system and an extended delay to provide audit with a 'read

only' access profile. Light touch audits were undertaken with auditors using their local knowledge. Auditors usually used a 'read only' profile, however this was not made available until December, so auditors experienced difficulty accessing information. However, they were able to use those particular local knowledge skills to run the audit.

Members were further informed that there was no additional cost to the Council for the additional resources needed.

RESOLVED that the Internal Audit Progress Report be noted.

31/21 **RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR A. BEAUMONT)**

Councillor A. J. B. Beaumont briefly stated that there was currently no verbal update and that he would provide a verbal update at the next meeting of the Committee.

32/21 **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Democratic Services Officer undertook to update the work programme to include the items agreed during the course of the meeting.

RESOLVED that the Committee work programme be noted and updated.

33/21 **DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PSAA**

Prior to the commencement of this item, Mr. N. Preece, Manager, Grant Thornton left the meeting.

Members considered a report on the 'Decision to opt into the National Scheme for Auditor Appointments managed by Public Sector Audit Appointments' (PSSA) as the 'Appointing Person'

The Executive Director of Resources presented the report and in doing so explained that the Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

PSAA was now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28.

The Council has the option of arranging its own procurement and to make the appointment itself, or it has the option of running a joint procurement in conjunction with other bodies, or the Council can join and take advantage of the national collective scheme administered by PSAA.

The Executive Director of Resources further drew Members' attention to paragraph 2.4 on page 60 of the main agenda report and the recommendation, as detailed on page 59 of the main agenda report.

The Chairman informed the Committee that all Worcestershire Audit Treasurers had agreed that the PSSA was the way forward.

Members further commented that it made sense.

The Executive Director of Resources commented that it was less commercially attractive due to the technical nature of local authority auditing and a reduction in fees over the years, the current fees were not sustainable. The PSSA would rank quality driven metrics and would run a procurement process. Most authorities would join a collective procurement.

Following further brief discussions and a brief adjournment (from 19:36pm to 19:38pm), it was

RECOMMENDED that

- a) Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for a procurement period of five financial years from 1 April 2023 (that was to say from 2023/24 to 2027/28).

The meeting closed at 7.39 p.m.

Chairman

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