

Minutes

Governance and Audit Committee

17th April 2024 at 7.15pm



Present

Councillors	Present	Councillors	Present
Councillor J Baugh	Yes	Councillor R Ramage	Yes
Councillor J Edwards (Vice Chairman)	Yes	Councillor R van Dulken	Yes
Councillor M Green	Yes	Councillor T Walsh	No
Councillor A Hooks	Yes	Councillor L Walters	Apologies
Councillor L Jefferis	Yes	Councillor J Wrench (Chairman)	Yes
Councillor A Munday	Yes	Councillor B Wright	Apologies
Councillor G Prime	Yes		

Officers in attendance:

Dan Gascoyne – Chief Executive Officer
Jessica Mann – Scrutiny Officer
Angie Mitchell – Audit, Insurance and Fraud Manager
Phil Myers – Head of Finance

Also in attendance:

Steve Bladen – BDO LLP
Emma Larcombe – KPMG UK
Mark Twyford – KPMG UK

32 **DECLARATIONS OF INTEREST**

INFORMATION: There were no Interests declared.

33 **MINUTES**

DECISION: The Minutes of the meeting of the Governance and Audit Committee held on 17th January 2024 were approved as a correct record and signed by the Chairman.

34 **PUBLIC QUESTION TIME**

INFORMATION: There were no questions asked, or statements made.

INFORMATION: The Chairmen welcomed S Bladen, Audit Director at BDO LLP, back to the Committee and invited P Myers, Head of Finance, to introduce the report.

Members were advised on the position of Braintree District Council (the Council) regarding the completion of its outstanding audit of accounts for the following reporting periods: 2019/20, 2020/21, 2021/22 and 2022/23. On 8th February 2024, a government consultation and Joint Statement was announced on amended proposals to clear the backlog of audits for Local Authorities and put the local audit system on a sustainable footing. At the same time, a separate government consultation was launched which sought views on proposed legislative changes to the Accounts & Audit Regulations 2015. The consultation on the proposals to address the local audit backlog took place between 8th February 2024 and 7th March 2024 and involved a 'three-phased' approach: Reset, Recovery, and Reform. Accordingly, the Council submitted a response in conjunction with the Chair of the Governance and Audit Committee, Councillor J Wrench.

In terms of progress around Phase 1, 'Reset,' there was still an expectation that Auditors' Value for Money arrangements and statutory powers remained a priority. Furthermore, it was expected that Auditors continued to undertake as much work as possible ahead of the back-stop date of 30th September 2024, and issue opinions as far as achievable. In respect of Phase 2, 'Recovery,' further back-stop dates had been proposed for audits in relation to 2023/24 to 2027/28, and it was noted that the Council would still be required to produce its draft set of accounts for 2023/24 by 31st May 2024. In terms of Phase 3, 'Reform,' it was recognised that longer-term proposals were required to address the systemic challenges that had led to the current local audit backlog, and there were as such several areas of ongoing work around this. At the current time, the Government's response to the consultation was still awaited.

S Bladen was then invited to set out BDO LLP's (BDO) intentions in regard to the Council's outstanding audit of accounts for the period 2019/20 to 2022/23. It was anticipated that the outstanding audit of accounts for 2019/20 and 2020/21 would be completed before the backstop date of 30th September 2024 and opinions issued; however, it was confirmed that the audit of accounts for 2021/22 and 2022/23 would not be completed and therefore these audits would be disclaimed. BDO was also required to undertake an element of work over the summer period around value for money and resources in relation to the accounts for the period up to 2022/23, and an accompanying annual report would be presented to the Committee at a later date. Finally, it was added that a response to the letter sent to BDO by P Myers, Head of Finance, following the last meeting of the Committee on 17th January, would be provided early next week.

Members were then invited to ask their questions of S Bladen. During questions, Members referred to the disappointment felt across the Committee at BDO's failure to produce the required work within the promised timescales. In response, Members were advised that BDO expected to complete the 2019/20 audit between May and July 2024, although there was no guarantee that the work would be completed in time for the next meeting of the Committee on 3rd July.

The Chairman then requested some further detail around the reasons why the work in respect of 2019/20 had not been completed as originally scheduled. Members were advised that BDO did not finalise its response to the consultation in relation to

infrastructure asset balances until the mid-2023. The delay in the completion of the audit work was attributed to a combination of capacity issues within BDO and the need to prioritise other work. It was stated that although the audit work had now been completed, it was still subject to review and final completion over the next few months.

In light of the impacts of the delays on the Council, such as additional pressure on officers and potential reputational damage to the Authority, the Chairman urged BDO to endeavour to complete the final piece of work in time for the Committee's next meeting on 3rd July. S Bladen assured the Committee that BDO would do what it could to complete the work by July but stressed that this was not a guarantee.

D Gascoyne, Chief Executive Officer of the Council, enquired as to BDO's given reason for the disclaimed audits. In response, S Bladen advised that he expected the report would refer to the backstop dates as the reason for the disclaimed audits. D Gascoyne added that the reasons should not refer to the Council, but rather the fault of the audit system and the lack of resources.

The Chairman agreed with D Gascoyne's comments and wished to thank P Myers, Head of Finance, for the letter sent to BDO on behalf of the Committee, as well as the wider Finance and Audit team for their work to alleviate the issues caused by the delays in audit completion work. Whilst it was acknowledged that there was a national issue in respect of audit work, the Chairman wished to reiterate his extreme disappointment with BDO, both for the lack of progress it had made and for the insufficient engagement the Council had experienced in response to its requests. On behalf of BDO, S Bladen expressed his apologies to the Committee for the issues caused and agreed that a response to the Council would be made setting out the exact reasons behind the delays.

DECISION: Members noted the report; the Council's submission to the government consultation; and the intended approach by BDO LLP to the outstanding audits up to and including 2022/23.

REASON FOR DECISION:

- 1) To provide an update on government proposals for addressing the current national backlog on the completion of local audits.
- 2) To share the Council's response to the government's consultation on addressing the local audit backlog in England.
- 3) To provide detail of the approach intended by BDO LLP on the Council's outstanding audits based on the government's current proposals.

36 **KEY FINANCIAL INDICATORS – AS AT 29TH FEBRUARY 2024**

INFORMATION: The Chairman invited P Myers, Head of Finance, to set out the report of the Key Financial Indicators of the Council in the current financial year up to 29th February 2024.

Members were advised that following the last meeting of the Committee on 17th January 2024, additional context and scale had been provided in respect of some of the figures within the report, such as the gross budget.

The recent Third Quarter financial review indicated a projected overall positive variance for the year of £494,000, which marked a shift from the Second Quarter and was mainly due to a further upturn in investment income and collection performance around Council Tax resulting in a higher gainshare from the Council Tax Sharing Agreement. Income from Planning had also experienced a positive gain, some of which was attributed to the increases in statutory fees approved by Government, and also a number of major applications which had been or were expected to be received during the Final Quarter.

Staffing expenditure across services was currently expected to be underspent by £202,000 after taking the corporate efficiency allowance of £300,000 into account. Nonetheless, there were pressures being experienced in terms of other expenditure, which was forecast to be £587,000 over budget. There had also been increased costs on operational services due to an aging fleet of vehicles. There were savings being made on interest on borrowing. In addition, a net overachievement of £1.3million was forecast in respect of income, which was mainly due to treasury management income and the Council Tax sharing Agreement. The Committee was advised that the accountants were currently preparing the budget outturn position for the year which would be included in the annual performance report.

In respect of the Key Financial Indicators, capital expenditure incurred to the end of February was £3.8million. Further expenditure of £995,000 was expected over the remainder of the year and included year-end accruals. There was a projected underspend of £232,000 across the capital programme which related mainly to the Victoria Square and Plaza projects, although it was highlighted that the final position could differ as both the projects had yet to be formally closed. Capital receipts anticipated for the year totalled £3.9million and included receipts from Right-to-Buy sales and from the sale of Council-owned land and grant of access rights. There had been a marked slowdown in the number of Right-to-Buy sales, with six sales completed as at the end of February with a total receipt value of £645,000. The sale of residential sites were also expected to be delayed and receipts not expected until 2024/25.

In terms of the Council's commercial property portfolio, the occupancy rate was 252 units or 92%. The Council Tax collection rate as at the end of February was 95.0%, which compared to a rate of 95.6% for the same period in the previous year. It was highlighted that collection performance appeared to have been impacted by the financial pressures on households from the Cost of Living. The collection rate in respect of Business Rates as at the end of February was 95.3%, which compared to a rate of 95.2% for the same period in the previous year. Both Council Tax and Business Rates collection performance continued to benchmark favourably against that achieved by other Essex billing authorities.

There had been a total of 1,129 write-offs of Council Tax, with a total value of £190,000 authorised in the year to date. The main reason for write-off continues to be Individual Voluntary Arrangements (IVAs). In terms of Business Rates, there had been a total of 48 write-offs, with a net value of £82,000 authorised in the year to date. The value of sundry debts owed to the Council as at the end of February was £2.6million, of which £1.3million was in respect of Housing Benefit overpayments.

The proportion of supplier payments made within 30 days was 98.3% against a target of 98%. The average amount held as short-term investments up to the end of February was £49.9million, on which £2.26million of interest had been secured, equivalent to an annualised return of 4.95%. The amount invested in pooled funds was £19million, and dividend income was paid quarterly or monthly depending upon fund: the amount secured

to the end of February was £773,000, equivalent to an annualised income return of 4.45%. The total value of the Council's pooled fund holdings at the end of February was £20.8million, which represented an unrealised gain of £1.8million. Members then asked their questions in relation to the report.

DECISION: Members noted the report of the Key Financial Indicators as at 29th February 2024 and the update on the Third Quarter Financial Review and projected outturn for 2023-24.

REASON FOR DECISION: To evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

37 **INTERNAL AUDIT UPDATE, INCLUDING PROGRESS AGAINST INTERNAL AUDIT PLAN 2023/24**

INFORMATION: The Chairman invited A Mitchell, Audit, Insurance and Fraud Manager to present the report which provided Members with an update on the Council's Internal Audit activity, progress and performance against planned work and any other matters which affected the provision of the Internal Audit Service, which was in accordance with the Committee's role and the requirements of the PSIAS.

Members were advised that a total of eight audits had been completed since the last progress report to the Committee on 17th January 2024. Further to the last update to the Committee on the Quality Assurance and Improvement Programme, it was noted that the Audit Manager now reported directly to Management Board to present the Draft Internal Audit Plan.

It was also confirmed that there had been no Regulation of Investigatory Powers Act (RIPA) or Investigatory Powers Act (IPA) applications made by the Authority in 2023/24 and 2024/25 to date.

Further to the report, the Chairman was pleased to note that of the eight audits which had been completed since the previous meeting of the Committee, they had all received "significant" or "full" assurance. Members also expressed their thanks to officers within the Audit Team for having completed the audits in such a timely manner.

DECISION: Members noted the progress and performance against the 2023/24 Internal Audit Plan and noted and approved the updated action plan in relation to the 2022/23 External Quality Assessment of Internal Audit.

REASON FOR DECISION: The Public Sector Internal Audit Standards (PSIAS) required the Internal Audit activity to be reported functionally to the Governance and Audit Committee (the Committee), being the Committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.

38 **INTERNAL AUDIT PLAN 2024/25**

INFORMATION: The Chairman invited A Mitchell, Audit, Insurance and Fraud Manager to present the report of the proposed Internal Audit Plan for 2024/25, which had been prepared in accordance with the Accounts and Audit Regulations 2015 (Section 5).

DECISION: Members endorsed the Internal Audit Plan process and draft Internal Audit Plan for 2024/25.

REASON FOR DECISION: To ensure there is an Internal Audit Plan for 2024/25 which complies with the Public Sector Internal Audit Standards.

39 **EXTERNAL AUDIT PLAN AND STRATEGY FOR THE YEAR ENDING 31ST MARCH 2024**

INFORMATION: The Chairman welcomed E Larcombe and M Twyford, of KPMG LLP (KPMG), to the meeting and invited them to present the report on the draft plan and timings of the statutory audit of the Council's accounts.

Members received a summary of the key aspects of the report, which included an overview of materiality, likely risks and additional reporting elements. Planning activities were still ongoing, and the External Audit Plan was therefore subject to change. An audit opinion had not yet been expressed on the prior period; however, any significant changes would be reported to the Committee in due course. Work in respect of Value for Money was progressing well, and it was anticipated that a summary of the initial risk assessment would be presented to the Committee at its next meeting in July. It was noted that no risks or significant weaknesses had been identified from KPMG's initial work.

Members were advised that the current schedule of works by KPMG was subject to change; however, it was intended that the audit report would be signed and completed by December 2024.

DECISION: Members noted the External Audit Plan and Strategy for the year ending 31st March 2024, together with the proposed audit fees.

REASON FOR DECISION: To advise Members of the coverage of the External Audit Plan and Strategy for the year ending 31st March 2024.

40 **STRATEGIC RISK REGISTER**

INFORMATION: The Chairman invited P Myers, Head of Finance, to present the report which provided a summary of the risks that had the potential to impact on the delivery of the Council's Corporate Strategy over the medium-term.

The Strategic Risk Register (the Register) was reviewed and updated by Senior Managers and Management Board and approved by Cabinet on 4th March 2024. Nine of the eleven risks that were previously identified remained above the Risk Tolerance line with no change to the Residual Risk score. A new risk had also been added to the Register in relation to Landscape Services; the escalation of this risk reflected an increase in tree related risks and was combined with a limited capacity to manage those risks, with potential impacts on both residents and the Council. This risk was also above the Risk Tolerance line and required active management.

Members were made aware that the Member Development Evening scheduled to take place 8th May 2024 would cover Risk Management and provide an overview of the Council's framework for managing risk. Members would also be given the opportunity to discuss and raise questions with respective Risk Owners.

Members were then invited to ask their questions in relation to the Register.

Further to a request from the Chairman which regarded strengthening the risk detail in respect of the outstanding audit accounts, P Myers recommended that such queries be raised and discussed at the Member Development Evening on 8th May 2024.

In response to a query on whether the Council had Emergency Plans in place for diseases not related to Influenza, P Myers agreed that a written response would be provided to the Committee.

P Myers confirmed that the Corporate Director for Growth would provide a written response to the query around the potential risk regarding the proposed link road between Panfield Lane and between Springwood Drive.

DECISION: Members noted and endorsed the Strategic Risk Register.

REASON FOR DECISION: To provide detail of the review and updating of the Council's Strategic Risk Register as agreed by Cabinet at its meeting on 4th March 2024.

The meeting commenced at 7.15pm and closed at 9.15pm.

Councillor J Wrench
(Chairman)