

MANAGEMENT RESPONSE TO EXTERNAL AUDITOR'S REPORT

Head of Service: Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer)

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Wards affected: (All Wards);

Appendices (attached):

Summary

To present a report on the management responses to the External Auditor's recommendations as requested at the March 2025 A&S committee.

Recommendation (s)

The Committee is asked to:

- (1) Receive the report.

1 Reason for Recommendation

- 1.1 No action is proposed as a result of this report and so it is therefore only to note.

2 Background

- 2.1 At the February meeting of the A&S committee, there were concerns raised regarding the findings around the performance and culture of the Council, and some in the Committee felt that the responses provided by the Council's Strategic Leadership Team to the External Auditor's' recommendations and findings needed further information.
- 2.2 In the March meeting an amendment to the work programme was proposed, with the addition of a new agenda item to the July 2025 Committee Meeting. This is detailed in the draft minutes as;

'To request a report from SLT explaining management responses to External Auditors as reported to the Committee in February 2025'
- 2.3 At the July meeting it was requested that the item be deferred to the September meeting.

3 Body of report

- 3.1 In the February meeting the committee received, as normal, the external auditor's report for the 23/24 accounts. They proposed an unqualified opinion (favourable), but highlighted the concerns raised by some members during the LGA Peer Review, with the following narrative:

3.1.1 In March 2024, the LGA Peer Review listed decision making in general as an area that needs to improve. The Review referred to "universal frustration and confusion around the lack of transparency through the decision-making process" and stated that "Some members described a 'culture of secrecy' due to the overuse of pink papers and 'too many decisions being made under part 2 as a media management strategy'. The LGA Peer Review concluded that there is "an immediate need to make it clear and transparent how decisions are made in a committee system at the council and ensure this is communicated to all staff and members to avoid further frustration and confusion". From our own testing, we identified an update to the constitution and scheme of delegation that was not fully discussed in public meetings and not fully transparent recommendations under their heading value for money

- 3.2 The auditor's recommendation to the council was as follows:

3.2.1 The Council should develop a clear approach towards transparency. The Council should be mindful of requirements to be open and accountable.

- 3.3 The published management (SLT) response to the auditor's comment was as follows (extract from the auditor's report):

3.3.1 SLT believe the Council is transparent in its reporting and through Committees. The issue referred to was one which was subject to advice and was not suitable for public discussion. The rationale for why a report is considered a restricted item is explained in the public documents, and a vote is taken at committee to move into a restricted part of the meeting. As part of agenda planning all items that are restricted are placed at the end of the agenda so that if there are any public in the gallery or watching online do not then have to rejoin the meeting later.

We recognise the issue and to ensure this does not recur, the Council has now scheduled regular catch-ups with the external auditors throughout the year to promote open dialogue and ensure that key matters are raised and addressed appropriately with external auditors.

4 Expanded management commentary on the auditor's findings

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- 4.1 Along with all elected members, the management team of the council understand and promote the need for transparency and openness in the Council's decision making and will continue to push to ensure this is observed wherever possible. There are a number of actions that are recognised as best practice which support a transparent decision-making processes, which we adhere to:
 - 4.1.1 Publish details of when key decisions will be taken, meeting papers at least five working days beforehand, and minutes showing the decisions made. This ensures that the public can follow and understand the decision-making process.
 - 4.1.2 Have robust overview and scrutiny arrangements. We have an active Audit committee and a committee system which provides opportunity for full scrutiny of decision making, all of which are politically balanced.
 - 4.1.3 Encourage public participation by making meeting agendas, minutes, and reports accessible on their websites. Most council meetings are open to the public, fostering transparency unless there is a robust reason for exempt papers which cannot be discussed in a public forum.
 - 4.1.4 Have in place good assurance mechanisms, such as our annual governance statement, internal and external audit functions.
 - 4.1.5 Our constitution, which sets out how we make decisions is a publicly available document
- 4.2 To ensure that the Council is as transparent as possible, below we have set out a number of considerations and actions that we take as a council and a leadership team:
 - 4.2.1 We recognise that certain issues have to be discussed by policy committees in confidence or need urgent decisions. We will consider this on a case-by-case basis. In order to avoid prejudicing the council by leaving it open to legal challenge (e.g. if a third party sought damages from the council if it were to reveal commercially sensitive information about them in a public meeting) there is sometimes a need to have private conversations. Legislation exists to allow this to happen. The numbers of decision items that are taken as exempt papers is limited and only done where there is no other option. We strive to enable papers to be part public and part exempt and, in some meetings, although there may be exempt papers (as an appendix for example), they are not referred to and the meeting can remain in open session (but councillors have had the information they need in order to reach a decision).

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- 4.2.2 Whenever an item is to be discussed in confidence at committee, the reasons for doing so are made clear in the published public papers, in line with legislation, and a vote taken by members of the committee to move into a private section of the meeting. Any proposed exempt items are first scrutinised by the Legal team to ensure that the rationale is valid and are discussed at committee callover meetings with the Chair/Vice Chair. Management believe that Councillors are generally supportive of this approach given that in recent times there has not been any instance where members have voted to remain in the public session (to discuss confidential papers in public) and not move into a private part of the meeting.
- 4.2.3 We acknowledge that it is not always immediately clear to readers why certain reports are considered under the exempt section of committee meetings. Going forward, we will ensure that the rationale for exemption is communicated more transparently and is better understood by the public.
- 4.2.4 As senior management, we will continue to closely monitor requests for reports to be discussed in exempt session and will ensure that, unless absolutely necessary for the reasons outlined above, all papers are presented in public.
- 4.2.5 We also welcome the external auditor's review of historic exempt reports, which will provide valuable assurance regarding the appropriateness of their classification.
- 4.2.6 Another area where we need to be mindful of transparency requirements is the subject of urgent decisions taken outside of committee. As a management team we try to limit these where possible and timetable decisions so they can come to committee or arrange extraordinary meetings to facilitate member involvement. However, some issues cannot be decided this way due to time constraints and there is provision in our Constitution to deal with those (they are normally matters where a decision is required urgently and it is not practical to call a meeting of the relevant committee, and there is not one scheduled in good time). These decisions are taken in consultation with the committee Chair, published in Members' news, and reported to the next scheduled committee. An annual report is also brought to A&S on all urgent decisions, and this is presented in a public document.
- 4.2.7 It should also be noted that we operate a committee system of governance rather than a cabinet system, which is an inclusive and transparent way of making decisions in the public domain.

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4.2.8 When commenting on transparency, the external auditor reported on the findings of the LGA peer review. The example given around governance was one that was fully discussed by elected members at Full Council, and in management's view, was an exempt item for sound legal reasons. Councillors had agreed, in voting to discuss the matter as an exempt item, that they were happy to do so. We carefully considered the available options and believe the approach taken was appropriate under the circumstances but agree that this should have been discussed timely with auditors at the time.

4.2.9 We have recently had an audit carried out on our decision making and accountability by our internal auditor, which found that the council had a reasonable level of assurance.

4.2.10 We have in the past provided an information / training session for councillors (normally for new councillors, recently elected) about the decision-making process in a local authority. We will continue to provide this for any new councillors and presumably the new unitary authority will provide training for its new councillors.

4.2.11 Identifying that the matter under consideration by the auditor was something that should have been flagged with them sooner, and as mentioned above, the Director of Corporate Services has put in place regular catch ups with the external auditor to ensure that any issues can be discussed and raised outside of the normal audit timetable.

4.3 The council, both members and officers, will continue to promote transparency, and openness of decision making and will discuss with the external auditor whether there are additional measures that we can implement to improve our performance in this area. In any event, this will then be an issue that the external auditor will revisit when they carry out the subsequent year's audit.

4.4 We will also continue to monitor this area as part of the Annual Governance Statement and performance monitoring.

5 Legal or other duties

5.1 Equality Impact Assessment

5.1.1 Not required for this report

5.2 Crime & Disorder

5.2.1 No issues arise from this report

5.3 Safeguarding

5.3.1 No issues arise from this report

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5.4 Dependencies

5.4.1 none

5.5 Other

5.5.1 none

6 Financial Implications

6.1 None.

6.2 **Section 151 Officer's comments:** No direct financial impact from the outcome of this report.

7 Legal Implications

7.1 **Legal Officer's comments:** None for the purposes of this report.

8 Policies, Plans & Partnerships

8.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Delivering value for money

8.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

8.3 **Climate & Environmental Impact of recommendations** No issues

8.4 **Sustainability Policy & Community Safety Implications:** None

8.5 **Partnerships:** None

8.6 **Local Government Reorganisation Implications:** none

9 Background papers

9.1 The documents referred to in compiling this report are as follows:

Previous reports:

- [External Audit Update – February 2025](#)
 - [Appendix 1 – External Auditors Annual Audit Findings \(AFR\) for the year ending 31 March 2024](#)
 - [Appendix 2 – 2023/24 Statement of Accounts](#)
 - [Appendix 3 – Letter of Representation \(Grant Thornton\)](#)

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- [Appendix 4 – External Auditors Annual Report \(VfM\) for the year ended 31 March 2024](#)

Other papers:

- [A&S Minutes – February 2025](#)
- [A&S Minutes – March 2025](#)
- [A&S Draft Minutes – July 2025](#)