

# Public Document Pack

Audit, Standards and Governance Committee

5th December 2024

## **BROMSGROVE DISTRICT COUNCIL**

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

**5TH DECEMBER 2024, AT 6.00 P.M.**

PRESENT: Councillors S. T. Nock (Chairman), R. Bailes, S. M. Evans, D. J. A. Forsythe, D. Hopkins, S. R. Peters and J. D. Stanley

Observers: Councillor S.R. Colella

Officers: Mr P. Carpenter, Mr C. Green, Mrs D. Goodall, Mr J. Murray (on Microsoft Teams) and Mrs S. Woodfield

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#### **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors C.A. Hotham, H.D.N. Rone-Clarke, D.J. Nicholl and Parish Councils' Representative M. Worrall.

Due to political balance changes the Chairman requested that a revised Member list be circulated to the Chairman and Vice Chairman. The Democratic Services Officer noted the matter and agreed to make the necessary arrangements.

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#### **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest nor of any party whip.

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#### **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 10TH OCTOBER 2024**

The minutes of the meeting of Audit, Standards and Governance Committee held on Thursday 10<sup>th</sup> October 2024 were submitted for Members' consideration.

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#### **GRANT THORNTON - EXTERNAL AUDIT BACKSTOP REPORT**

The Council's external auditor Grant Thornton presented the External Audit Backstop Report to the Board as follows:

- One of the legislative reporting requirements the Council had not achieved was the delivery of the 2020/21 Statement of Accounts, as such, the Council was issued with a Section 24 Statement. The Section 24 Statement was extended to also include the 2021/22 and

2022/23 financial years in the 2021/22 and 2022/23 Draft External Auditors Report.

- Draft 2020/21 and 2021/22 accounts had been presented and placed on the Councils Website and the 30 days public consultation period was fulfilled. The draft 2022/23 accounts were published on the Councils website for public consultation on the 22 November 2024 which gave only 14 days, not the full 30 days, of public consultation before the Government would impose the Backstop date of the 13<sup>th</sup> December 2024.
- The report and specifically the appendices set out the External Auditors view of the accounts within the revised accounting arrangements due to the Government imposed backstop date for the delivery of accounts up to the 2022/23 financial year.
- The Council's External Auditors Grant Thornton, under the present backstop legislation, delivered a "Disclaimer Opinion" for all three years accounts. The Council, its Members, Officers and Stakeholders were to understand and approve the contents of the documents and the context within which they were made.

During consideration of the report, Members wished to express their thanks to the Finance Team and the External Auditors Grant Thornton for the work carried out. Members noted how much had been achieved since the Council had been issued with a Section 24 Notice.

**RECOMMENDED** that

- 1) The "Disclaimer Opinion" from the External Auditors for the 2020/21 Accounts is accepted.
- 2) The "Disclaimer Opinion" from the External Auditors for the 2021/22 Accounts is accepted.
- 3) The "Disclaimer Opinion" from the External Auditors for the 2022/23 Accounts is accepted pending the completion of the Public Inspection Period.
- 4) The "Bromsgrove District Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the Local Authority Backstop" is understood, accepted and approved.

40/23

**FINANCIAL COMPLIANCE REPORT**

The Deputy Chief Executive/Section 151 Officer provided the Financial Compliance Report for Members' consideration as follows:

- One of the legislative reporting requirements the Council had not achieved was the delivery of the 2020/21 Statement of Accounts. As such, the Council was issued with a Section 24 Statement. The Council's External Auditors, Grant Thornton considered that there

was not sufficient time to conclude the work in advance of the 13 December 2024 backstop deadline. On that basis, their expectation was that they would apply the backstop for the 2020/21, 2021/22 and 2022/23 statement of account years. Given that a number of key audit areas remained outstanding, then their proposed audit reports would be issued as a disclaimer of opinion.

- Draft 2020/21, 2021/22 had been presented and placed on the Councils Website and the 30 days public consultation period fulfilled. The draft 2022/23 accounts were published on the Councils website for public consultation on the 22 November 2024 which would only have 14 days of public consultation before the Government Imposed Backstop date of the 13<sup>th</sup> December 2024.
- The report set out the Council's Letter of Representation as well as setting out how the Council had complied with the key and Improvement requirements set out in the External Auditor's Annual Reports.
- On the 3<sup>rd</sup> October 2024, the Council appointed Auditors for 2023/24, onwards Bishop Fleming notified the Council that they were resigning. The Council, following liaison with Public Sector Audit Appointments Limited (PSAA) for the appointment of alternative Auditors. It was confirmed by the PSAA that Ernst and Young would become the Council's External Auditors on the 24<sup>th</sup> October 2024.
- Ernst and Young noted that the challenging part of the onboarding process, and where they had difficulties elsewhere, would be the need to obtain returns from all elected Members. The typical time taken to obtain responses from Members had ranged from 6-12 months, which would not have met the deadline backstop date.
- The key returns that had not been delivered were the Revenue and Capital Outturn forms for 2021/22 and the VAT returns. Significant work had been undertaken by the Council's Tax advisors PS Tax in liaison with HMRC for the Council to return to normal VAT reporting.
- The financial stability and sustainability of the Council was a core underlying theme of the Council's Risk Management Strategy. The closure of the three years' accounts and submission of an audit opinion was key to ensuring there was external validation to the Council's overall financial position.

During the update Members discussed the following:

- The Chairman wished to express thanks to the Finance Team for the work carried out to the financial accounts.
- Members queried what returns Bromsgrove District Council (BDC) would expect for the Customs and Excise work for previous years. – In response it was noted that the expected return would be 40% for

BDC and 60% for Redditch Borough Council (RBC), which also included the Housing Revenue Account (HRA) included.

- Members expressed concerns regarding the onboarding process for the newly appointed external auditors Ernst and Young regarding the need to obtain returns from all elected Members as the typical time taken to obtain responses elsewhere had ranged from 6-12 months. – It was explained that electronic forms were being reviewed as an alternative option to expedite the potential issue.
- Members discussed if any monies had been exchanged with the former external auditors Bishop Fleming and if so, could the funds be recovered. - Members noted that monies would be paid back through the Public Sector Audit Appointments Limited (PSAA).
- Members requested that Termination Benefits mentioned in the report be explained in more detail. – It was explained that these were due to past retirements funds.
- Special allowances in the report were also queried. – Members noted these were attributed to the Chairs of Committees.

**RESOLVED** that

- 1) Following the receipt of the “Disclaimer Opinion” from the External Auditors for the 2020/21 Accounts that these accounts are approved.
- 2) Following the receipt of the “Disclaimer Opinion” from the External Auditors for the 2021/22 Accounts that these accounts are approved.
- 3) That the Chairman of the Audit, Standards and Governance Committee is delegated authority to approve the 2022/23 Accounts following the completion of the Statutory 30-day Public Consultation.
- 4) The External Auditor’s “letter to those charged with governance on the application of the local authority backstop” be noted and outstanding actions followed up in subsequent Audit, Standards and Governance Committee meetings.
- 5) The process for inducting the Council’s new External Auditors, Ernst and Young, be noted.
- 6) The process and progress to date on the delivery of the 2023/24 accounts be noted.

**RECOMMENDED** that

Cabinet is recommended to approve the following:

- 7) Any areas of concern within this key compliance report for consideration.

## **INTERNAL AUDIT - PROGRESS REPORT**

The Head of Internal Audit presented the Internal Audit Progress report to Members as follows:

- The purpose of the report was to provide an update of the Internal Audit's progress towards meeting its objectives in the audit plan for 2024/25 as approved by the Audit Standards and Governance Committee on 23<sup>rd</sup> May 2024.
- The Internal Audit Report for Procurement 2024/25 had been finalised.
- Audits for Risk Management, Accounts Payable, Benefits and Council Tax had all been completed and reports were near to completion.
- A full audit team was in place. The newly appointed Senior Auditor was settling into the role. There had been a long-term sickness case, with an agency appointed to cover during the period, however the full-time post had returned to work. The remaining auditor post had been filled and someone appointed to the role. A Chartered Institute of Public Finance and Accountancy (CIPFA) trainee had been on secondment with the Council during January and February 2024. An External Auditor had also been appointed to carry out the Cyber Security Review.
- Results of the internal audit for Procurement, showing as limited assurance within the report was discussed. Members were informed that there had been some improvements since the last audit had been carried out. It was also explained that the Council was reviewing nil compliance, with results showing that record retention was not always evident.
- Following an External Quality Assessment (EQA) the Definition of Priority of Recommendations Table was being amended for future reporting to include a Risk Management Framework, as an enhancement.

Following the presentation, members noted the following:

Progress was requested by Members regarding the recommendation to establish a deadline for Procurement Compliance Among Improving Services showing as a High Priority. – It was noted that this was being monitored carefully and that there was a change to follow up arrangements being put in place and a follow-up audit being carried for the following year. The Deputy Chief Executive/Section 151 Officer added that the Council's Tech One Financial System had working practices in place to monitor spend. Any Council purchase considered without a contract, or if a contract had expired, would be flagged by the Procurement Team with this working practice deficiency demonstrated in

future reports. The Deputy Chief Executive/Section 151 Officer agreed to inform the Portfolio Holders of the matter as an action, as requested by the Chairman.

42/23 **RESOLVED** that the Internal Audit Progress Report 2024/25 be noted.  
**RISK MANAGEMENT REPORT/QUARTERLY RISK UPDATE**

The Deputy Chief Executive/Section 151 Officer presented the Quarterly Risk Update and in doing so noted that it was the ninth cycle of reviewing Corporate and Departmental Risks since the original baselining of Risks in April 2022. Over the period, the following was noted:

- Departmental ownership of risks and reviews at Management Teams had been held monthly.
- Active review, mitigation and reduction of risks had been carried out ensuring risks were managed as part of the Council's business practice.
- Updating of the 4Risk System, as the Authorities' repository for the information.
- The Officer Risk Group had actively reduced risk numbers through their work and a common approach to risk was being embedded within the Organisation.
- The Risk Level had moved to a Moderate Assurance level in May 2023.
- A follow up Audit had taken place in the 2024/25 financial year.
- As at the end of September 2024 the number of Risks remained at 40 although there were no Red Risks, with 26 Amber Risks and 14 Green risks.
- There was a new risk in finance linked to staff non-compliance of procurement processes which would be mitigated by additional training.
- Given the significant cyber risks faced by Council's, as noted in the Corporate Risks section, it was important Members and Officers engaged to mitigate risk. Using the KnowBe4 functionality and associated penetration tests were assisting in mitigating the risk for both Members and Staff.
- The Council's insurers highlighted Under-Insurance of Council assets due to incomplete assets and the use of Artificial Intelligence.

Following the presentation of the report, Members raised questions and made comments regarding several risks or potential risks.

Members queried if the Council's IT Department was reviewing the use of Artificial Intelligence (AI). – It was suggested that this was being considered for Job Descriptions within the Finance Department which then went through an approval process, although Councils and their insurers did have concerns regarding the decision-making process, ensuring that final checks were reviewed by Council Staff. Other areas for consideration were data cleansing, council tax records, business rates and the national fraud initiative.

**RESOLVED** that the present list of Corporate and Departmental Risks and their associated mitigations and request any additional risks to be considered be noted.

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### **Q2 - SAVINGS REPORT**

The Deputy Chief Executive/Section 151 Officer presented the Q2 Savings Report to Members as follows:

- As part of the 2024/25 budget, which was agreed at Council in February 2024, there were several saving options approved through the two-tranche process to deliver the balanced budget for the year. Additionally, an Improvement Recommendation in the Interim Auditors Annual Report on Bromsgrove District Council 2021/22 and 2022/23 would be part of the Audit, Governance and Standards Committee on a quarterly basis.
- The Council's Q2 financial position would be reported to Cabinet on the 10<sup>th</sup> December 2024. The report set out that the overspend position had increased to a £344k overspend position.
- The position at year end 2023/24 was that two Amber items required careful monitoring for the Service Review and the Capacity Grid Project. The Red Finance item would not be delivered; however, additional resource was in place to get the accounts up to date.
- The largest savings in recent years were on pension costs which linked to the 2023 triennial revaluation, with the revised figures running for three years. There was a risk for the 2026/27 financial year that the figures will go up when the next triennial revaluation took place.

The following items would require careful tracking in the financial year:

- Delivery of the 7% increases on Fees and Charges.
- The deliverability of the new Planning income increases.

- Delivery of Parking increases were projecting to be circa £100k below the budgeted amount, which were signified as Red, although this would be reviewed through the Christmas period.
- The Environment Partnership would be level risk Red until the partnership began.

Following the presentation, Members raised the following points:

- It was queried if the suggested additional 1% Government Grant Increase would be considered for Council Tax period of 2025/26.  
– It was noted that this would be considered at Cabinet and would be a positive for the Council, with an additional £92k for two-tranche of the budget plan.
- The Chairman raised the detail in the report regarding the deliverability of Parking increases projecting to be circa £100k below the budgeted amount, signified as Red. It was stressed that Members had expressed their concerns during numerous Committee meetings as a matter of concern. - It was advised that at Quarter 2 the projected income for the year was circa £200k under budget, however, was more than the actual parking figures for 2023/24, being linked to significant other changes in Parking provision. The difference would improve as Penalty Charge Notice (PCNs) income usually returned circa £100k a year, which would bring the deficit back to around the £100k figure.

**RECOMMENDED** that the Q2 position on the 2024/25 Departmental Savings Programme, including any potential implications for future years be noted.

44/23

### **RISK CHAMPION UPDATE**

The Council's Risk Champion, Councillor R. Bailes presented to the Board as follows:

- It was felt that the role of Risk Champion was to promote, challenge and drive improvement of the Council's Risk Management process.
- To focus most effectively, Members were advised to focus less on concern with little influence and more on high influence and concern.
- All Council presented papers had reference to Risk and it was for Members to examine if risk was being mitigated sufficiently and to raise concerns if it felt appropriate. Identifying real as opposed to perceived risk was something that all Members should consider.



- With collective Member experience and interests to provide healthy challenges was paramount for mitigating risk.

The following actions had taken place following appointment of the Risk Champion role:

- Regular meetings had been set up with the Section 151 Officer.
- Access to the Corporate Risks System, reviewing areas in Housing, Planning and Workforce Planning.
- When reviewing the actions in Workforce Planning, it was noted that two cases had not been updated for over 200 days. Actions for new in Post and illness was reviewed. It was highlighted that support for new in post should be reviewed to manage key risks.
- Review of the Risk Management Report being presented to the Audit, Standards and Governance Committee meeting. It was felt that a traffic light system should be introduced to demonstrate and highlight change to risk. Consistency of how risk is reported was also suggested as an area for improvement. – It was agreed that this would be reviewed, in particular for Climate Change and Equalities.
- It was felt that there was a training requirement for Members to establish how to raise a potential risk concern and it was suggested the matter would be raised at the Member Development Group. – The Head of Internal Audit agreed that the role of Members to scrutinise risk was important, with due diligence in areas potentially with no direct risk or not of significant risk. It was noted that all decisions carried risk and was important to identify these in areas during the decision-making process.

**RESOLVED** that the Risk Champion update be noted.

45/23

### **WHISTLEBLOWING**

The Whistleblowing report was presented by the Deputy Chief Executive/Section 151 Officer and noted the following:

- The Chair of the Audit, Standards and Governance Committee requested that Council's Whistleblowing be brought to the Committee for Review. The Chair queried where the present Whistleblowing Policy was in order for Staff, Members and the Public to access.

- Whistleblowing Policies were part of the wider Council's Human Resources Policies. Browne Jacobson were commissioned by the Council to review the policies in 2024 and initial drafts of the wider policies had been received by the Council.
- The final version of the Whistleblowing Policy as agreed by the Board set out the following:
  - What Whistleblowing and a Whistleblower is/are.
  - How Whistleblowing links to the equality's legislation.
  - How to raise concerns.
  - Protections for Whistleblowers.
  - Other Whistleblowing reporting routes.
  - How the overall process works.
- The Policy was to be located on the ORB under the "Working for Us" section. The Whistleblowing Policy related to staffing, as Members were covered by the Members Code of Conduct.
- The Policy would be presented to the Unions at the joint meeting in December 2024 for their comment and approval. Once the policy had been reviewed, it would replace the older version.

During consideration of the report, the following was discussed by Members:

- Members were pleased that there was a section incorporated in the report for "If an employee preferred not to raise a concern with their line manager or superior". It was also requested that "Head of Internal Audit" be added as an additional contact to the section. The matter was noted and agreed be actioned.
- If "What Is Whistleblowing" in the report include "Not Exhaustive" to the list of examples for serious misconduct or malpractice. – It was agreed this would be reviewed as an action.
- If a glossary for Protection of Harassment and Victimisation be added to define the difference. – It was agreed this would be noted as an action.

**RESOLVED** that

- 1) The progress on the updated Whistleblowing Policy; and
- 2) The progress on where the Whistleblowing Policy can be accessed be noted.

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**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Audit, Standards and Governance Committee Work Programme was reviewed by Members.

The Deputy Chief Executive/Section 151 Officer reported Members were to note in advance of the forthcoming Audit, Standards and Governance meeting held on 16<sup>th</sup> January 2025, that reviewing the option of reverting back to four meetings a year, would be a matter for discussion.

**RESOLVED** that the contents of the Audit, Standards and Governance Committee Work Programme be noted.

The meeting closed at 7.40 p.m.

Chairman

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