

## **Audit and Corporate Governance Committee – Meeting held on Thursday, 31st October, 2024.**

**Present:-** Councillors O'Kelly (Chair), Akram (Vice-Chair), Escott (from 6.35pm) and Mohindra

Co-Opted Member:- Jen Simpson

**Also present under Rule 30:-** Councillors Dhillon and Shaik

**Apologies for Absence:-** Councillors Rana, Satti and Zarait and Tony Haines

### **PART 1**

#### **31. Declarations of Interest**

No interests were declared.

#### **32. Overdue Internal Audit Recommendations**

The Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance summarised a report that set out the position regarding overdue internal audit recommendations.

*(Councillor Escott joined the meeting)*

The Committee had previously requested a full list of outstanding and/or overdue recommendations and these were detailed in Appendix A to the report. There were a total of 121 overdue recommendations dating back to 2021/22. This included 17 high-risk recommendations with 14 from 2022/23 and the other 3 from 2023/24. Members asked what the main barriers were to closing off outstanding recommendations. The Officer explained there were a variety of reasons including recommendations that were impractical. Internal auditors would close them if that was genuinely considered to be the case. The 121 outstanding recommendations had been reviewed by the current internal audit team, therefore it was unlikely many more of those could be closed for this reason. Other barriers including the high turnover of staff with responsibility for outstanding recommendations not consistently been handed over new staff and in some cases the lack of resources to implement recommendations.

Members asked about a number of specific outstanding recommendations including those relating to Council Tax arrears and the travel and expenses audit. The Executive Director, Finance & Commercial explained that a full review of all recommendations in her directorate had been undertaken and a separate report would come back to the committee at its next meeting to set out the progress being made. Similar questions were asked about recommendations relating to the Housing, Property and Planning directorate and it was stated that the Executive Director for Regeneration, Housing and

Environment would bring a report to a future meeting. The Committee agreed that the Executive Director be invited to explain the progress being made in closing the large number of recommendations in that directorate, especially with regards to housing services.

Members noted that monthly reports on the status of recommendations were provided to executive directors and to Corporate Leadership Team meetings. The Chair requested that members of the committee be updated monthly on progress in closing recommendations and that reports outlining progress come to each meeting in future.

The Committee recognised that the number of outstanding recommendations had reduced in recent months which was positive but the fact such a significant number remained overdue was of serious concern and required concerted management action to address and close the them as soon as possible.

Other issues raised included the fact that the AuditBoard software purchased last year was not being utilised. Members asked that this be addressed. The Committee also was expecting to see an update on the risk register at this meeting. It was responded that the report needed to be considered by the Corporate Leadership Team first and it would then come to the next scheduled meeting of the Committee in November 2024.

**Resolved –**

- (a) That the progress in closing overdue internal audit recommendations be noted.
- (b) That members of the committee be updated on progress in closing outstanding recommendations by the head of internal audit on a monthly basis with formal reports to each future meeting.

**33. Provisional Position 2021/2022 Statement of Accounts**

The Finance Director (Corporate and Strategic) introduced a report that updated the Committee on the progress made since the last meeting on the backlog of the statement of accounts.

The provisional statement of accounts for 2021/22 were an appendix to the report. It was noted that they were provisional subject to adjustments for required changes arising from the historic errors regarding the Collection Fund. The adjustments could not be made until the process of sequential resubmission of amended NNDR3 returns 2018/19 to 2021/22 were completed. The accounts would be published for the statutory 30-day public inspection period as soon as the NNDR3 resubmission to the Ministry of Housing, Communities and Local Government (MHCLG) had been concluded. In view of this, there was a risk the draft 2021/22 statement of accounts and certainly the 2022/23 draft accounts would not meet the requirement for full 30-day public inspection period prior to the audit process

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and publication by the 13<sup>th</sup> December 2024 statutory deadline. Whilst it was expected they would both be open for public inspection by 13<sup>th</sup> December there would not be an audit opinion by this date.

Members asked for further detail about the delay to the timetable previously notified to the committee. The timescale had not been achievable due to the issues with NNDR3 and the Collection Fund which could have a material impact on the balance sheet. With the exception of these issues the statements for 2021/22 were complete but the NNDR3 resubmission process needed to be complete before the accounts could be published for public inspection. The poor record keeping in prior years had caused very significant problems in the production of the accounts. The finance team had undertaken extensive work in recent months to narrow down the outstanding issues to those explained above.

In light of the current position a further extraordinary meeting of the Committee would be required before the 13<sup>th</sup> December 2024 statutory deadline. A progress update would be provided in the Action Progress Report to the next scheduled meeting on 13<sup>th</sup> November 2024. Members asked to be kept informed of any further significant changes to the timetable.

### **Resolved –**

- (a) That the current position regarding finalisation of the 2021/22 Statement of Accounts, as set out in paragraph 4 of the report, be noted.
- (b) That it be noted that the publication of the draft Statement of Accounts was now dependent on the sequential resubmission and inclusion of the outcome of amended NNDR3 returns to MHCLG for the years 2018/19 to 2022/23.
- (c) That the provisional accounts, as yet to be amended to reflect changes to the Collection Fund and Useable Reserves arising from the need to resubmit NNDR 3 returns, as set out in Appendix 1 be noted. These had yet to be signed off by the S151 Officer.
- (d) That the position with regard to compliance of the 30-day public inspection period prior to conclusion of the 2021/22 and 2022/23 Statements of Accounts be noted.

### **34. External Auditor's Letter to Chief Executive on Financial Sustainability and Governance Matters**

With the agreement of the Committee, item 4 – External Auditor's Letter to Chief Executive on Financial Sustainability and Governance Matters and item 5 – External Auditor's Interim Annual Report 2021/22, 2022/23 and 2023/24 were taken together.

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Julie Masci and Alexa Ngini from Grant Thornton, the Council's external auditors, summarised the key issues of the letter and Interim Auditor's Annual Report. The reports detailed the responsibilities of the auditors in relation to both the accounts and assessing the arrangements for Value For Money (VFM). The Committee was reminded of the statutory recommendations made by the auditors in May 2021, July 2021 and February 2023, several of which remained in place. The letter dated 26<sup>th</sup> September 2024 had been sent to the Council Chief Executive raising a number of significant weaknesses in arrangements arising from the latest VFM audit work.

The auditors highlighted that it had been a challenging exercise to complete the review and the Council would need to work closely with them to find a more productive way of working with officers in future. Grant Thornton would be referring the letter and annual report to full Council and would consider further utilising its audit powers in future once the Council's progress in addressing the issues raised had been assessed.

Several members of the Committee spoke to acknowledge the serious issues raised in the report, including the fact that several of the statutory recommendations dating back as far as May 2021 had not been closed. Members discussed some of the weaknesses raised in the VFM audit which included the a number of issues with financial reporting; churn of both senior officers and within the finance team since 2021; the delivery of the asset disposal programme; and the governance of some Council companies including James Elliman Homes.

A Member expressed concern that the chair and councillors had not been briefed earlier on the letter and that the Council's management had not issued an action plan in response to the issues raised. The Committee agreed to request the Leader of the Council and Chief Executive to attend the next meeting of the committee and be asked to outline a robust action plan in response to the letter.

Noting that Grant Thornton had stated their letter and annual report should be considered by full Council, it was proposed and agreed that the Committee refer both documents to the next meeting of full Council on 28<sup>th</sup> November 2024. The Chair stated that he would be writing to the Corporate Leadership Team on the matters raised during the course of the discussion and a copy would be circulated to members of the Committee.

### **Resolved –**

- (a) That the External Auditor's Letter to the Chief Executive on Financial Sustainability and Governance matters be noted and referred to full Council for consideration on 28<sup>th</sup> November 2024.
- (b) That the External Auditor's Interim Annual Report 2021/22, 2022/23 and 2023/24 be noted and referred to full Council for consideration on 28<sup>th</sup> November 2024.

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- (c) That the Leader of the Council and Chief Executive be invited to the next meeting of the Committee to outline the Council's action plan in response to the letter and annual report.

### **35. External Auditor's Interim Annual Report 2021/22, 2022/23 and 2023/24**

The External Auditor's Interim Annual Report was considered as part of the previous item (Minute 34 refers).

### **36. Date of Next Meeting - 13th November 2024**

The date of the next meeting was noted as 13 November 2024.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.25 pm)