

Audit and Corporate Governance Committee – Meeting held on Wednesday, 22nd May, 2024.

Present:- Councillors O’Kelly (Chair), Akram (Vice-Chair), Mohindra, Muvvala, Rana and W. Sabah.

Independent Co-opted Members: Tony Haines and Jen Simpson

Apologies for Absence:- Rupa Sidpara

PART 1

1. Declarations of Interest

None received.

2. Minutes of the Last Meeting held on 20th March 2024

Resolved – That the minutes of the meeting held on 20th March 2024 be approved as a correct record.

3. Action Progress Report

Resolved – That details of the Action Progress Report be noted.

4. Draft Statement of Accounts 2019/2020

The Committee received and considered the draft, unaudited Statement of Accounts for the 2019/20 financial year.

It was noted that at the last meeting of the committee in March 2024 a report had been provided on the recently published draft Accounts and Audit (Amendment) Regulations 2024 which set out a timetable for audit of outstanding local authority Statements of Accounts to 2022/23. Once enacted these would amend the Accounts and Audit Regulations 2015 in relation to statutory deadlines. The March report provided a timeline for preparation and publication of draft accounts, the public inspection periods and indicative external audit arrangements, in order to comply with the backstop date of 30th September for publication of those audited accounts. For the Council that meant the preparation and publication of audited accounts for the periods 2019/20 to 2022/23, four separate statements within the 6 months period from 1st April.

Appendix 1 to the report set out the Council’s draft Statement of Accounts for 2019/20 which detailed the financial position of the Council as at 31st March 2020, within the constraints of the evidence available given the historic weaknesses in record keeping and financial reporting. The draft had been published on the Council website and was open for public inspection for thirty days. The draft was therefore subject to amendments, including those in the

addendum at Appendix 2 to the report which had been identified since publication on 9th May 2024.

Members discussed and commented on several aspects of the report and draft accounts including the timeline and whether the September deadline would be met. It was responded that given the requirement to prepare, publicise and audit four years of accounts within a limited six-month period there were significant risks to the delivery timetable as recognised in paragraph 5.3 of the report. Officers explained the work that still needed to be completed leading towards a final audit opinion and a detailed balance sheet review was being undertaken. There were a number of challenges for the new finance team in preparing the historic accounts given the inadequacies in record keeping during that period but a strong team was now in place. Members asked whether the finance team had sufficient resource and corporate support to carry out the work on time and Officers confirmed this was in place and it was a key priority for the Corporate Leadership Team. A query was raised about any penalties if the deadline was not met and it was noted that this was unclear as the regulations had not been finalised.

The process of public inspection was discussed and it was reported that the draft statement of accounts were available on the SBC website and arrangements could be made by members of the public to inspect any documents. In response to a question, assurance was provided that the documents published were a fair reflection of the financial position at that time, based on the information available. The External Auditor answered several queries by Members and stated that their audit work on the draft accounts presented had not commenced but would be undertaken in line with the revised Government guidance.

Resolved – That the draft, unaudited Statement of Accounts for 2019/20 be noted.

5. Draft Statement of Accounts 2020/2021

The Committee considered a report that set out the provisional draft Statement of Accounts for 2020/21. The documents had not yet been published and opened to public inspection and it was anticipated that the formal consultation would take place from early June 2024.

The key issues relating to the 2020/21 financial year were summarised, including the Covid-19 pandemic which needed to be reflected, and a number of required changes as detailed in the addendum in Appendix 2 to the report.

Members queried the Annual Governance Statement (AGS) for this period and it was recognised that for a number of years during this period the AGS had been inadequate or not completed. The process had been significantly strengthened in recent years and the Committee had, and would continue to, receive regular reports on the AGS, however, the information provided in the historic statements of accounts would reflect the position at that time. The External Auditor commented that she recognised the reasons why the Council

had decided not to produce retrospective AGSs for prior years and explained the potential impact this would have on the audit opinions and value for money assessments for these years. It was likely that there would be some modification to the final opinion for years where no AGS had been provided.

Members asked a number of specific questions including the figures provided for cash balances, investments and lending during 2020/21. In relation to the impact of the pandemic, Members asked about the treatment of the various Covid grants from central government during this period. Officers agreed to find out and confirm following the meeting whether the various grants received from central government during the pandemic were fully utilised for purposes they were intended for. Assurance was provided that local authorities had to provide full reconciliations on Covid related expenditure to central government.

The role, decisions and reporting arrangements of the Council's Strategic Acquisition Board (SAB) was discussed extensively, particularly the adequacy of the governance arrangements. The Deputy Monitoring Officer responded to the points raised and acknowledged that there were significant weaknesses in the decision making processes of the SAB at that time including that decisions on significant acquisitions and disposals should have been taking at formal meetings such as Cabinet. It was noted that the Board had ceased to operate in 2020 and since this time far more robust arrangements had been put in place including the Cabinet Committee for Asset Disposals and much clearer governance arrangements in the Asset Disposal Strategy.

Resolved – That the draft, unaudited Statement of Accounts for 2020/21 be noted.

6. Interim Value for Money Update for 2019/20 and 2020/21

Julie Masci, the Council's Lead External Auditor from Grant Thornton, set out details of the Interim Value for Money Update report for 2019/20 and 2020/21. The Committee was reminded that External Auditors were responsible for auditing the Council's Statement of Accounts and completing a Value for Money (VFM) assessment. Members were informed that reporting requirements for 2019/20 were undertaken on a risk based approach, following an initial risk assessment to identify any significant risks. The audit approach for 2020/21 was based upon the revised Code of Audit Practice 2020 which introduced a new set of key criteria for undertaking audits and focused on three key areas - improving economy, efficiency and effectiveness, financial sustainability and governance.

The background and context to statutory recommendations being issued in May and July 2021 was summarised. It was expected that a qualified adverse conclusion on the Council's VFM arrangements in 2019/20 for securing economy, efficiency and effectiveness in its use of resources was likely to be issued. This was based on the Council not having adequate financial plans during 2019/20 as they were reliant upon inaccurate and misleading financial information.

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Members returned to the discussion earlier in the meeting about the Strategic Acquisition Board (SAB) decision making process and whether the lessons had been learned. The Deputy Monitoring Officer highlighted that a number of changes had been made to the Constitution to strengthen the decision making arrangements, including new Executive Procedure Rules and updated Scheme of Delegation. Members of the committee then raised various other financial and governance weaknesses at that time such as the failure to properly calculate the Minimum Revenue Provision (MRP), which contributed to the Council's severe financial difficulties and issuing of a Section 114 notice. Significant concern was raised by Members about how the SAB was allowed to operate and asked about the legal advice provided at the time. The Monitoring Officer stated that he would look into the issues raised about the details of the legal advice (if any) given when SAB was established; and what records were held by legal regarding advice provided relating to costs of borrowing for strategic acquisitions. An update would then be provided to the Committee.

Resolved – That details of the Interim Value for Money Report 2019/20 and 2020/21 be noted.

7. Date of Next Meeting - 10th July 2024

The date of the next scheduled meeting was noted as 10th July 2024.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.55 pm)