

Extraordinary Audit and Corporate Governance Committee – Meeting held on Tuesday, 10th December, 2024.

Present:- Councillors O'Kelly (Chair), Escott (Vice-Chair), Anderson, Mohindra, W. Sabah and Satti.

Co-Opted Member:- Tony Haines

Apologies for Absence:- Councillor Rana and Zarait.
Co-Opted Member - Jen Simpson

PART 1

47. Declarations of Interest

No interests were declared.

48. Update on Governance Programme (Phase 4)

The Head of Governance & Scrutiny introduced a report that provided an update on the Council's governance improvement programme which was the formal mechanism by which the authority tracked and responded to the variety of actions arising from government directions, inspections and internal findings relating to good governance and scrutiny. The fourth phase of the programme had commenced in September 2024.

The officer stated that good progress had been made through the programme on improving the systems and processes supporting good governance, but highlighted that the culture of an organisation was critical. The phase 4 mission therefore was to 'build a strong, self-sustaining culture of good governance amongst members and officers'. The mission themes were high-quality councillor leadership and governance behaviours; high-quality officer-member relationships; high-quality officer governance behaviours; and based on high-quality governance systems and processes. The report and appendices set put a range of activity to deliver these missions. Phase 4 would be completed by the end of March 2025.

Members asked how progress was being measured. In response it was noted that the plan included a number of specific objectives as detailed in Appendix 2 to the report and Improvement and Assurance Framework outcomes which were set out in Appendix 3. Attendance at Member development sessions was raised as a concern and it was suggested that attendance statistics be provided to the relevant Member body that oversaw councillor training which was the Standards Committee.

The Committee asked about the resources in place to support the programme. It was noted that the Monitoring Officer would have a new programme resource in place in January to ensure continuity of delivery and a series of actions were in place to be delivered including a focus on the effectiveness of Cabinet support arrangements and review of the

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effectiveness of consultation and engagement in decision-making, for example public participation.

At the conclusion of the discussion the update was noted and a report back would be provided to the committee in March 2025 on progress.

Resolved – That the update on the governance improvement programme be noted.

49. Digital, Data and Technology Internal Audit Recommendations - Update

The Director of Digital, Data and Technology introduced a report that set out the status and progress for the Internal Audit recommendations relating to digital, data and technology that were reported outstanding to the committee in November 2024. The report detailed the plans and target date for closure for each of the recommendations that had not yet been closed.

The outstanding recommendations related to two audits. The Cyber Essentials audit in 2021/22 had made 19 recommendations, three of which were outstanding as reported to committee in November 2024. Since then, two had been closed and the remaining outstanding action was in hand. The second audit the follow-up audit of IT Business Continuity and Disaster Recovery which had made nine recommendations of which one had been closed. Appendix 1 to the report detailed how the outstanding recommendations were being addressed through a project in the Digital and ICT Modernisation Programme which was procuring a new cloud-based service for backup and disaster recovery. This would include a full review of the policies, plans and processes.

Members asked a number of questions about the cyber security risks the Council faced and sought assurance that the necessary mitigations were in place to manage the risk. The Director stated that the cyber security risk was rated as high and this was unlikely to change given the external risks many organisations and authorities faced. Many actions were being taken to mitigate the threats and the Council and external assurance from the Ministry of Housing, Local Government & Communities had confirmed the authority was on the right path.

Other issues raised by Members included the use of Council IT devices overseas, and it was noted that a new policy had recently been introduced; and the wider priority to improve the use of data across the Council. A plan was in place and it was aligned to the work on the Target Operating Model. In relation to the level of risk on business continuity and disaster recovery it was noted there had been some procurement issues but the target date for contract award was now January 2025. The committee would be updated by March.

The report and recommendations were then noted.

Resolved –

- (a) That the update be noted;
- (b) That assurance that the outstanding actions were being delivered in accordance with the plans set out be noted;
- (c) That the proposed revised target dates for closure of the outstanding recommendations be agreed.

50. Treasury Management Assurance Report and Mid Year Review 2024/25

The Finance Director (Corporate and Strategy) introduced a report on the internal review of the Council's assurance protocols for governance of the treasury management function; the Mid-Year Report of treasury management activity to the end of September 2024; and an updated 2024/25 Treasury Management Strategy.

The Committee was updated on the position regarding the review of the governance of the treasury management function about which members of the committee had queried at the last meeting on 13th November 2024. The Council's constitutional processes and procedures were being examined against the updated Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Local Government Investments. The committee noted the current arrangements and areas that were subject to review.

A summary of treasury management activity for the first six months of the financial year was provided. It was noted that external borrowing reduced from £459.4m to £450.2m during the reporting period, which was a reduction of £9.2m. The Committee would receive a further update in January 2025.

A Member queried the reasons for borrowing £30.5m in new, short-term temporary loans rather than borrow at a lower rate from the PWLB. The Director responded that an assessment was made about the best option at the time of borrowing. A Member commented that borrowing was now projected to be significantly over target by March 2025 and asked about the reasons for this. In response it was noted that asset sales were approximately £86m below the anticipated level of the year which had reduced the level of capital receipts. The management of cash had not been as robust as it should have been in the past and new processes had been put in place which had put the Council in a stronger position.

At the conclusion of the discussion the recommendations were agreed.

Resolved –

- (a) That the review of the constitutional arrangements for the governance of the treasury management function be noted.
- (b) That the Treasury Management Mid-Year report for 2024-25, as set out in Appendix 1 to this report be noted, and that it be agreed it should be referred to Full Council.
- (c) That the updated 2024/25 Treasury Management Strategy document as set out in Appendix 2 be noted and referred to Full Council for approval.

51. Final Statement of Accounts 2019/20 and 2020/21

The Finance Director (Corporate and Strategic) introduced a report that sought approval of the final statement of accounts for 2019/20 and 2020/21. The Committee had had the opportunity to review the draft accounts previously.

In accordance with regulation 9A of the Accounts and Audit Regulations 2015 (as amended), final accounts for these two years were presented to Audit and Corporate Governance Committee for approval. This would mean that audited accounts would be published for these years within the backlog accounts deadline date of the 13th December, as required by the regulations.

There were no material changes to the final accounts for 2019/20 compared to the draft presented to the committee earlier in the year and following the period of public inspection. There had been one significant change in the final accounts for 2020/21 compared to the draft previously considered relating to Minimum Revenue Provision (MRP) and the impact on usable reserves for the year. The increased MRP charge in 2020/21 was £11m.

The External Auditor, Julie Masci of Grant Thornton, summarised their position in relation to the accounts. It was reported that a disclaimer of audit opinion would be issued for both 2019/20 and 2020/21 on the basis that it was not possible to complete the external audit work by the backstop date on 13th December 2024. It was highlighted that the Chair of the committee and Section 151 Officer were required to sign letters of representation to the auditors and these were included as appendices to the report and were approved by the Committee.

The recommendations were agreed.

Resolved –

- (a) That the Final Statement of Accounts for 2019/20 as set out in Appendix 1 to the report be approved.

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- (b) That the Final Statement of Accounts for 2020/21 as set out in Appendix 2 to the report be approved.
- (c) That the Letters of Representation for the 2 years be approved.

52. Draft Statement of Accounts 2021/22

The Finance Director (Corporate and Strategy) introduced a report that provided the draft Statement of Accounts for 2021/22.

Following publication of the 2021/22 account they would be subject to a 30-day period of public inspection and it was anticipated this would close during the week of 20th January 2025 before coming back to a future meeting of the committee. A summary of the key matters contained in the 2021/22 accounts was provided. Given the issues raised with regard to the 2021/22 and 2022/23 accounts, as reported to this Committee in July, September and October, it had not been possible to provide audited accounts for 2021/22, because of the need to conclude the 30-working day public inspection period prior to the issuance of the audit opinion. However, publishing the 2021/22 draft Statement of Accounts was a significant step in concluding the backlog accounts process.

Members asked a number of questions including about the robustness of the process to correctly value the Council's assets. The Director provided assurance on the current process that was in place. In view of the fact that the backstop deadline had been missed for 2021/22 a Member asked about the impact on the timetable for subsequent sets of accounts up to and including 2023/24. Officers responded that it had been challenging to compile several sets of historic accounts given the recognised deficiencies in records and working papers for the years in question. It was aimed to complete draft accounts by February 2025 and the finance team continued to work very hard to clear the backlog. A Member asked whether, on the basis that in year transactions were now being checked and implementation of better working practices and recording of data, meant that the council's position was more defensible and work on finalising of accounts would be completed much quicker. The Finance Director (Corporate and Strategy) stated that a greater degree of assurance could be provided for 23/24 due to better working papers and that this would have a knock on effect in assurance for subsequent financial years.

In view of the significant historic weaknesses since at least 2018/199, and knock on effects for later years, the Section 151 Officer confirmed that the earliest a 'clean' set of accounts could be presented would be for the 2025/26 financial year.

Members acknowledged the significant progress that had been made to clear the backlog and work on several years of historic accounts simultaneously. A request was made that in future years consideration be given to trying to make accounts more accessible so that residents and others could better understand the financial position of the authority.

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At the conclusion of the discussion the recommendation was agreed.

Resolved – That the draft Statement of Accounts for 2021/22 as set out in Appendix 1 to the report be noted.

53. Provisional Statement of Accounts 2022/23

The Finance Director, Corporate and Strategy outlined details of the report, which set out the Provisional Statement of Accounts 2022/24, within the constraints of evidence available as at 31st March 2023.

As previously reported to the Committee, there were significant problems in preparing the 2021/22, and 2022/23 accounts due to a number of factors, including, poor record keeping, lack of document audit trails, lack of reconciliation, and specific problems relating to the accounting and statutory returns which required the resubmission of NNDR3 returns going back to 2018/19. That process was now complete for all years to 2022/23. As a consequence of issues encountered preparing 21/22 and 22/23 accounts, the 22/23 accounts had not been published in time for the public inspection period to be concluded and audit opinion provided by the 13th December deadline. MHCLG had been kept updated on the position.

Members were informed that the draft accounts for 2022/23 would be published as soon as outstanding matters were concluded and the narrative statement drafted; and it was anticipated that this would be during December.

Queries were raised regarding council tax income for 22/23 which was less than that previously recorded and it was explained that this was a consequence of issues arising following the pandemic. The Executive Director, Corporate Resources assured the Committee that whilst efforts would be made to collect monies owed as much as possible, this would have to be balanced with ensuring vulnerable members of the community were not put at risk. It was also brought to Members attention that given the time that had lapsed, it was probable that some cases of historic debt would be written off.

Resolved - That the provisional Statement of Accounts for 2022/23 as set out in Appendix 1 to the report be noted.

54. Date of Next Meeting - 22nd January 2025

The date of the next scheduled meeting of the committee was confirmed as 22nd January 2025.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.24 pm)