

# BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee

9th November 2022

## SECTION 24 REPORT

Relevant Portfolio Holder	Councillor Geoff Denaro, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Pete Carpenter
Report Author	Job Title: Interim Director of Finance email:peter.carpenter@bromsgroveandredditch.gov.uk Contact Tel: 0152764252
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 Council has received a Statutory Recommendation from our External Auditors Grant Thornton with key reason being the non-delivery of the 2020/21 financial statements is a **key reason**. This report sets out the reason for the Statutory Recommendation, and the process the Council now has to follow to rectify that position.

### **2. RECOMMENDATIONS**

**Audit Standards and Governance Committee are asked to Recommend to Cabinet and Council that:**

- 1 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.

### **3. Background**

#### **Introduction**

- 3.1 The Council has set out in a number of meetings during 2022 the issues it has encountered in the implementation of a new financial system in February 2021 and its knock-on effect in terms of staff retention, delivery of the 2020/21 Accounts, delivery of 2021/22 in year monitoring, delivery of Government Returns being key items. This position has been
- Discussed at Audit Standards and Governance Committees in July and October as part of the Internal Audit Report items.

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- Discussed in Cabinet as Part of the Finance Improvement Recovery Report on the 12<sup>th</sup> October.
  - Discussed at Council on the 17<sup>th</sup> October as part of the as part of the Portfolio Holder for Finance and Governance's annual report.
- 3.2 The majority of these issues have been resolved or are in the process of being resolved. This includes the recruitment of a new finance team, delivery of monitoring in 2022/23, and compliance reporting. However, the Council still have not been able to complete the 2020/21 Statutory Accounts. This has been due to issues in rectifying issues on the cash receipting module of its new finance system. This also impacts key reconciliations.
- 3.3 The external Auditors have noted progress in their 2020/21 Annual Auditors Report which is also coming to this Committee for review. However, they have concluded that it is appropriate for them to use their powers to make written recommendations under section 24 of the Act, with the key reason being the non-delivery of the 2020/21 Statutory Accounts. Further details are set out in the attached report
- 3.4 Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:
- The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council. This will take place at the Council meeting on the 7<sup>th</sup> December
  - At that public meeting the Council must decide
    - whether the recommendations are to be accepted; and
    - what, if any, action to take in response to these recommendations.
  - Schedule 7 specifies the meeting publication requirements that the Council must comply with.
- 3.5 The report must come to Audit, Standards and Governance Committee initially for their discussion, and their views to then be fed into Council in December.
- 3.6 The External Auditors Report sets out that Management state that the proposed resolution is now in the final phase of rectification, with regression testing of the solution key to its implementation. With the Cash Receipting fix implemented, the Council are aiming to have a draft set of accounts ready for the end of November.
- 3.7 Page 4 of the External Audit Report sets out the main issues and the Council's Management Responses to each of those issues.

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## 4. **IMPLICATIONS**

### **Financial Implications**

- 4.1 Financial implications are set out in section 3.

### **Legal Implications**

- 4.2 This is set out in section 3.4 above.

### **Service / Operational Implications**

- 4.3 Non-Delivery of the 2020/21 Accounts is a fundamental deficiency and this is part of the Corporate Risk Register and impacts all service areas directly and indirectly.

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

- 4.4 There are none of these within this report.

## 5. **RISK MANAGEMENT**

- 5.1 Non-Delivery of the 2020/21 Accounts is a fundamental deficiency and this is part of the Corporate Risk Register.

## 6. **APPENDICES**

Appendix A – Bromsgrove District Council Section 24 Statutory Recommendation – Grant Thornton.

## 6. **BACKGROUND PAPERS**

None

## 7. **KEY**

None