

Bromsgrove District Council



Audit, Standards and
Governance Committee

ANNUAL REPORT

2023-2024



Bromsgrove
District Council

www.bromsgrove.gov.uk

CHAIRMAN'S FOREWORD

On behalf of the Committee, I would like to thank Councillor Steven Collella for his Chairmanship prior to the May local elections. I am particularly grateful to all the Members of the Committee for their diligence and attention given the breadth of work that the Committee undertakes.

My particular thanks go to Democratic Services Officers for their support, and to Mr Carpenter for dealing with the ongoing issues of non-delivery of the 2020-2021 accounts - issues, as highlighted, that are facing many local councils in the current economic climate. I am grateful for Councillor McEldowney, as Risk Champion, inquiring, amongst other topics, into the concerns over RAAC concrete.

Looking forward, there are two aspects this Committee should look to ensure happen. The first is the appointment of an independent lay member of the Committee. This is both a national recommendation and something that was highlighted in Councillor Collella's previous report to Council. Finally, as our Committee's role covers whistle-blowing strategies, this should be made more explicit to the public via the Bromsgrove District Council website.

I believe that the Audit, Standards and Governance Committee has provided and continues to provide a valuable contribution to the development of standards and protocols across the Council's governance in an effective and compliant way.

Councillor David Nicholl

Chairman of the Audit, Standards and Governance Committee

MEMBERSHIP



David Nicholl (Chairman)



Harrison Rone Clarke (Vice-Chairman)



Rachael Bailes



Samuel Evans



Derek Forsythe



David Hopkins



Bakul Kumar



Bernard McEldowney



Simon Nock



Justin Stanley



David Stewart



Marc Worrall (Parish
Councils' Representative)

INTRODUCTION

This report provides an overview of the Audit, Standards and Governance Committee's activities during the municipal year 2023-24.

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.
- Joint Interim Auditor's Annual Report 2021-22 and 2022-23
- Quarterly Risk Update
- Annual Review from the Local Government Ombudsman
- Financial Compliance Report (including updates on Statements of Accounts)
- Financial Savings Monitoring Report
- 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 2023-24](#)

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 – 2023-2024

The Council's constitution requires the Audit, Standards and Governance Committee to hold quarterly meetings. At its meeting on 9th March 2023, the Committee agreed that it should hold six meetings per municipal year (meet bi-monthly) until issues with the submission of the outstanding Statements of Accounts have been resolved.

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 does not legally prevent the Councillor in question from attending), in addition to adverse publicity.

The Council's Code of Conduct is designed primarily with the view of maintaining standards through a conciliatory approach and 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 2023-2024 municipal year. The training included the following sessions:

- Code of Conduct training
- Modern.gov
- Safeguarding
- Data Protection
- Member Safety Training
- Carbon Literacy Training
- Decarbonisation of the Vehicle Fleet
- Procurement Training

The Member Development Steering Group (MDSG) has met a number of times throughout this municipal year. MDSG discussed the needs and adaptations required to make training relevant to Members. In addition, discussions took place regarding the Member Induction and training for the next municipal year.

The Constitution Review Working Group (CRWG) is a cross-party group where any potential changes to the Council's constitution are discussed. CRWG has continued to meet during 2023-2024 and had been considering issues relating to constitutional changes that follow the Council's approval on 20th September 2023 of the hybrid Leader and Cabinet governance model. This is due to be implemented from the start of 2024-25 municipal year. Among the items of business that the Group discussed are various constitutional updates deemed necessary to enact the hybrid Leader and Cabinet arrangements including updates to terms of reference for the Cabinet Advisory Group (CAG), Memorandum of Understanding (MoU) for cross party working.

Topics such as behaviour at meetings and the rules for remote participation in meetings have also been considered.

Member Complaints

An update on Member complaints has been provided in all Monitoring Officer's reports. It is noted that several Member complaints had been received to date in 2023-24, most of which have been resolved locally. There had also been a number of complaints received in respect of Parish Councillors. It was noted that these were most appropriately dealt with by Parish Councils and not by the District Council's Monitoring Officer.

Dispensation Report

The Audit, Standards and Governance Committee received a number of dispensations reports this year.

On 1st June 2023, the General Dispensations Report was considered and through this the Committee agreed to grant General Dispensations (including Budget and Council Tax discussions) and Outside Body Appointment Dispensations.

The reports on Individual Member Dispensations were considered 17th July 2023 and 14th September respectively. The requests for individual member dispensations detailed in those reports were granted by the Committee. The dispensations agreed at these meetings remain valid until the first meeting of the Audit, Governance and Standards Committee following the next District Council Elections in May 2027 unless amended by the Committee prior to that date.

A further Individual Member Dispensations Report would be considered at the meeting on 7th March 2024.

Parish Council Involvement

The Parish Councils representative is able to add any item on to the agenda as required as outlined in the Committee Terms of Reference. Whilst Parish Councils have the opportunity to appoint two representatives on to the Committee, only one of these places was taken up. The Parish Councils Representative for the municipal year 2023-2024 is Mr M. Worrall.

Investigations and Enquiries

There have been a number of complaints this year at both Parish and District levels. 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 current Independent Person, Mr. Mel Nock, has continued to support the Monitoring Officer in the management of Member to Member complaints where necessary. The Council has considered joining the other District Councils in Worcestershire that had a retained pool of Independent Persons – any proposals for this would be considered by the Committee. In the meantime, Mr. Nock, remains the Independent Person on an interim basis.

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 2023-2024 (1st June 2023 meeting)
- Internal Audit Annual Report and Audit Opinion 2022-23 (1st June 2023 meeting)
- Internal Audit - Progress Report (every meeting).

EXTERNAL AUDITORS

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

- Grant Thornton - Sector Update (quarterly)
- Joint Interim Auditor's Annual Report 2021-22 and 2022-23 (27th November 2023)

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. This year due to continued non-delivery of Statements of Accounts for 2020-2021, the Section 24 Notice was reissued by the External Auditor in November 2023. The Audit, Standards and Governance Committee recommended that this is accepted at the meeting of 27th November 2023, and this was subsequently approved at full Council on 6th December 2023.

At the 27th November 2023 meeting, it was noted that the Council continued to make progress in respect of addressing the key and improvement recommendations issued by External Auditors. It was restated that the sole reason for the reissuing of the statutory recommendation (Section 24 Notice) was the non-delivery of 2020-21 Statement of Accounts.

The Council has continued to implement the recommendations of the Bromsgrove Audit Task Group that carried out a root and branch review of how the Council arrived at the Section 24 Notice (these recommendations were approved for implementation by Cabinet on 15th March 2023).

Risk Champion Updates

The Risk Champion for the Council, Councillor B. M. McEldowney, has provided comprehensive updates on risk at all meetings of Audit, Standards and Governance Committee. The risk updates spurred a number of significant discussions among Members and a number of issues were followed up in detail. At the request of the Risk Champion, a detailed discussion and a response from senior officers was provided on equal pay and financial vulnerabilities of the Council. This followed concerns raised by the Risk Champion, the Chairman, and all Members of the Committee, about the situation at Birmingham City Council with regard to equal pay. Members were reassured about the Council's reasonable financial position, and officers explained that the Council last carried an equal pay audit in 2019 and was confident that its scheme ensures equality of pay.

Below is a summary of the main matters discussed at Audit, Standards and Governance Committee in this municipal year:

1st June 2023

Regulation of Investigatory Powers Act 2000 (RIPA) Report 2023-24

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.

General Dispensations Report

A number of general dispensations for all Councillors were granted. This includes a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and Committees in circumstances where a member of the public may elect to speak, and a dispensations under the above legislation to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of the Budget, Council Tax, Members' Allowances, and non-Domestic Rates – discretionary rate relief policy and guidance affecting properties within the District.

It was noted that these dispensations remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

Grant Thornton – External Audit Progress Report and Sector Update

The Committee was updated on the Council's submission of 2020-21 Accounts. It was recapped that a draft version of the Council's 2020-21 financial statements was presented to Members of the Audit, Standards and Governance Committee in December 2022, however, the Account had not yet been signed-off and submitted to the External Auditor. It was acknowledged that this was due to the Section 151 Officer awaiting the conclusion of the External Auditor's work on opening balances before signing the draft 2020-21 financial statements.

The External Auditor reported that testing had been performed on the data migration event from the Council's legacy financial ledger, eFinancials, to the new financial ledger supplied by TechnologyOne. Testing involved the selection of 25 transactions from the eFinancials reports to the TechnologyOne system and 25 transactions from the equivalent TechnologyOne transactional reports to the eFinancials system and checking that they had been migrated appropriately. No issues had been identified

during this testing.

It was explained, however, that the number of transactions tested represented a negligible volume of total transactions processed in the data migration event and the External Auditor had been unable to gain sufficient assurance on the basis of this testing that the whole data migration event was performed correctly. As a result automated solutions for gaining assurance over the data transfer were being considered by the External Auditor.

It was noted that 31st May 2023 was the statutory deadline for local authorities to submit the draft 2022-23 financial statements to their external auditors. The Council was significantly behind in terms of completion of its Accounts audits, and the Committee was reminded the Council was issued with statutory recommendations under Section 24 of the Local Audit and Accountability Act 2014 primarily for non-delivery of its 2020-21 Statement of Accounts.

Quarterly Risk Update

It was noted that this was the fourth cycle of reviewing Corporate and Departmental Risks since the original baselining of risks in April 2022.

The number of Corporate Risks stood at 13, including a risk related to the Cost of Living Crisis. Since last reporting, a new Corporate Risk had been added which related to the replacement of the Council's existing Customer interface, which was also linked to significant budgetary savings in the 2025/26 financial year.

The number of Departmental Risks continued to reduce and in this reporting period stood at 51. There was 1 red risk related to Revenues - Performance Indicator data which was not deemed robust as it could not be system generated. It was reported that it was unlikely the number of departmental risks could now be further reduced as most of the remaining risks were linked to compliance.

Financial Compliance Report including progress update on Statements of Accounts

Members were informed that the Accounting Policies Report before the Committee provided details of the financial governance framework under which the Council operated and the legislative reporting requirements for reporting to central government in respect of financial compliance.

It was noted that the Council's 2023/24 Budget was approved in February. Budgets were now loaded and a draft budget book was being prepared to assist in Members understanding the Budget. In terms of the budget process, Members were informed that a provisional outturn report would be presented to Cabinet at its July meeting.

It was agreed that this report would come to each Audit, Standards and Governance

Committee meeting to alert Members to possible no compliance issues.

Internal Audit Plan 2023-2024

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 internal audit 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 Section 151 Officer and brought back to this Committee.

It was explained that the coverage of the Plan had been based upon the Council's risk priorities as per the Corporate and Departmental risk registers. Areas of large budgetary spend areas had also been considered, along with areas that had direct association to the Council Plan.

Internal Audit Annual Report & Audit Opinion 2022-23

This report was a summary of looking back over the last year's internal audit work and provided commentary on Internal Audit's delivery for the period 1st April 2022 to 31st March 2023, against the performance indicators agreed for the service and further information on other aspects of service delivery.

It was noted that Debtors and Main Ledger audits received limited assurance and this was linked to issues with the cash receipting module of the new ledger system. It was highlighted that the implementation of the new finance system had created significant risks for the Council, however, the Council was undertaking significant work to rectify the issues (including clear outstanding sets of unaudited accounts).

It was the opinion of the Internal Auditor that enough coverage in terms of internal audit had been provided in 2022-23.

Annual Appointment of Risk Champion

The Committee appointed Councillor B. M. McEldowney as the Council's Risk Champion for 2023-24.

Dispensations Report – Individual Member Dispensations

This report considered specific dispensations that Members had applied for in advance of this meeting. The Individual Member Dispensations (IMDs) and Outside Body Appointments dispensations that were requested by Members up to the point of the meeting were granted under section 33 (2) of the Localism Act 2011. This enables those Members who applied for specific dispensations to participate in and vote at Council and Committee meetings in the individual circumstances detailed.

It was noted that the dispensations granted would remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

It was agreed that the Monitoring Officer write to each political Group Leader asking that they remind all Members of their obligation to request appropriate dispensations, if this was required.

Quarterly Risk Update

The Committee considered a risk update which set out corporate and departmental risks changes since the report to Committee in June 2023. It was reported that there had been no changes to the number of corporate risks since the last report. The cyber risk had moved from amber to red due to the increased risk in this area despite all the mitigations put in place. The total number of Departmental Risks also remained unchanged from last report.

Internal Audit - Progress Report

The Committee received the Internal Audit Progress Report that summarised progress made against the delivery of the Internal Audit Plan 2023-24 up to 30th June 2023. It was reported that the outstanding pieces of work with respect to the 2022-23 Internal Audit Plan were now nearing completion.

Financial Compliance Report including update on Statements of Accounts

The Committee considered the Accounting Policies Report which noted, as at the end of June, progress with the 2020/21 Statement of Accounts, the 'budget book' for 2023/24 and key reporting deliverables that were required by legislation to be submitted to the Government.

Dispensations Report – Individual Member Dispensations

A further report on individual member dispensations was considered as more requests for individual dispensations were received after the meeting of the Committee on 17th July 2023. The new requests were detailed and those dispensations were granted under section 33 (2) of the Localism Act 2011. This enables those Members named in the dispensations to participate in and vote at Council and Committee meetings in the individual circumstances detailed.

It was noted that the dispensations granted would remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

Grant Thornton – External Audit Progress Report and Sector Update

It was reported that some progress had been made with regard to the work on the Council's 2020-21 Statement of Accounts since that meeting. The External Auditors were able to verify and gain assurance that data reports from the legacy eFinancials system for periods 1 to 11 of the 2020-21 financial year provided real financial data. The data for periods 1 to 11 was now available in the format appropriate for its audit.

However, it was not possible to date for the Council to provide auditors with data included in period 0 of 2020-21 financial year. As a result, External Auditors had not yet been able to undertake any work on the balance sheet as period 0 transactions were critical for understanding the balance sheet position (the opening position). The Council continued attempts to reinstate their business objects licence for the eFinancials system in order to run a period 0 report and export it into an appropriate file. This would enable work on verification of period 0 balances to be started.

The External Auditor reported that on 15th August 2023 a decision was taken to redirect the audit team to other work as there were insufficient working papers were available. It was reported that the External Auditors would resume work on the 2020-21 Accounts audit in October 2023, with the timeline for audit completion of the Council's 2020-21 Accounts estimated to be March 2024.

It was stated that a joint Auditors Value for Money Annual Report for 2021-22 and 2022-23 financial years would be prepared and it was expected that this would be reported to the Audit, Standards and Governance Committee in this calendar year.

The Committee was updated 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). It was reported that the External Auditor had certified the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed by DWP. The work on 2021-22 subsidy claim certification was expected to be

concluded within the next month. Members were reassured that there was no impact to residents, including in terms of payments of benefits, as a result of the national delays to certification work on Housing Benefit claims.

Internal Audit - Progress Report

The Committee received the Internal Audit Progress Report that summarised progress made against the delivery of the Internal Audit Plan 2023-24 up to 31st July 2023.

Financial Compliance Report including update on Statements of Accounts

The Committee considered the Financial Compliance Report which noted, as at the end of June, progress with the 2020/21 Statement of Accounts, the 'budget book' for 2023/24 and key deliverables as required by legislation and government.

It was noted that a number of key legislative deliverables had recently been submitted to Central Government, however, the key returns that remained outstanding for the Council were the Revenue Outturn forms for 2020/21 and 2021/22 and the VAT returns.

It was reported that measures were in place to improve procurement processes including the 'No Compliance No Order' process that had been live since April 2023, and all contracts requiring renewal over the existing £50,000 key decision threshold being reported to Cabinet through quarterly Finance and Performance Monitoring Report.

It was highlighted that the key issue remained the closure process for 2020-21 Statement of Accounts with work still undertaken by the Council and the External Auditors to validate the take on balances. The audit of the 2020-21 accounts was expected to be finalised in spring 2024.

The Committee made a Recommendation to Cabinet in respect of the concerns over provisional plans for the Department for Levelling Up, Housing and Communities (DLUHC) to introduce backstop dates for when the auditing of accounts had to be completed. The provisional deadlines for local authorities were as follows: 2020-21 Statements of Accounts to be signed-off by auditors by 31st March 2024 and the 2021-22 Statements of Accounts to be signed off by auditors by September 2024. The Recommendation to Cabinet read as follows:

RECOMMENDED that Cabinet ascertain from the Department for Levelling Up, Housing and Communities (DLUHC) the mechanism for audit of local authorities' accounts to be caught up as per their press release.

This recommendation was considered by Cabinet on 18th October 2023 (Minute No 39/23). A number of amendments to the wording of the recommendation were made and the Cabinet passed the following resolution:

RESOLVED that The Leader of the Council writes to the Department for Levelling Up, Housing and Communities (DLUHC) regarding the mechanism for auditing of local authorities' accounts to be caught up as per their press release and that a copy of the letter be forwarded to the Local Government Association (LGA).

Financial Savings Monitoring Report

This report outlined the areas of savings for the Council. It was explained that the Council was able to make additional savings of circa £1 million accounted for over the 2023-24, 2024-25 and 2025-26 financial years as a result of the favourable outcome of the triennial pension fund valuation. The next valuation was to be undertaken in the 2026-27 financial year. Another saving are highlighted was the one-off savings expected from recovering old debt (engaged capacity grid). The Council had around £6 million in uncollected debt, and it was expected that around 10 per cent of that figure might be recovered.

It was reported that at Q1 the projected full year overspend position on the 2023-24 revenue budget was £788,000. The overspend position was due to two main factors and these were the Local Government Pay Award, which at circa 6% is significantly more than the 2 per cent budget assumption, and the additional costs of maintaining the fleet.

Officers commented that a pay award offer for the local government sector was 6.8 per cent for the current financial year. It was commented that following last year's pay award of over 6 per cent, if confirmed, this offer would represent another year of pay awards in excess of 2 per cent, which was unprecedented.

To offset the impact of this, the Q1 Finance and Performance Monitoring Report going to Cabinet proposed that the assumed yearly drawdown of £351,000 be made from the Utilities Reserve, given the lower-than-anticipated utilities inflation. This would mitigate some of the overspend position and leave a £437,000 overspend position. The ongoing 2023/24 pay increases position, once finalised and ratified later this year, would then need to be resolved as part of the 2024/25 Medium Term Financial Plan (MTFP) process. It was proposed that in the following year's budget the percentage increase anticipated for ongoing pay awards be raised to 3 per cent.

It was clarified that the Council presently had an estimated £5.226 million in General Fund Reserves to cover one off issues, and a further £5.502 million in Earmarked Reserves for specific purposes. Accessing these was the only recourse available to the Council, apart from making reductions in spending, that the Council had to mitigate the present overspend position.

Annual Review Letter of The Local Government and Social Care 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 year ending 31st March 2023.

During consideration of this report, it was noted that the Monitoring Officer was required to report this to Members, including to summarise the findings on upheld complaints over a specific period. It was reported that there was a cost implication of £150 arising from an upheld complaint that had been met from existing budgets. It was noted that in relation to this complaint, the Ombudsman also recommended that the Council review its practices in terms of recovering overpayments.

Members requested that this report be brought forward to the Committee earlier in the municipal year, in line with when the Annual Review Letter was issued by the Ombudsman (usually in summer each year). It was noted that reporting on complaints would become more regular as it would form part of the Quarterly Finance and Performance Monitoring Reports that would be presented to Cabinet and scrutinised on request by the Finance and Budget Working Group (sub-committee of the Overview and Scrutiny Board).

Members asked that the next iteration of reporting on complaints include detail on the number of outstanding complaints at the start of the Ombudsman reporting period.

Joint Interim Auditor's Annual Report 2021-22 and 2022-23

The Joint Interim Auditor's Annual Report, covering the period from 1st April 2021 to 31st March 2023, followed from the Section 24 Report considered by Audit, Standards and Governance Committee on 9th November 2022. Last year's Section 24 Report set out the Statutory Recommendation issued by the External Auditor under Section 24 of the Local Audit and Accountability Act 2014. It was highlighted that the Report before Members at this meeting updated on the progress against Statutory, Key and Improvement Recommendations that were issued in November 2022.

The Key Audit Partner explained that the Statutory Recommendation issued last year had been updated, and this was solely due to the Council's non-delivery to date of the 2020-21 financial statements. Subsequent financial statements also remained unaudited. It was deemed appropriate by the External Auditor to continue with the statutory recommendation due to the issues of transparency with financial reporting that still need to be fully resolved.

An update was provided on the status of the five key recommendations issued by the External Auditor in the previous year. It was noted that of the five key recommendations, four had been lifted, resolved, or downgraded to an improvement recommendation status, a lower level of recommendation that could be issued by the auditor. There were now 10 improvement recommendations. One serious weakness remained in relation to opening balances linked to the budget which would only be resolved through the delivery of the Accounts. This continued to be highlighted in that the Section 24 Statutory Recommendation remained.

It was noted that the External Auditor's had raised one new key recommendation with regard to organisational capacity and capability. The External Auditor deemed it appropriate to raise this key recommendation due to the Council's high staff turnover and capacity constraints coupled with the task of rectifying the issues with the ledger implementation. It was noted that the Council now had a Workforce Strategy in place which was a step in the right direction to resolve this recommendation, but effort now needed to be directed towards embedding this Strategy within the Council's processes.

This report proposed two recommendations to the Committee, which were accepted. These are as follows:

RECOMMENDED

- 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; and*
- 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.*

These recommendations were subsequently considered, and approved, by full Council on 6th December 2023.

Quarterly Risk Update

It was noted that this was the sixth cycle of reviewing Corporate and Departmental Risks since the original baselining of risks in April 2022. The organisational risk level had moved to a moderate assurance level from May 2023.

There were 13 Corporate Risks, a number unchanged since March 2023. It was highlighted that risks relating to financial position rectification and new customer facing interface had moved from amber to red due respectively to lack of clarity from

the Government on audit deadlines (backstop dates) and the volume of work required in ensuring Council's customer interfaces data was up-to-date.

The number of Departmental Risks continued to reduce and now stood at 43 (compared to 51 at the previous report). There was 1 red risk related to Revenues - Performance Indicator data which was not deemed robust as it could not be system generated. It was reported that it was unlikely the number of departmental risks could now be further reduced as most of the remaining risks were linked to compliance.

Internal Audit – Progress Report

The Internal Audit Progress Report was presented. This report requested that revisions be approved to the 2023-24 Internal Audit Plan. This was due to pressures that affected the Worcestershire Internal Audit Shared Service (WIASS), including long-term sickness of staff and the loss of key personnel.

As a result, the report asked for approval of revisions to the 2023-24 Internal Audit Plan, in particular deferral of audits where this was prudent to do from a risk assurance perspective. The audits to be chosen for deferral to 2024-25 financial year were in relation to the Council Tax, National Non-Domestic Rates, and Benefits. The Committee agreed to the revisions proposed in the report.

Accounting Polices Report including update on Council's Statements of Accounts

An update on training that had taken place to increase financial awareness and skills of staff was provided. Training had been taking place on the use of the Council's enterprise resource planning (ERP) system. A mandatory budget manager training (which included the use of the TechnologyOne system) took place in September 2023 – through this training budget managers have been upskilled to input their budget forecasts directly into the system, rather than on spreadsheets. Further mandatory financial awareness training for managers took place in August and September 2023.

Equal Pay and Financial Vulnerabilities – Response to Members' Questions

A written response was provided by the Chief Executive Officer in relation to Members' questions on equal pay and financial vulnerabilities. The Council's Risk Champion thanked the Chief Executive and Council Officers for the swift response on this matter, especially in the context of recent reports about the situation at Birmingham City Council.

Internal Audit Progress Report

The Committee received the Internal Audit Progress Report that summarised progress made against the delivery of the Internal Audit Plan 2023-24 up to 31st December 2023. It was explained that as of this date, 48 per cent of the plan for the year had been completed. This was an improvement on last year's progress at this point.

In terms of critical audit reviews, it was noted that Accounts Receivable and General Ledger were the key internal audits from the Council's perspective as they provided a reflection of the progress the Council has made in terms of the financial recovery programme.

It was reported that with respect to cyber security that following publicised cyber-attacks on other councils, there was a proposal as part of the Tranche 2 of the Medium Term Financial Plan to increase the Council's annual funding for cyber security. It was also noted that as part of the Q2 Monitoring Report, an additional £50k was requested for upgrading and replacing tape drives. The tapes provided physical back up of IT data.

Capital Strategy 2024-25 including Treasury Management Strategy

The Committee received a report on the Capital Strategy 2024-25 including Treasury Management Strategy. The report combined an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk was being managed and the implications for future financial sustainability of the Council.

The Deputy Chief Executive and Section 151 Officer explained that these reports were important from a compliance point of view. Any deviation from these strategies had to be reported directly to Audit, Standards and Governance Committee and then Council.

The Committee recommended that the Council approve the Capital Strategy as an overarching strategy for the Council in addition to the Treasury Management Strategy, the associated Minimum Revenue Provision (MRP) policy, and the Investment Strategy.

This was considered by full Council, and all strategies were approved, on 21st February 2024.

Accounting Policies Report including update on Council's Statements of Accounts

It was reported that local authorities have now been informed of Government proposal to introduce a backstop date of 30th September 2024 for completion of all outstanding local audits up to 2022-23 financial year. Local authorities would be consulted on the plans to tackle local government audit delays, including on the proposed backstop date, in February 2024.

It was reported that around 290 local authorities had yet to have their 2021-22 Accounts audited. As such, the proposal was a significant concern across the local government sector. There also remained concerns that the backstop proposal has not addressed the issue of lack of external audit resource.

Key points arising from the Provisional Local Government Finance Settlement were also presented. It was noted that generally there would be a 4.9 per cent increase in funding for Borough and District Councils, local authorities would have the ability to increase Council Tax by up to 2.99 per cent. For planning applications, there would be a charge increase of 25 per cent (small) and 35 per cent (large) applications respectively.

Financial Savings Monitoring Report

The report looked at 2023-24 budget savings and provided monitoring of savings. It was reported that savings from both tranches of the budget process were set out at Appendix A. The areas of savings that were covered in more detail included:

- Finance Vacancies - The Council would not achieve the target saving of £100k in 2023-24.
- Service reviews – It was reported that Bromsgrove Council had £2.9 million worth of vacancies covered by £1.6 million of Agency staff covering vacant posts. Across the shared service (Bromsgrove and Redditch), this amounted to around £5 million of vacancies and £3 million in agency staff cover (£2 million gap). An establishment review was taking place to provide an indication of the number of posts that were required across the Council.
- Engage Capacity Grid (one-off) – This was concerned with recovering Council Tax and Business Rates income from debtors. The Council was on track to deliver target savings.
- Pension Fund – The Council was on track to deliver the savings on this as resulting from the latest actuarial triennial report. The Council would need to monitor the impact at the next revaluation in 2026-27.

7th March 2024

The last meeting of Audit, Standards and Governance Committee in the 2023-24 municipal year at which this Annual Report will be presented. Items to be considered at this meeting include:

- Introduction to Council's new External Auditors (to begin from 2023-24 financial year audit)
- Standards Regime – Monitoring Officer's Report
- Dispensations Report – Individual Member Dispensations Update
- Internal Audit – Progress Report
- Grant Thornton – External Audit Progress Report and Sector Update
- Financial Compliance / Accounting Policies Report
- Quarterly Risk Update

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