

BROMSGROVE DISTRICT COUNCIL

Council

6th December 2023

INTERIM AUDITORS ANNUAL REPORT 2021/22 AND 2022/23

Relevant Portfolio Holder	Councillor Charlie Hotham, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Pete Carpenter
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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 the Interim Auditor's Annual Report from our External Auditors Grant Thornton for 2021/22 and 2022/23. This was received by Audit, Standards and Governance Committee on the 27th November 2023. The report sets out progress since the 2020/21 Report and contains an updated Statutory Recommendation with the **key reason** being the non-delivery of the 2020/21 and subsequent financial statements. This report sets out the reason for the updated Statutory Recommendation, the progress the Council has made since last year's report, and the process the Council now has to follow to rectify that position.

2. RECOMMENDATIONS

Audit Standards and Governance Committee at their meeting on the 27th November 2023 Recommended that Council:

- 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.
- 2 That Audit, Standards and Governance Committee members are updated on key deliverables, where deemed applicable by the Chairman, the Cabinet Member for Finance and Enabling and the Section 151 Officer, between Committee meetings and that appropriate governance arrangements are put in place to resolve the Council's position.

3. Background

Introduction

- 3.1 The Council received a Section 24 Statutory Recommendation, 5 Key Recommendations and 13 Improvement Recommendations in the 2020/21 Interim Auditor's Annual Report. During the last year, Members have been updated on progress on delivering to the requirements of the Statutory Recommendation and associated financial issues through the Accounting Policies Reports that are reviewed at every Audit, Standards and Governance Committee and the Financial Recovery Reports that go to Cabinet. In addition, a Task Group was convened in Bromsgrove to identify the underlying issues for the delivery of the Section 24 Statutory Recommendation in February 2023. This Task Group's Report was reviewed and its recommendations accepted.
- 3.2 As set out in those reports the Section 24 Statutory Recommendation is due to the issues the Council 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 and subsequent Accounts, delivery of 2021/22 in year monitoring, delivery of Government Returns being key items.
- 3.3 As set out in the Interim Auditor's Annual Report 2021/22 and 2022/23 (attached as Appendix A):
- The Section 24 Recommendation around the delivery of the 2020/21 accounts is still in place and has been extended to the subsequent accounting periods now outstanding.
 - Of the 5 Key Recommendations in the 2020/21 report, only one serious weakness remains in relation to opening balances linked to the budget which will be resolved with the delivery of the Accounts, the remainder of those significant weaknesses have been resolved or linked to Improvement Recommendations (of which there are 10 in the report).
 - There is one new Key Recommendation linked to Organisational Capability and Capacity. The Council is mitigating this in the main through the rollout of the Workforce Strategy.
 - Of the 13 2020/21 Improvement Recommendations, 9 have been fully or partially addressed and 4 are yet to be addressed. Again, ongoing improvements are linked to the 10 new Improvement Recommendations set out in the External Auditors report.
- 3.4 The External Auditors have noted the significant progress the Council has made in all areas apart from the delivery of the Accounts. As such the existing S24 Statutory Recommendation remains outstanding in relation to the 2020/21 Accounts and 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 and subsequent Statutory Accounts. Further details are set out in the attached report.

- 3.5 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 being scheduled for the 6th December 2023.
 - 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.
- 3.6 Audit, Standards and Governance Committee at their meeting on the 27th November reviewed the report in the presence of the External Auditors and accepted the recommendations and the proposed management actions. The Committee added an additional recommendation linked to the timescales and route of delivery.
- 3.7 The External Auditors Report sets out that Management state that the proposed resolution of the opening balances (Period 0) as at the 8th February have been provided on the 13th November. Once these are reviewed and agreed by the External Auditors the draft 2020/21 Accounts can be provided.
- 3.8 Pages 4 to 7 of the External Audit Report sets out the main issues and the Council's Management Responses to each of those issues.

4. **IMPLICATIONS**

Financial Implications

- 4.1 Financial implications are set out in section 3.

Legal Implications

- 4.2 This is set out in section 3.5 above.

Service / Operational Implications

- 4.3 Non-Delivery of the 2020/21 and subsequent 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.

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5. RISK MANAGEMENT

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

6. APPENDICES

Appendix A – Bromsgrove District Council Interim Auditors Annual Report 2020/21 and 2022/23 – Grant Thornton.

7. BACKGROUND PAPERS

S24 Report to Audit, Standards and Governance Committee – November 2022
2020/21 Draft External Auditors Annual Report – Audit, Standards and Governance Committee – November 2022
Accounting Policies Reports to every Audit Committee in 2023

8. KEY

None