

Bromsgrove District Council



Audit, Standards and  
Governance Committee

# ANNUAL REPORT

2022-2023



**Bromsgrove**  
District Council

[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

## **CHAIRMAN'S FOREWORD**

On behalf of the Committee, I would like to thank Councillor Luke Mallett for his Chairmanship during this municipal year and wish him every success in the future.

I have had the pleasure of chairing the Audit, Standards and Governance Committee for the remaining municipal year and honour of chairing the Section 24 Audit Task and Finish Working Group.

My particular thanks go to Democratic Services Officers for their support, Mr Carpenter, Mrs Felton and Ms Howell for guiding the Task Group through what has been a very detailed process and members of the Task Group for reading through over 1,000 sides of reports and participating in almost 20 hours of Teams meetings.

Thanks should also go to those interviewees who have been open and honest in helping complete the Task Group's investigations.

There is one observation, from my short time as Chairman and that is that I believe the membership of this Committee should be expanded in line with similar challenge committees in this Council.

**Councillor Steven Colella**

**Chairman of the Audit, Standards and Governance Committee**

**MEMBERSHIP**



Steven Colella (Chairman)  
December 2022 - May 2023



Adrian Kriss (Vice-Chairman)



Andrew Beaumont



Rachel Jenkins



Janet King



Peter Whittaker



Maria Middleton



Luke Mallett  
(Chairman - May-  
December 2022)



Caroline Spencer



Kate Van Der Plank  
(May – December 2022)

## **INTRODUCTION**

This report provides an overview of the Audit, Standards and Governance Committee's activities during the municipal year 2022-23.

The ultimate responsibility for Audit rests with the Portfolio Holder with responsibility for Finance and the Section 151 Officer. The Portfolio Holder is expected to attend each meeting as determined in the Council's Constitution.

During the year the Committee has considered reports and updates on the following subjects:

- Monitoring Officer's Report – which details complaints and training which has taken place during the period between meetings.
- Updates from the external auditors, Grant Thornton in respect of their work.
- Updates on the work of the Internal Audit Team.
- Section 24 Notice
- Risk Update
- Annual Review from The Local Government Ombudsman
- Financial Savings Monitoring Report
- The Statement of Accounts
- Regulation of Investigatory Powers Act 2000 (RIPA) Report.

Further information about some of the key responsibilities of the Committee are detailed within this report.

Meeting dates and minutes of the Audit, Standards and Governance Committee meetings can be found on the Bromsgrove District Council website, link detailed below:

[Meeting dates and minutes of the Audit, Standards and Governance Committee meetings 2022-23](#)

## **THE ROLE OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

### **Scope and Responsibility**

The Audit, Standards and Governance Committee provides independent assurance to the Council in respect of:

- The effectiveness of the Council's governance arrangements
- The Annual Governance Statement
- The Review of the Annual Statement of Accounts
- Risk Management Framework and strategies
- The effectiveness of the Council's financial and non-financial performance
- Anti-Fraud arrangements
- Whistle-blowing strategies
- Internal and external audit activity
- Democratic governance

The Committee is also responsible for the Council's Standards Regime which covers both District and Parish Councils. Areas encompassed within the Standards Regime include:

- Promoting High Standards of Conduct by Councillors and co-opted members of Council bodies.
- Assisting Councillors and co-opted members to observe the Members' Code of Conduct.
- Advising and training Members and co-opted members in respect of the Code of Conduct.
- Formulating advice to members and officers in declarations of gifts and hospitality.
- Granting dispensations to Councillors and co-opted members from requirements relating to interests as set out in the Code of Conduct.
- Considering reports from the Monitoring Officer following investigation into complaints about elected Members.

### **Meetings of the Committee – 2022-2023**

The Council's constitution requires the Audit, Standards and Governance Committee to hold quarterly meetings.

## **Standards Regime**

There are two main areas which are considered regularly in terms of the Committee's responsibility for Standards.

### **Monitoring Officer's Report**

This covers Member Training, Member Complaints and Parish Council matters.

If the elected Member was found to have breached the Authority's Code of Conduct, the powers available to the authority include a formal letter of warning to the Member and formal censure by motion, of a committee, for the removal of the Member from a committee (which did not legally prevent the Councillor in question from attending) and adverse publicity.

The Head of Legal, Democratic and Property Services added that the Council's Code of Conduct was designed primarily with the view of maintaining standards through a conciliatory approach and that there was a high reliance on the Monitoring Officer working in cooperation with political group leaders when finding resolutions to Member complaints.

It was reported through the Monitoring Officer's report that Members received training throughout the 2022-2023 municipal year. The training included the following sessions:

- Cyber Security training
- Safeguarding
- Member Safety Training
- Members on the Elections Act 2022

The Member Development Steering Group met a number of times throughout the municipal year and discussions took place regarding the Member Induction training that would be undertaken following the District Elections due to take place in May 2023.

The Constitution Review Working Group continued to meet during 2022-2023. Recently the group has discussed Supplementary Questions at Full Council meetings and Quorum Arrangements for the Audit, Standards and Governance Committee.

A number of Member complaints were received throughout the municipal year 2022-2023. In addition to this a number of general Parish Council queries of a procedural nature were also received and were being dealt with at a local level. It was also confirmed that a number of complaints have been made to the Monitoring Officer by Parish Councillors regarding matters that related to the Parish Councils. It was noted that these were most appropriately dealt with by Parish Councils and not by the District Council's Monitoring Officer.

## Dispensation Report

At the Audit, Standards and Governance Committee meeting held on 21<sup>st</sup> July 2022 the Dispensations Report was presented to the Committee. This report explained that under the Localism Act 2011 there was a requirement to consider the granting of Individual Member Dispensations. In addition to this, it was also necessary to consider General Dispensations (including Budget and Council Tax discussions) and Outside Body Appointment Dispensations. The dispensations agreed at this meeting remain valid until the first meeting of the Audit, Governance and Standards Committee following the next District Council Elections in May 2023.

## Parish Council Involvement

The Parish Council representative is able to add any item on to the agenda as required and this is highlighted within the Monitoring Officer's Report. Whilst Parish Councils have the opportunity to appoint two representatives on to the Committee, as has happened in previous years, only one of these places was taken up and the Parish Council representative for the municipal year 2022-2023 is Mr B. McEldowney.

## Investigations and Enquiries

There have been a number of complaints this year at both a Parish and District level. These continue to be investigated locally by the Monitoring Officer.

There have been no investigations about Members which required a Hearings Sub-Committee to be convened.

The appointed Independent Person has continued to support the Monitoring Officer where necessary.

## **INTERNAL AUDIT REPORTS**

During the year the Committee has continued to receive updates on the work of the Internal Audit team including details of the following completed audit reports:

- Internal Audit Plan 2022-2023
- Internal Audit - Progress Report
- Interim Auditor's Annual Report and Audit Opinion 2020-21

## **EXTERNAL AUDITORS**

During the year the Committee received reports from the current External Auditors, Grant Thornton on the following subjects:

- Grant Thornton - Sector Update
- Section 24 Report

The Progress Reports were considered at each meeting of the Committee and covered a range of issues including the following:

- Value for money
- Significant Risks
- Financial Statements
- Housing Benefits

## **SECTION 24 NOTICE**

In November 2022, Bromsgrove District Council was issued with a Section 24 Notice with the key reason being the non-delivery of the 2020-2021 Statement of Accounts. As a result of this, it was agreed at a Full Council meeting held on 7<sup>th</sup> December 2022 that a root and branch investigation would be undertaken on how the Council arrived at the Section 24 Notice. Further details of this investigation and any recommendations are available in the Audit Task Group's final report. The following Members of the Committee were appointed to the Audit Task Group on 19<sup>th</sup> January 2023:

- Councillor S. Colella (Chairman)
- Councillor A. Beaumont
- Councillor J. King
- Councillor A. Kriss
- Councillor M. Middleton
- Councillor P. Whittaker



### RIPA Report 2022-23

This report is considered annually by the Audit, Standards and Governance Committee as the legislation it relates to is required to be reviewed each year.

As part of the presentation Members were informed that the regime was overseen by the Investigatory Powers Commissioner's Office and included inspections of organisations by an Inspector appointed by the Commissioner.

At this meeting Members were advised of changes which had taken place since the Committee considered the last report in 2021 and were provided with details of refresher training which had also taken place.

### Grant Thornton - Housing Benefit 2020-21 Certification Letter

This is a report that is presented annually to Members in respect of the work undertaken each year in the certification of the Council's Housing Benefit subsidy claim to the Department for Work and Pensions (DWP).

During consideration of the Certification Letter for 2020-2021 it was reported that the workbook completion undertaken by Officers at the Council was of good quality. However, a number of issues had been identified and therefore additional testing needed to take place. It was also confirmed to the Committee that although the values were very small, any difference in monetary value was classified as a 'fail' and needed to be reviewed.

However, overall, it was a good news story as the number of errors had reduced and the Officers work was considered excellent.

### Internal Audit Plan 2022-2023

At this meeting it was outlined that this was a risk-based plan which considered the adequacy of the Council's risk management, performance management and other assurance processes, as well as organisational objectives and priorities. Included in the report was the following:

- The adequacy of the resource allocation.
- The changing internal environment and ongoing transformational work being undertaken.
- Internal and external audit findings in respect of the financial systems and their inclusion as audit areas, as it is considered certain risks remain in these areas.

- The flexibility of the plan and the balanced approach taken, with progress being monitored and reviewed regularly.
- If the plan were to be amended in the future this would be done in consultation with the Interim Section 151 Officer and brought back to this Committee.

Cyber Security was highlighted as currently of great concern to all Councils particularly in respect of insurance.

### Internal Audit Annual Report & Audit Opinion 2021-22

This report was a summary of looking back over the last year's work and provided commentary on Internal Audit's planned delivery for the period 1st April 2021 to 31st March 2022, against the performance indicators agreed for the service and further information on other aspects of service delivery.

During consideration of this report, it was noted that 4 reviews had limited or no assurance with potential risks to be addressed and 10 had moderate or above assurance and that an action plan was in place to address those areas with no or limited assurance.

At this meeting it was suggested that there was no doubt that the biggest challenge faced had been working through the new finance system together with the significant loss of experienced staff. It was noted that there had been a number of implementation issues, particularly with regards to cash receipting.

### Risk Register Update

At the meeting that took place on 21<sup>st</sup> July 2022 the Risk Register report was considered. As part of this report, it was noted that the Corporate Management Team (CMT) had met in March 2022 and although there was a risk management system in place further work was needed to be done to embed this into Council practices. As a result of this, Members were informed that a Risk Group was to be established. In addition to this, it was confirmed that Risk Champions had been appointed and trained for each service area and that they provided a pro-active role in cascading down information to other Officers.

## **13<sup>th</sup> October 2022**

### 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 years ending 31st March 2021 and 31st March 2022.

During consideration of this report, it was noted that the Monitoring Officer was required to report to Members, to summarise the findings on upheld complaints over a specific period. It was reported that any costs incurred from upheld complaints had been met from existing budgets and as such there was no direct financial implication to the Council resulting from any Ombudsman's recommendations.

#### Grant Thornton - Sector Update

The Committee received a local government audit sector update from the Engagement Lead for Grant Thornton. Included in this update was information regarding the future requirement from the Department of Levelling Up, Housing and Communities (DLUHC) for an Independent Member to be introduced to sit on Audit Committees at Local Councils. Members discussed the potential need for remuneration for this post and the difficulties the Council had encountered with past attempts at recruiting an Independent Member to the Committee.

#### Internal Audit - Progress Report

At this meeting the Committee received the Internal Audit Progress Report that summarised progress made against the delivery of the Internal Audit Plan 2022-23 as of 31st August 2022.

Information was provided regarding the Core Financial Systems which continued to occupy a substantial part of the internal audit team's planned time, due to the rectification work associated with the Council's new finance system. It was also reported that work continued on making progress with respect to areas which had returned a level of 'limited' assurance as reported in the Internal Audit Annual Report at the July Committee meeting.

There were concerns raised at this meeting regarding the 'limited' assurance in core areas of Council business such as Safeguarding and Fire Safety and at the request of Members the Council's Chief Executive attended the next meeting of the Committee.

#### Financial Savings Monitoring Report

The Interim Director of Finance presented the Financial Savings Monitoring Report and provided information on vacancy levels within the organisation, the staff pay award and increased energy costs.

#### Risk Update (Q1 & Q2)

During this update the Committee was advised that the Officer Risk Board continued to take place and that the process of risk monitoring was resulting in more risks being registered and mitigated.

The number of Departmental Risks continued to reduce and in terms of Corporate Risks, a risk had been added in relation to the delivery of Levelling Up, the UK

Shared Prosperity Fund (UKSPF) and the Towns Fund projects, due to resource implications and the time limited spend of the funding.

## **9<sup>th</sup> November 2022**

### Section 24 Report

As this meeting Members were provided with the Section 24 Report from the external auditors and that they had powers under the Local Audit and Accountability Act 2014 to make, if necessary, statutory recommendations under Section 24 of the Act.

The background to the statutory recommendations was outlined for Members information with regard to the implementation of the new financial ledger system and the significant challenges experienced in respect of the Cash Receipting module.

Members were informed that the Cash Receipting module issues had been resolved and that the module was now live. However, the delays experienced had resulted in the non-delivery of the financial statements for 2019-20. This, in turn, had also impacted on the delivery of the publication of the 2020-21 accounts, which had been due by the end of July 2022.

Included in this report was the management response to the statutory recommendations and the actions that had already been undertaken.

During consideration of this report Members discussed the following in detail:

- Strict timescales and protocols that needed to be followed by the Council and auditors concerning the issue of a Section 24 Notice.
- The disappointment in respect of the statutory recommendations that had been issued by Grant Thornton
- The loss of Council staff and staffing levels within the Finance Team during the implementation of the new finance system.
- The timeline for completion of the outstanding financial statements for 2020-2021, 2021-2022 and 2022-2023 financial statements.
- The external auditors' capacity to look at the financial statements.
- The approval process of the ERP including a Cash Receipting module system.
- The impact of Covid-19 on the finalisation of the accounts and implementation of the financial ledger system.
- The role of Internal Audit in the implementation of the new financial ledger system.
- Risk Management during the implementation of the new financial ledger system.

### Interim Auditor's Annual Report 2020-21

The Interim Auditor's Annual Report 2020-21 was presented at this meeting. The report covered arrangements that were in place in the period up to 31st March 2021 and highlighted the following 3 key areas:

1. Financial Sustainability
2. Governance
3. Improving economy, efficiency and effectiveness

In addition, there were 5 key recommendations and 13 improvement recommendations contained within the report.

During consideration of this report the importance of delivering the Medium Term Financial Plan 2023-2024 in two tranches and to have the correct staffing levels in order to do this was highlighted as vital to the Committee. In addition to this the following information was provided to Members:

- That the Corporate Management Team were driving extremely hard to increase the savings and a significant amount of the budget deficit had been covered.
- A considerable challenge that was still unknown was the large rise in inflation and associated pressures.
- Information on the Chancellor's Autumn Statement due on 17th November 2022.

Some concerns raised by Members during this item were as follows:

- Budget Holders' Responsibilities
- Workforce Planning
- Procurement Strategy

#### Audit Assurance of Safeguarding And Fire Evacuation (Verbal Update)

This verbal update in respect of the Audit Assurance of Safeguarding and Fire Evacuation was requested by the Chairman at the previous meeting of the Committee.

Members were reminded that the Safeguarding Audit, was given a moderate assurance not a limited assurance and that the Committee had received a report in April 2022, which had updated Members on the status and had highlighted that all actions had been completed. A further Safeguarding Audit would be undertaken in 2023-24 and the outcomes would be reported to the Committee. In addition to this, the Safeguarding Policy had been updated and Safeguarding training had also been rolled out to all Officers across the Authority.

The Health and Safety Training Records Audit, which had been undertaken in 2018 had been followed up and a report presented to the Committee in October 2021, stating that all of the actions had been completed and addressed.

## Annual Appointment of Risk Champion

At this meeting no nominations were received for the role of the Risk Champion and therefore it was agreed that this item be considered at the next meeting of the Committee.

## **14<sup>th</sup> December 2022**

### Annual Governance Statement 2020-21

The Interim Director of Finance presented the Annual Governance Statement 2020-21 which formed part of the annual closure of accounts process.

- Officers clarified that the purpose of this Annual Governance Statement was to provide the Council's governance position as of the 2020-21 financial year with sections on significant governance issues, including governance recommendations from the Section 24 Statement and the Interim 2020-21 Audit Report providing additional commentary on the progress that had been made up to the current point in time.
- Members requested that references to 'robust financial management' be removed from the Annual Governance Statement on the basis that the document referred to the financial year 2020-21, with only the appended sections in the tables referring to the progress that had been made since.
- It was clarified that AP/AR processes referenced on page 34 of the main agenda pack referred to the Accounts Payable/Accounts Receivable (AP/AR) systems. It was explained that the AP side of the system had worked correctly, whilst on the AR side the issue with cash receipting had been rectified as of 6 November 2022, but the process still required embedding.
- Officers noted that the Council's finance department was now almost up to full capacity, holding four vacancies with three agency staff covering those vacancies.
- Members asked how the effectiveness of working from home arrangements could be measured from an internal audit perspective. In response, it was stated that this was a matter of service delivery rather than audit and its effectiveness would be measured primarily by customer satisfaction rates, followed by the savings that it delivered. It was highlighted that local authorities had generally experienced a growth in productivity after switching to hybrid working measures.

### Statement of Accounts 2020-21

The Interim Director of Finance presented the draft Statement of Accounts 2020-21 which provided the Committee with an opportunity to review the Accounts and formally approve them prior to the commencement of the external audit, estimated to

start in mid-January 2023. A verbal update in respect of the Statement of Accounts was presented at a further meeting of the Committee on 19<sup>th</sup> January 2023.

### Recommendation from Council for the Consideration of the Audit, Standards and Governance Committee

As stated earlier in this report, at a meeting of Full council on 7<sup>th</sup> December 2022 a recommendation was made that the Audit, Standards and Governance Committee carry out a root and branch review of the process leading up to the Council's Section 24 Notice.

Following discussion of the recommendation it was agreed that an Audit Task Group would be set up and the investigation to take place in a timely manner.

### Election of a Risk Champion

During consideration of this item Members requested that a role of the Risk Champion be presented for Members consideration at the next meeting of the Committee.

## **19<sup>th</sup> January 2023**

### Root and Branch Review of how the Council arrived at the Section 24 Notice

At this meeting the Committee considered the arrangements for the proposed Audit Task Group to enable the root and branch investigation of how the Council arrived at the Section 24 Notice.

It was proposed that the meetings would start in early February 2023 and conclude prior to the Local Government Association's Corporate Peer Review which was due to commence on 6<sup>th</sup> March 2023.

### Verbal Update On Submission Of Statement Of Accounts 2020-21

It was reported that the indicative timeline for the issuance of opinion on the 2020-21 Statement of Accounts was July 2023 or later, with 2021-22 Accounts not expected to have an opinion issued before the end of the 2022-23 financial year, and the delivery of the 2022-23 Accounts expected before the end of the 2023-24 financial year; by which time the Council should be up-to-date with the auditing of the financial statements.

In response to questions from Members, it was noted that the Section 24 Notice issued to the Council would lapse once the 2020-21 Statement of Accounts had been signed-off by the Auditors.

#### Internal Audit Progress Report

The Head of Worcestershire Internal Audit Shared Service reported that the main internal audit report before the Committee concerned the monitoring of the Council's fleet, and that three follow-up reports had also been submitted following the Committee's request for follow-up internal audit reviews in these areas.

Cyber security was raised at this meeting. The Committee was informed that cyber security insurance would not be available to local authorities after the end of this financial year as insurers were withdrawing this option due to the high risk. Bromsgrove District Council was covered by cyber security insurance until June 2024. But it was imperative that the Local Government Association (LGA) was lobbied on this matter to ensure that a 'self-insurance' option was available in the sector in the absence of private insurance provision.

#### Financial Savings Monitoring Report

This was the second Financial Savings Monitoring Report provided to Members this municipal year. During consideration of this item the overspend position of the Council and the amount of reserves were highlighted for Members' attention.

#### Risk Report

The Committee considered the Quarterly Risk Update at this meeting and that the Council now had an agreed definition of a Corporate Risk and that the number of departmental risks had continually reduced in the last 9 months. Issues with mould/damp in private sector properties and the cost of living would be included as a separate risk items in the future.



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