

Audit & Governance Committee

Thu 24 Apr
2014
7.00 pm

Committee Room 2
Town Hall
Redditch



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Debbie Parker-Jones
Democratic Services**

**Town Hall, Walter Stranz Square, Redditch, B98 8AH
Tel: 01527 881411
e.mail: d.parkerjones@bromsgroveandredditch.gov.uk**

Welcome to today's meeting.

Guidance for the Public

Agenda Papers

The **Agenda List** at the front of the Agenda summarises the issues to be discussed and is followed by the Officers' full supporting **Reports**.

Chair

The Chair is responsible for the proper conduct of the meeting. Generally to one side of the Chair is the Committee Support Officer who gives advice on the proper conduct of the meeting and ensures that the debate and the decisions are properly recorded. On the Chair's other side are the relevant Council Officers. The Councillors ("Members") of the Committee occupy the remaining seats around the table.

Running Order

Items will normally be taken in the order printed but, in particular circumstances, the Chair may agree to vary the order.

Refreshments : tea, coffee and water are normally available at meetings - please serve yourself.

Decisions

Decisions at the meeting will be taken by the **Councillors** who are the democratically elected representatives. They are advised by **Officers** who are paid professionals and do not have a vote.

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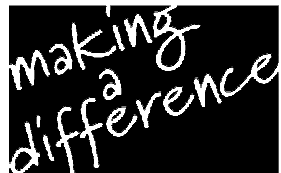
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Audit & GOVERNANCE

Committee

24th April 2014

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Cllrs:	Derek Taylor (Chair) Roger Hill (Vice-Chair) Roger Bennett John Fisher	Mark Shurmer Yvonne Smith Pat Witherspoon
Independent Member:	Dave Jones (non-voting co-opted)	

1. Apologies and named Substitutes	To receive the apologies for absence and details of any Councillor nominated to attend the meeting in place of a member of the Committee.
2. Declarations of Interest	To invite Councillors to declare any Disclosable Pecuniary Interests and/or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.
3. Minutes (Pages 1 - 16)	To confirm as a correct record the minutes of the meeting of the Audit & Governance Committee held on 16 th January 2014. (Minutes attached)
4. Audit & Governance Committee - Action List and Work Programme (Pages 17 - 22) Chief Executive	To consider the Audit & Governance Committee's on-going Action List and Work Programme. (Action List and Work Programme attached) (No Direct Ward Relevance)

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5. Risk Monitoring & Reporting	To receive presentations from Heads of Service on the key operational risks identified within the following service areas: • Housing • Business Transformation Also, to receive any additional Officer and/or Lead Risk Member (Councillors Bennett and Smith) oral updates in relation to risk monitoring activity which has taken place since the last meeting of the Committee. (Presentations and oral reports) (No Direct Ward Relevance)
6. Fraud Monitoring	To receive any additional Officer and/or Lead Fraud Member (Councillors Fisher and Hill) oral updates in relation to fraud monitoring activity which has taken place since the last meeting of the Committee. (Oral reports) (No Direct Ward Relevance)
7. Annual Governance Statement 2013/2014 - Progress Update Financial Services Manager	To receive an oral update from the Financial Services Manager on current progress in relation to the drafting of the Annual Governance Statement for 2013/2014 and to seek any required member input into this. (Oral report) (No Direct Ward Relevance)
8. Grant Thornton Progress Update - Executive Director, Finance and Resources (Pages 23 - 42) Executive Director, Finance and Resources	As agreed at the meeting held on 16th January 2014, to receive a written report from the Executive Director, Finance and Resources, detailing the action plan to address the issues raised in the External Auditors progress report 2013/14. (Report attached) (No Direct Ward Relevance)

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9. Grant Thornton - Certification Work Report 2012/13 and Certification Plan 2013/14 (Pages 43 - 56) Executive Director, Finance and Resources	To present Members with the Grant Thornton Claims Certification Letter for 2012/03 and the Certification Plan for 2013/14 from the Council's External Auditors Grant Thornton. (Report attached) (No Direct Ward Relevance)
10. Grant Thornton Auditing Standards 2013/14 (Pages 57 - 86) Executive Director, Finance and Resources	To present Members with the Auditing Standards report for 2013/14 from the Council's External Auditors Grant Thornton. (Report attached) (No Direct Ward Relevance)
11. Grant Thornton Audit Plan 2013/14 (Pages 87 - 104) Executive Director, Finance and Resources	To present Members with the Audit Plan 2013/14 from the Council's External Auditors Grant Thornton. (Report Attached) (No Direct Ward Relevance)
12. Grant Thornton - Audit Fee Letter 2014/15 (Pages 105 - 110) Executive Director, Finance and Resources	To present Member with the Audit Fee letter for 2014/15 from the Council's External Auditors Grant Thornton and to approve the level of fee. (Report attached) (No Direct Ward Relevance)
13. Portfolio Holder update - Quarterly Budget Monitoring Councillor John Fisher	To receive an oral update from Councillor John Fisher, Portfolio Holder for Corporate Management, on the latest Finance Monitoring Report referred to the Executive Committee. (Oral report) (No Direct Ward Relevance)
14. Internal Audit - Monitoring Report (Pages 111 - 146) Executive Director, Finance and Resources	To consider the Internal Audit Monitoring Report as at 31st March 2014. (Report attached) (No Direct Ward Relevance)

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15. Internal Audit - Annual Audit Plan 2014/2015 (Pages 147 - 154) Executive Director, Finance and Resources	To consider the Internal Audit Annual Audit Plan 2014/2015. (Report attached) (No Direct Ward Relevance)
16. Review of the effectiveness of the Audit & Governance Committee 2013/14 - Chair's Report (Pages 155 - 164)	To review the effectiveness of the Audit & Governance Committee during the 2013/14 Municipal Year. (Oral report) (Audit & Governance Committee Procedure Rules and Terms of Reference attached) (No Direct Ward Relevance)
17. Calendar of Meetings 2014/15	Members are asked to note the following meeting dates of the Committee for the 2014/15 Municipal Year: • Thursday 3rd July 2014; • Thursday 25th September 2014; • Thursday 22nd January 2015; and • Thursday 23rd April 2015. All meetings will commence at 7.00pm. There will be an additional Member Briefing for all members of the Committee at 7.00pm on Thursday 11th September 2014 on the Statement of Accounts; prior to the Committee's formal consideration of the Statement of Accounts at the 25th September 2014 meeting. (No Direct Ward Relevance)

18. Exclusion of the Public

Should it be necessary, in the opinion of the Chief Executive, to consider excluding the public from the meeting in relation to any items of business on the grounds that exempt information is likely to be divulged, it may be necessary to move the following resolution:

“that, under S.100 I of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for the following matter(s) on the grounds that it/they involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs (*to be specified*) of Part 1 of Schedule 12 (A) of the said Act, as amended.”

These paragraphs are as follows:

Subject to the “public interest” test, information relating to:

- Para 1 – any individual;
- Para 2 – the identity of any individual;
- Para 3 – financial or business affairs;
- Para 4 – labour relations matters;
- Para 5 – legal professional privilege;
- Para 6 – a notice, order or direction;
- Para 7 – the prevention, investigation or prosecution of crime;

may need to be considered as ‘exempt’.



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MINUTES

Present:

Councillor Roger Hill (Vice-Chair in the Chair) and Councillors Roger Bennett, John Fisher (during Minute No's 30 to 40), Yvonne Smith and Pat Witherspoon (during Minute No's 24 to 30 and 37 to 39)

Dave Jones – Independent Member (non-voting co-opted)

Also Present:

Phil Jones and Zoe Thomas (Grant Thornton – External Auditors)

Officers:

A Bromage, C Felton, S Morgan, G Revans, A de Warr and J Willis

Committee Officer:

D Parker-Jones

24. WELCOME - NEW INDEPENDENT MEMBER ON AUDIT & GOVERNANCE COMMITTEE

The Chair welcomed Dave Jones, the Audit & Governance Committee's first Independent Member, to the meeting.

It was noted that Mr Jones had been appointed to the role of Independent Member in December 2013. This was a non-voting co-opted role for a 12-month trial period.

The Chair highlighted the importance of the Committee's work for the Borough, and advised Mr Jones that he should feel free to join in the Committee discussions, raise any questions and put forward any suggestions at meetings.

25. APOLOGIES

An apology for absence was received on behalf of Councillor Derek Taylor.

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Chair

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It was also noted that Councillor Fisher would be arriving a little late owing to traffic problems.

26. DECLARATIONS OF INTEREST

There were no declarations of interest.

27. MINUTES

RESOLVED that

the minutes of the Committee held on 26th September 2013 be confirmed as a correct record and signed by the Chair.

28. AUDIT & GOVERNANCE COMMITTEE - ACTION LIST AND WORK PROGRAMME

Action List

(i) Ref 1 – Lead Fraud & Risk Member training

It was reported that Councillors Hill and Fisher had received individual training with Officers for their Lead Fraud Member roles on the Committee.

Councillor Smith, in her capacity as Lead Risk Member, confirmed that she had received one-to-one training with the Head of Customer Access and Financial Support and had been looking into current customer service issues. She had also received separate training from the former Head of Finance and Resources on the operation of the 4Risk (risk reporting) system, and was hoping to attend a further risk session with Officers in due course.

Councillor Bennett confirmed that he would contact Officers to make the necessary arrangements for his risk training.

Action: item to be removed from Action List.

(ii) Refs 2, 3, 4 & 6

Officers advised that these matters would be reported on at the 24th April 2014 meeting.

Action: items to remain on Action List for reporting at next meeting.

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- (iii) Ref 5 – External sale of previously used car parking machines

Officers confirmed that the car parking machines in question had now been removed and sold on to Wychavon District Council.

Action: item to be removed from Action List.

- (iv) Ref 7 – Future monitoring of use of balances to support expenditure

It was noted that this remained an ongoing item for periodic updating and that Councillor Fisher, Portfolio Holder for Corporate Management, would also now be providing financial monitoring update reports at each Committee meeting.

Action: to remain on Action List for future monitoring and reporting.

Work Programme

Officers advised on the following Work Programme updates:

- (v) 24th April 2014 meeting
The Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2014/15 report was to be removed from the Work Programme and would instead form part of the general Budget report to full Council.

Grant Thornton, the Council's External Auditors, would also be presenting a Grant Claims Certification Work 2012/13 report to the April meeting.

- (vi) Meeting date to be determined

Members agreed to the removal of the External Audit – 'Councillors on the frontline' report. This would be replaced with External Audit training prior to the first meeting of the Committee of the new Municipal Year (provisional meeting date 3rd July 2014). The training, which would be combined with the Internal Audit training which currently took place annually for the Committee, would cover the latest best practice elements for good Audit & Governance Committees.

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RESOLVED that

subject to the comments detailed in the preamble above, the Committee Action List and Work Programme be noted and the amendments and updates highlighted be agreed.

29. RISK MONITORING & REPORTING

The Committee received three separate presentations from Heads of Service on the operational risks identified within the following service areas:

- Community Services;
- Environmental Services; and
- Legal, Equalities and Democratic Services.

Community Services

The Community Services presentation detailed the operational risks within CCTV and Lifeline, Dial-a-Ride and Shopmobility, Areas of Highest Need (including the Winyates Project), Ant-Social Behaviour, Community Safety and Early Help (formerly Sure Start and Children's Centres).

The impact of the proposed Worcestershire County Council budgets cuts was highlighted as a key risk to the service, together with possible cuts/changes in funding from other sources.

This would see changes in the current format and amount of Supporting People funding, loss of the Community Safety Grant in its current format and a reduction in the funding for the Early Help contract from Year 2 onwards. The Borough Council had submitted a bid to run the Bromsgrove Early Help contract and were currently waiting to hear whether this had been successful. The authority had previously been successful with external funding and a new bid-writing post had been included within the service. The Kingfisher Shopping Centre had confirmed that they would continue with their funding for Dial-a-Ride and Shopmobility for 3 years, and the Areas of Highest Need had 18 months of funding remaining.

The Supporting People Grant from County Council was due to cease on 31st March 2014, which could see a loss in funding of £202,000 to the Borough Council for users of the Lifeline service. Over 1,000 service users were assisted through Supporting People funding. Those users who were graded as either a significant or critical risk would continue to receive funding. However it was not known at this stage how many people would be eligible for funding under the new system as full details of the funding proposals were not yet available from the County Council.

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The Executive Committee had earlier that week agreed that Officers should consult Lifeline Service users to determine the future of the service should there be such a reduction in County Council funding, including ascertaining whether users would be willing to pay for the service should they not be eligible for funding.

Environmental Services

The Head of Environmental Services detailed the operational risks within his areas, which covered refuse collection, street cleansing, landscape and grounds maintenance, crematorium and cemeteries, fleet management, supplies unit and car parking (including on street car parking), land drainage and climate change.

It was noted that some of the operational risks remained long-term, with others being linked to specific projects such as reduced waste collection services and the crematorium project, and some being health and safety related. Risk management was a continually developing process within Environmental Services, with all identified operational risks having been adjudged as either low or medium risks.

He added that a number of services were currently working their way through the transformation process, with the management of identified risks being key in the future given the budgetary situation. Officers were currently in negotiation with Worcestershire County Council on highway maintenance contracts, with the Borough Council also seeking to take on highways maintenance for the Bromsgrove area.

The service was struggling with the Government's new Green Deal initiative as the planned external provider for this was no longer proceeding with the partnership owing to current market-driven issues.

Legal, Equalities and Democratic Services

The Head of Legal, Equalities and Democratic Services explained the different elements which formed part of the Leal Services, Democratic Services and Elections teams.

The main risks which had been identified were:

- failure to effectively manage neighbourhood referendums;
- lack of capacity and capability to manage legislative change;
- lack of capacity to manage high profile legal cases;
- failure of Member conduct;
- failure to provide independent advice to two Councils;
- failure to respond to changes in political control; and
- the impact of budgetary restraints on service delivery.

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Members were advised that the elections process contained significant risks, which were subject to a separate Cabinet Office risk register.

It was noted that whilst the Localism Act 2011 provided for referendums, the risk of a referendum actually taking place was relatively slim in view of the process which had to be gone through to reach that stage.

RESOLVED that

the presentations be noted.

30. CORPORATE RISK REGISTER

The Financial Services Manager gave a presentation on the Council's Corporate Risk Register.

She informed Members that the risks identified in the Corporate Risk Register could, if realised, fundamentally affect the way in which the Council existed or provided services over the next 5 years. These risks would have a detrimental effect on the Council's achievement of its Strategic Purposes, and would lead to material failure, reputational damage, loss or lost opportunity.

The following were confirmed as corporate risks:

- partners being unable (or unwilling) to change how they do things (transformation);
- Council's failure to respond to financial constraints effectively;
- failure to manage financial and service-based impacts of the County Council's commissioning on the Council;
- political change/influence (from a national, regional or local perspective);
- failure of Local Enterprise Partnerships' (and interactions with them) to operate effectively;
- Council's failure to effectively deliver transformed services; and
- failure of Shared Services to deliver/satisfy the needs of the Council.

The following controls were in place to mitigate against corporate risks:

- 3 year budget planning;
- regular finance reports to Members;

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- Shared Services Board;
- regular Trade Union liaison;
- regular Group Leaders' meetings;
- Council's Strategic Purposes based on wider strategic aims;
- senior Officer input into Local Enterprise Partnerships and County Council discussions; and
- plans to deliver transformational services.

RESOLVED that

the presentation be noted.

31. FRAUD MONITORING & REPORTING

The Committee received a report which advised on the performance of the Benefits Services Fraud Investigation Service from 1st September 2013 to 30th November 2013.

The issues highlighted in the report in relation to the limited amount of information received by the Council on changes to Department for Work and Pensions (DWP) benefits and Tax Credits, which provided for a risk of fraud and error entering the system, were noted. Officers advised that the Chief Executive was due to write to central government to explain the extra work which was required on the part of authorities in obtaining the required information. Whilst both the DWP and the authority shared legally required information on claimants, there was no statutory requirement for the DWP to provide particular information which the Council would find helpful when dealing with its claimants.

As both Housing Benefit and Council Tax Support were means tested there was potential for claimants to under-declare. Data-matching was a key tool to identifying fraud and approximately 26% of fraud referrals received during the period came from members of the public.

Members queried whether the £32m in Housing Benefit and Council Tax Benefit paid in the financial year 2012/13 was a rising figure. Officers confirmed that this was not the case, with projected claims for 2013/14 being £32.2m. It was further noted that recent changes to the benefits system would make it difficult to make any similar comparisons in the future.

Members also queried whether information was available showing how well the service was performing in comparison with neighbouring authorities' services. Officers responded that whilst certain information was shared between authorities it was difficult to benchmark such data given the varying circumstances involved.

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The forthcoming Single Fraud Investigation Service (SFIS) which was to be introduced as part of the government's welfare reform plans also impacted on how the authority evaluated its performance against other authorities. Officers agreed to look into whether it was possible to obtain any relevant comparison data for future reporting to Members.

In response to a Member request, Officers went on to explain the background to Administrative Penalties and how and when these were applied.

Members queried how likely it was that the £36k overpaid in Housing Benefit would be recovered. Officers responded that there was a reasonable likelihood of this being recovered, although this would be over a significant period of time as the authority did not want to put families in crisis when clawing back overpayments as this would only serve to make matters worse.

The update provided in the report in relation to the SFIS was noted, with current implementation due to take place on a phased basis between October 2014 and March 2016. Alongside the roll out of the SFIS, the Department for Communities and Local Government and DWP were also investigating local government's capacity to tackle non-welfare fraud, which would include extra funding for local authorities for 2014/15 and 2015/16.

The Independent Member queried whether the 225 fraud referrals received during the period of the report was an increasing figure, and whether there had been a year-on-year increase in referral numbers. Officers were unsure on this and agreed the report back to the Committee at the next meeting under the Action List item on past referral numbers. Future benefits investigations reports would also include relevant comparison figures.

RESOLVED that

subject to the required follow-up actions by Officers, as detailed in the preamble above, the report be noted.

32. DEBT RECOVERY UPDATE - QUARTERS 1 AND 2 2013/14

The Committee received a report advising Members on the collection and recovery processes of the Council's income team, and on outstanding debt levels.

Officers highlighted the key elements of the report, which was the first such report to the Committee.

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It was noted that former tenancy arrears, whilst relatively low in number, were labour intensive and created the most work for the Income Team of any individual debt type. Former tenancy arrears were reducing year-on-year owing to how the Income Team operated, transformation work and early intervention with cases. Current arrears for 2013/14 at the end of the second quarter stood at £336,723, which related to 395 individual cases. As part of transformation work the team were also assisting customers who were getting into debt with budget planning.

Other debt owed to the Council (excluding former tenancy arrears) totalled £918,000. This related to 11,335 outstanding invoices or instalments which had been issued, many of which would be paid before the end of the financial year. Collection rates over the last 3 years had improved, with there being a demonstrable improvement in the Council's debt collection.

The Independent Member queried what appeared to be a disproportionate number of live accounts compared with the number of invoices raised. Officers stated that this was due to changes in some of the processes involved, which reflected in the figures.

Officers advised that cases were dealt with by the authority as far as possible, with only a small number being referred to court in the reporting period. Officers worked with customers and were careful not to pursue debts where it was uneconomical to do so, for example, where court costs would be higher than the original debt.

Officers responded to Member questions on debt issues, including the invoicing of and methods of payment for council-owned garages, and commission rates on debt balances collected by external debt collection agents.

A Member queried whether the debt recovery figures would be incorporated into the corporate dashboard for performance monitoring. Officers responded that this was not currently in the strategic measures but could be reported on generally. Members agreed that a regular 6-monthly debt recovery update report be referred to the Committee.

RESOLVED that

- 1) the contents of the report be noted; and**
- 2) a regular 6-monthly debt recovery update report be referred to the Committee.**

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33. INTERNAL AUDIT - MONITORING REPORT

Members considered the Internal Audit Monitoring Report as at 30th November 2013.

Officers highlighted the Final Report for the Palace Theatre issued on 25th October 2013, which had resulted in a Limited Assurance level. The audit had identified a number of expected controls which were not in place at the time of the audit taking place, together with some which were not working properly. The proposed Internal Audit recommendations detailed in the report were noted, together with management's responses and action plans to address the recommendations. Internal Audit would report back to Members on the Palace Theatre as part of their follow-up monitoring work.

Officers also highlighted the Allotments audit which, whilst resulting in a Moderate Assurance level, had given rise to some concerns with some expected controls either not being in place and/or operating effectively. In particular, there was no formal agreement in place to govern the operation of the Allotment Associations which were run under the Council's Leisure and Cultural Services Team.

Officers went on to explain the Internal Audit Plan delivery 2013/14 and key performance indicators 2013/14. Steady progress had been made against the plan with Officers being on target to deliver the full plan as expected.

RESOLVED that

the report be noted.

34. INTERNAL AUDIT - PROVISIONAL AUDIT PLAN 2014/15

The Committee received a report on the Provisional Internal Audit Operational Plan for 2014/15 and the key performance indicators for the Worcestershire Internal Audit Shared Service for the same period.

Officers advised that owing to new Internal Audit regulations, Internal Audit would in future be looking to link audits with the Council's corporate (strategic) priorities.

The number of audit days in the draft plan for 2013/14 and 2014/15 remained the same. In light of progress which was being made as a result of the Council's transformation programme, the Committee felt that there was some value in the Worcestershire Internal Audit Shared Service Manager and the authority's Section 151 Officer reviewing the number of future audit days and coverage to be

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provided. It was noted that a number of other local authorities were looking to reduce their audit days.

Members highlighted the importance of ensuring that the Council's financial systems were sufficiently robust, particularly in view of the issues highlighted earlier in the evening by the External Auditors in relation to the ongoing financial pressures faced by the Council.

Officers responded that from an Internal Audit perspective, financial system weaknesses would not be expected as the current systems in place, based on current staff numbers, were felt to be reasonable and fit for purpose. If, for example, staffing numbers reduced significantly then the associated risk would increase and the position would need to be reviewed.

RESOLVED that

- 3) **the report be noted; and**
- 4) **the Worcestershire Internal Audit Shared Service Manager and Section 151 Officer review the number of planned audit days and coverage to ascertain whether there was any value in reducing these over future years.**

35. ANNUAL GOVERNANCE STATEMENT 2013/14 - PROGRESS UPDATE

Officers advised that there was no update to be provided on current progress with the drafting of the Annual Governance Statement for 2013/14, and that an update on this would be forthcoming at the next meeting of the Committee.

RESOLVED that

the position be noted.

36. PORTFOLIO HOLDER UPDATE - QUARTERLY BUDGET MONITORING

Councillor Fisher, Portfolio Holder for Corporate Management, provided his first oral Quarterly Budget Monitoring update report to the Committee.

The Portfolio Holder confirmed that the most recent Finance Monitoring Report, for Quarter 2 of 2013/14 (covering the period April to September 2013), had been referred to the Executive Committee on 10th December 2013.

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The Portfolio Holder spoke on elements of the 2013/14 budget, including the unidentified savings element of this which the External Auditors had stated they would like to see details of proposed savings for moving forward. He stated that it was important to look at services and to understand service needs from the customer's perspective. As part of that process services would be reviewed and transformed and the consequences of any service changes known.

The Council was on target to make £508k of savings by the end of the year. Officers were reviewing every area of expenditure, with the current shortfall for 2013/14 standing at £42k.

Over the course of the current financial year the Portfolio Holder had met regularly with Finance Officers and Heads of Service on budget monitoring and reporting, and in recent months had held weekly meetings with the Director of Finance and Resources.

There was a current freeze on jobs unless posts were deemed to be business critical and the staff training budget had been significantly reduced. As the Council's transformation programme progressed work processes were being reviewed and restructures had taken place in some service areas. Additional income had been forthcoming from the Crematorium and Palace Theatre.

Major challenges with the 2014/15 budget lay ahead for the Council over the coming months. More detail on how the budget shortfall would be addressed would emerge over the months ahead.

Officers advised that they were currently working on the Finance Monitoring Report for Quarter 3 of 2013/14, and that whilst savings had been identified unanticipated issues could still arise which might affect the position.

RESOLVED that

the Portfolio Holder's update report be noted.

37. GRANT THORNTON - ANNUAL AUDIT LETTER 2012/13

Members were presented with the Annual Audit Letter for 2012/13 from Grant Thornton, the Council's External Auditors.

Phil Jones, Engagement Lead from Grant Thornton, spoke briefly on the report and referred to the report's Executive summary which detailed the key areas for the Council's attention.

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Work undertaken by the External Auditors was in line with the plan issued to Members in March 2013, with the fees charged being consistent with those set out in the fee letter issued in April 2013. Fees for the work carried out by the External Auditors on the certification of grant claims and returns would be confirmed in a separate report once complete.

Mr Jones highlighted the financial pressures which the Council was facing given the significant reductions in central government grants. He advised that he had recently met with Councillor Fisher, Portfolio Holder for Corporate Management, to discuss how the Council would be tackling this issue. Other key messages from the External Auditors included business rate pooling, the Council's transformation programme and possible consequences to the Council of the government's welfare reform.

Unqualified opinions had been received on the 2012/13 accounts and in relation to value for money. Assurance of the Whole of Government Accounts Statement had been made to the National Audit Office and 2 grant claims had been audited without amendment.

RESOLVED that

the report be noted.

38. GRANT THORNTON - GRANT CLAIMS CERTIFICATION WORK 2012/13

The External Auditors confirmed that this report would now be referred to the next meeting of the Committee as confirmation was awaited from the Audit Commission on the fees for this work.

RESOLVED that

the position be noted.

39. GRANT THORNTON - UPDATE REPORT 2013/14

Members were presented with a progress report for the financial year 2013/14 from Grant Thornton, the Council's External Auditors. The report also included a summary of emerging national issues and developments of relevance to the Council.

A report of the Executive Director, Finance and Resources, setting out an action plan to address the issues raised in the External Auditors progress report would be presented to the next meeting of the Committee.

Audit & Governance

Committee

16th January 2014

Members noted that, in line with the process followed for the 2012/13 financial year, Officers would forward a copy of the 2013/14 draft accounts to the members of the Committee at the end of June; the point at which they were submitted to Grant Thornton for auditing. The final accounts, including any changes made to the draft version post-audit, would then be signed off by the Committee at the end of September.

RESOLVED that

the report be noted.

40. GRANT THORNTON - REVIEW OF FINANCIAL RESILIENCE

Members received a report from the Council's External Auditors, Grant Thornton, which presented their views on the financial resilience of the Council for the year ended 31st March 2013.

Phil Jones, Engagement Lead at Grant Thornton, highlighted the Local Context detailed in the report. This confirmed that in Redditch between 2009 and 2015 the impact of the reduction in government grant reflected a 41% cut in funding cumulatively, with further cuts also due. The External Auditors had met with the Leader of the Council and the Executive Director, Finance and Resources, with future budget plans beginning to emerge.

One area of concern highlighted in the report related to the adequacy of certain planning assumptions under the Medium Term Financial Strategy (MTFS). The corporate plan issued in 2013 was not keyed into the budget setting process, meaning there was a disconnection between the two. Issues linked with the Housing Revenue Account since this had become self-financing in 2012 would also need to be kept under review and duly planned for.

The Council had yet to fully identify all of the required savings in the MTFS, that being £1.8m by 2014/15 and further savings beyond. The Council would need to take some difficult decisions in order to cut costs and increase revenue in order to achieve required savings. Earmarked balances should be robustly reviewed and further considerations given to the minimum level of balances in view of the financial risk the Council was facing.

RESOLVED that

the report be noted.

Audit & Governance

Committee

16th January 2014

The Meeting commenced at 7.00 pm
and closed at 9.05 pm

AUDIT & GOVERNANCE COMMITTEE ACTION LIST – 24TH APRIL 2014 MEETING

Officers: Andy Bromage - Worcestershire Internal Audit Shared Services Manager
 Sam Morgan - Financial Services Manager
 Jayne Pickering - Executive Director, Finance and Resources
 Amanda de Warr - Head of Customer Access and Financial Support

Note: Members have determined that quarterly Risk Monitoring and Fraud Monitoring updates will be provided to the Committee, which will include any relevant updates from those Members appointed to oversee Risk and Fraud Monitoring on behalf of the Committee. Both items appear in the Committee's Work Programme and, as such, are not included in the Action List.

Ref	Action/Issue	Origin	Lead Officer/ Member	Priority/ timescale	Officer Response/Action Status
1	Council delays in raising invoices for payment of community meeting rooms (etc) and refreshments by external organisations. Look into possibility of introducing a system for making payments at point of booking.	Minutes 12 of 27.06.13 & 16 (iii) of 26.09.13 meetings refer	Sam Morgan / John Godwin	24.04.14 meeting	Agreed at 26.09.13 meeting that Officers would look into figures involved and report back on these at 16.01.13 meeting in order to determine whether any further action required. Chair subsequently confirmed Officers could report on this to either 16.01.14 or 24.04.14 meeting.
2	Regarding the review of the service agreement in place with County Council for the valuation of assets (Annual Governance Statement 2012/13), are details of any site visits and comparisons made as part of the valuation process now being included in valuation certificates, as part of the judgements made?	Minute 9 of 27.06.13 meeting refers	Sam Morgan / Jayne Pickering	24.04.14 meeting	Officers agreed to report on this at the 26.09.13 meeting. Chair subsequently rescheduled to 16.01.14 or 24.04.14 meeting.
3	Member concerns in relation to Redditch Market and any relevant risk register inclusions.	Minute 11 of 27.06.13 meeting refers	Cllr (Derek) Taylor / any other relevant Members	24.04.14 meeting	Officers advised Members at 27.06.13 meeting that any concerns in relation to the Market should be directed to the appropriate Head of Service, in order to

AUDIT & GOVERNANCE COMMITTEE ACTION LIST – 24TH APRIL 2014 MEETING

					ascertain whether these needed to be included in the appropriate risk register. Members to report back on any relevant risk register information as separate Overview and Scrutiny (O&S) Committee monitoring applies in relation to O&S Market recommendations). Chair scheduled update on this for 16.01.14 or 24.04.14 meeting.
4	Feasibility of introducing monthly rents on commercial buildings in advance via direct debit.	Minute 12 of 27.06.13 meeting refers.	Sam Morgan / Jayne Pickering	24.04.14 meeting	Officers agreed at 27.06.13 meeting to look into this. Chair rescheduled update to 16.01.14 or 24.04.14 meeting.
5	Fraud Monitoring & Reporting – fraud referral figures	Minute 31 of 16.01.14 meeting refers.	Amanda de Warr	24.04.14 meeting	Officers agreed to check whether the 225 fraud referrals received during the period of the report was an increasing figure, and whether there had been a year-on-year increase in referral numbers, and to report back to the Committee on this (via the Action List item) at the 24.04.14 meeting.
6	Future monitoring of use of balances to support expenditure. Relates to District Auditor's finding that in relation to Value For Money the Council could not continue to rely on using balances to support expenditure, with considerable savings being necessary over following 3 years (Annual Audit Opinion 2011/12).	Minutes 26 of 18.03.13, 38 (x) of 25.04.13 & 21 of 26.09.13 meetings refer.	Sam Morgan, Jayne Pickering & Cllr Fisher	Ongoing	Officers to provide ongoing periodic updates to Committee on information referred to Executive Committee as part of quarterly Budget Monitoring reports. Cllr Fisher (as Portfolio Holder) also to provide oral updates on Financial Budget Monitoring to each meeting of the Committee (wef 16.01.14).

(End)

AUDIT & GOVERNANCE COMMITTEE

24th April 2014

WORK PROGRAMME 2014/2015

3rd July 2014

- **Committee Action List & Work Programme**
- **Operational Risk Reporting & Risk Monitoring** (including any oral updates from those members of the Committee charged with overseeing Risk Monitoring on behalf of the Committee)
- **Benefits Investigations (for period 1st December to 31st March) & Fraud Monitoring** (including any oral updates from those members of the Committee charged with overseeing Fraud Monitoring on behalf of the Committee)
- **Debt Recovery Update Report** (for Quarters 3 and 4 – October to March)
- **Annual Governance Statement 2013/14 (for inclusion in the Statement of Accounts)**
- **External Audit – Progress Report** (if applicable) **including oral update on Value for Money Conclusion**
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**
- **Internal Audit – Annual Report 2013/14 (including review of effectiveness of Internal Audit)**

(Note: Copies of the draft Annual Accounts and Annual Governance Statement will be sent to all members of the Committee at the same time as they are issued to the External Auditors.)

There will also be a Member Briefing on the Statement of Accounts for the members of the Committee on **11th September 2014**, prior to the Committee's formal consideration of the Statement of Accounts at the 25th September 2014 meeting.)

25th September 2014

- **Committee Action List & Work Programme**
- **Operational Risk Reporting & Risk Monitoring** (including any oral updates from those members of the Committee charged with overseeing Risk Monitoring on behalf of the Committee)
- **Benefits Investigations & Fraud Monitoring** (including any oral updates from those members of the Committee charged with overseeing Fraud Monitoring on behalf of the Committee)
- **Audited Statement of Accounts 2013/14**
- **Annual Governance Statement 2014/15 – Progress Update**
- **Review of Independent Member on the Committee** (initial 12-month trial appointment ends December 2014)
- **External Audit – Progress Report** (if applicable)

AUDIT & GOVERNANCE COMMITTEE

24th April 2014

- **External Audit – Audit Findings Report 2013/14**
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**

22nd January 2015

- **Committee Action List & Work Programme**
- **Operational Risk Reporting & Risk Monitoring** (including any oral updates from those members of the Committee charged with overseeing Risk Monitoring on behalf of the Committee)
- **Corporate Risk Register** (if applicable for 2015)
- **Benefits Investigations & Fraud Monitoring** (including any oral updates from those members of the Committee charged with overseeing Fraud Monitoring on behalf of the Committee)
- **Debt Recovery Update Report** (for Quarters 1 and 2 – April to September)
- **Annual Governance Statement 2014/15 – Progress Update**
- **Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy 2015/16** (or may go to April 2015 meeting)
- **External Audit – Progress Report** (if applicable)
- **External Audit – Annual Audit Letter**
- **External Audit – Grant Claims Certification Work Report** (or April meeting)
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**
- **Internal Audit – Annual Audit Plan 2015/16 (Draft)**

23rd April 2014

- **Committee Action List & Work Programme**
- **Operational Risk Reporting & Risk Monitoring** (including any oral updates from those members of the Committee charged with overseeing Risk Monitoring on behalf of the Committee)
- **Benefits Investigations & Fraud Monitoring** (including any oral updates from those members of the Committee charged with overseeing Fraud Monitoring on behalf of the Committee)
- **Accounting Standards (Statement of Accounting Policies)**
- **Annual Governance Statement 2014/15 – Progress Update**
- **Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2015/16**
- **External Audit – Auditing Standards 2014/15 (Communication with the Audit and Governance Committee and Executive)**
- **External Audit – Progress Report** (if applicable)
- **External Audit – Audit Plan 2014/15**
- **External Audit – Audit Fee Letter 2015/16**

AUDIT & GOVERNANCE COMMITTEE

24th April 2014

- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**
- **Internal Audit – Annual Audit Plan 2015/16 (Final)**
- **End of Year Review of Operation and Effectiveness of the Audit & Governance Committee (Chair’s Oral Report) & annual review of the Committee’s Procedure Rules** (Minute 4 (Audit and Governance Committee – Procedure Rules) of 28th June 2012 meeting refers)
- **Calendar of Meetings 2015/16**

AUDIT AND GOVERNANCE COMMITTEE

24TH APRIL 2014

GRANT THORNTON PROGRESS UPDATE – JAN 14

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 To update members on the progress report as submitted to the January meeting.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note updates as included on Appendix 2.**

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications

Legal Implications

- 3.2 The Council has a statutory responsibility to comply with financial regulations.

Service / Operational Implications

- 3.3 The report attached at Appendix 1 was presented to this Committee in January 2014. Members asked for an officer update on the Emerging Issues and Developments to ensure that the Council was addressing the issues identified.
- 3.4 An update from officers can be seen at Appendix 2 and includes:
- Work being undertaken on reviewing fees and charges
 - New software for identification of Business Rates
 - Work to ensure compliance to regulations
- 3.5 There are no issues that are not being addressed by officers to ensure the Council meets its statutory financial obligations.

AUDIT AND GOVERNANCE COMMITTEE

24TH APRIL 2014

Customer / Equalities and Diversity Implications

- 3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

- 4.1 As part of all audit work the auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems.

5. APPENDICES

Appendix 1 – January 2014 Grant Thornton Report
Appendix 2 – Update from officers

6. BACKGROUND PAPERS

7. KEY

N/a

AUTHOR OF REPORT

Name: Jayne Pickering
E Mail: j.pickering@bromsgrove&redditch.gov.uk
Tel: 01527-881207

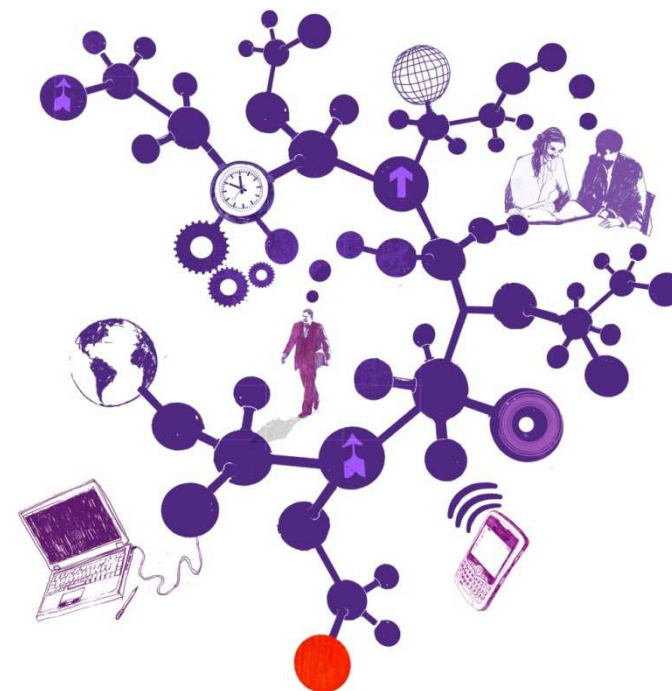
Audit Committee Update for Redditch Borough Council

Year ended 31 March 2014

16 January 2014

Phil Jones
Engagement lead
T 0121 232 5232
E phil.w.jones@uk.gt.com

Zoe Thomas
Manager
T 0121 232 5277
E zoe.thomas@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a district council.

Your Executive Director, Finance and Resources has agreed to prepare an action plan that addresses the issues raised in these papers. This will be presented to the next Audit Committee for members consideration

Members of the Audit Board can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Phil Jones Engagement Lead T 0121 232 5232 M 0782 434 3631 phil.w.jones@uk.gt.com
Zoe Thomas Audit Manager T 0121 232 5277 M 07880 456 119 zoe.thomas@uk.gt.com

Progress at December 2013

Work	Planned date	Complete?	Comments
2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.	January 2014		The audit plan will be presented to the April audit committee. The report will include the findings from our interim visit We will also be bringing the 'informing the audit risk assessment' for your consideration.
Interim accounts audit Our interim fieldwork visit includes: • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion.	March 2014		
2013-14 final accounts audit Including: • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion,	July 2014 fieldwork – opinion issued September 2014		

Progress at December 2013

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion comprises a review of the Council's arrangements against the following criteria: The organisation has proper arrangements in place for securing financial resilience. - The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness: - The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.	March – July 2014		
Other activity undertaken - Audit committee workshop – presentation to members on the role of the audit committee. - Meeting with Leader and Portfolio holder for Finance - Meeting between Director of Finance and Grant Thornton performance improvement lead. To support the Council, the following documents have subsequently been provided: - Proposal for benchmarking review - Document for discussion on Trusts - Audit Commission VFM profiles for the Council	September 2013 December 2013 December 2013		

Emerging issues and developments

Local government guidance

Income from charging

In September, the Audit Commission published '[Income from charging: Using data from the VFM Profiles, September 2013](#)'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- there is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

Emerging issues and developments

Local government guidance

Business rate collection

In April 2013, the government introduced a business rates retention scheme. Local authorities as a whole will now be able to keep half of the business rates income they collect rather than paying it all into the national pool. As business rate income grows, authorities will keep half of the growth.

In October, the Audit Commission published '[Business rates: using data from the VFM profiles October 2013](#)'. This briefing has been drawn from the Commission's Value for Money (VFM) profiles and shows an analysis of English council's collection rates and costs of collecting business rates.

The Audit Commission also highlights the following steps councils could take to maximise business rates:

- supporting existing business to do well and attracting new businesses to the area
- identifying and billing all business properties with a rateable value promptly
- using discretionary relief in an effective way, targeting businesses most in need
- preventing and tackling fraudulent claims for relief
- improving collection rates
- reducing collection costs.

Emerging issues and developments

Grant Thornton

Potential for procurement fraud

The Chancellor's Spending Round announcement earlier this summer has forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

'Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

If you have any queries on procurements processes and/or procurement fraud, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Local government guidance

Voluntary Code of Practice on the Housing Revenue Account

In October, CIPFA and the Chartered Institute of Housing (CIH) issued the ['Voluntary Code for a Self-financed Housing Revenue Account'](#).

The voluntary code aims to give authorities the tools necessary to control and evaluate the performance of their HRA and increase the value it returns to both councils and rate payers. It will also help authorities to assess and develop effective governance and financial management frameworks for their HRA.

This code is designed to be self-regulatory and compliance is not formally required.

Emerging issues and developments

Accounting and audit issues

Simplifying and streamlining the presentation of local authority financial statements

Both HM Treasury and CIPFA/LASAAC have recently consulted on how to streamline and simplify local authority financial statements. In our response, we set out our view that streamlining is a collaborative process involving standard setters, preparers of the accounts and auditors. This requires a much needed change in culture and attitude from the accounting and auditing profession as a whole.

However, there is much that can be done now. In his October article in [Room 151](#), the on-line local authority finance publication, Graham Liddell, Grant Thornton's National Technical Lead sets out the practical steps local authorities can take to:

- learn the lessons from 2012/13 to improve the preparation and audit of the financial statements for future years
- de-clutter their accounts using the previous year's financial statements as the starting point

Graham notes that Grant Thornton has been working with a range of local authorities to achieve these goals. One council audited by Grant Thornton succeeded in producing a set of financial statements in 2012/13 that were only half the length of those for 2011/12 and were much easier to follow.

Emerging issues and developments

Accounting and audit issues

Consultation on Local Authority Accounting Code of Practice for 2014/15

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

In respect of the some of the other key consultation issues, our views were:

- IFRS 13 - the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.
- Infrastructure assets - we supported the adoption of IFRS based accounting for infrastructure assets. We recognise the practical difficulties in doing this and have offered to work with CIPFA/LASAAC and local authorities to help overcome these difficulties.
- Schools - we emphasised the importance of addressing the accounting issues for schools as a matter of priority, particularly because this is an area for which the Whole of Government Accounts are currently qualified.

Emerging issues and developments

Accounting and audit issues

Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to be sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period
- items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

Emerging issues and developments

Accounting and audit issues

Public briefing on the Local Audit and Accountability Bill

In September, the Audit Commission published a [briefing note on the Local Audit and Accountability Bill](#). The Bill is currently going through Parliament.

The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- collective procurement arrangements
- audit appointment arrangements
- the National Fraud Initiative
- small bodies
- supporting accountability to Parliament and the public
- reporting on arrangements to secure value for money
- updating the legislative framework governing local public audit.



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APPENDIX 2

GRANT THORNTON – PROGRESS UPDATE**Local Government Guidance****Income From Charging**

- *The Council has been part of a cross Country review of fees and charging and will be using the information obtained from this review to consider fees and charges in the 2015/16 budget process.*

Business Rate Collection

- Along with the other Worcestershire Councils the Council is adopting a new software package that will identify all properties and their comparative business rate values to ensure that all liabilities are included in the business rate collection

Potential for Procurement Fraud

- *Officers are investigating the best opportunity to identify procurement fraud as it is accepted that although we have a robust procurement team and opportunity to utilise internal audit to investigate fraud, there may be improvements we can put in place. There is currently a corporate fraud internal audit review being undertaken.*

Simplifying and streamlining the presentation of local authority financial statements

- *Officers continually work with External Audit to ensure that the financial statements are compliant with legislation but are presented in the most streamlined and effective way*

Consultation on Local Authority Accounting Code of Practice for 2014/15

- *Officers will ensure that the accounts will comply with any new revisions to the accounting statements*

Property, Plant and Equipment revaluations

- *Officers work with the professional County valuation team to ensure that any revaluations are undertaken in compliance with accounting regulations.*

AUDIT AND GOVERNANCE COMMITTEE

24TH APRIL 2014

GRANT THORNTON – CERTIFICATION WORK REPORT 2012/13 & PLAN 2013/14

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Grant Certification Letter for 2012/13 and the Certification Plan 2013/14 from the Councils External Auditors Grant Thornton.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note the letter for 2012/13 and the plan for 2013/14.**

3. KEY ISSUES

Financial Implications

- 3.1 The budget 2012/13 included the assumption of this fee being charged.

Legal Implications

- 3.2 Grant Thornton have a statutory responsibility to certify the claims submitted by the Council. The Council has a legally binding contract with Grant Thornton to provide the External Audit service for at least the next 5 years.

Service / Operational Implications

- 3.3 External Auditors have a duty to carry out all work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. This includes certification of grant claims.
- 3.4 The auditors have certified 3 claims for 2012/13 relating to over £59m of expenditure. These are detailed at Appendix 1 and relate to:
- Housing and Council Tax Benefit Scheme
 - National Non Domestic Rates
 - Capital Receipts Return

AUDIT AND GOVERNANCE COMMITTEE

24TH APRIL 2014

- 3.5 The key messages from the Audits are;
- Claims were all submitted and certified on time
 - There were relatively few errors found
 - The use of an agency member of staff results in the analysis work being undertaken on time
 - The arrangements were significantly improved on the previous year.

- 3.6 The delivery of the plan will ensure that both the Auditors and the Council meet their statutory responsibilities in preparing and verifying the grant claims

Customer / Equalities and Diversity Implications

- 3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

- 4.1 As part of all audit work the auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems.

5. APPENDICES

Appendix 1 – Grant Thornton Certification Letter 2012/13

Appendix 2 – Grant Thornton Certification Work Plan 2013/2014

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

Name: Jayne Pickering

E Mail: j.pickering@bromsgrove&redditch.gov.uk

Tel: 01527-881207



Grant Thornton

An instinct for growth™

Jayne Pickering
Executive Director (Finance and Corporate Resources)
Redditch Borough Council
Town Hall
Walter Stranz Square
Redditch
B98 8AH

9 April 2014

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham B4 6AT

T +44 (0)121 212 4000
F +44 (0)121 212 4014
DX 13174 Birmingham
www.grant-thornton.co.uk

Dear Jayne

Certification work for Redditch Borough Council for year ended 31 March 2013

We are required to certify certain of the claims and returns submitted by Redditch Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified three claims and returns for the financial year 2012/13 relating to expenditure of £59 million. Further details of the claims certified are set out in Appendix A.

There are no significant issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification. The Council employed a contractor to undertake the main testing this year on the Housing Benefits subsidy, in line with the recommendations we made in the previous year certification report. In addition relatively few errors were identified. The work was completed in line with the earlier timetable this year. This reflects a significant improvement in arrangements this year for this claim.

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £17,250. This is set out in more detail in Appendix B. The indicative fee for 2013/14 is £12,298.

Yours sincerely

Zoe Thomas
For Grant Thornton UK LLP

Chartered Accountants

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Appendix A - Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	31,287,211	yes	(8,591)	yes	The number of issues reported in the qualification letter were significantly reduced this year.
National non-domestic rates return	26,012,151	No		No	
Capital Receipt return	1,739,670	No		No	

Appendix B: Fees for 2012/13 certification work

Claim or return	2011/12 fee (£)	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim	22,561	15,569	15,569	0	A contractor for the Council undertook much of the work on the claim and a relatively low number of errors were identified. The fee includes the additional work we undertook at the beginning of the year, in response to the DWP request for further work in relation to the 2011/12 claim.
National non-domestic rates return	2,305	1,221	1,221	0	
Capital Receipts Return	875	460	256	204	Only part A testing undertaken in 2012/13
Reporting	955				
Total	26,696	17,250	17,046	204	

Grant certification work plan for Redditch Borough Council

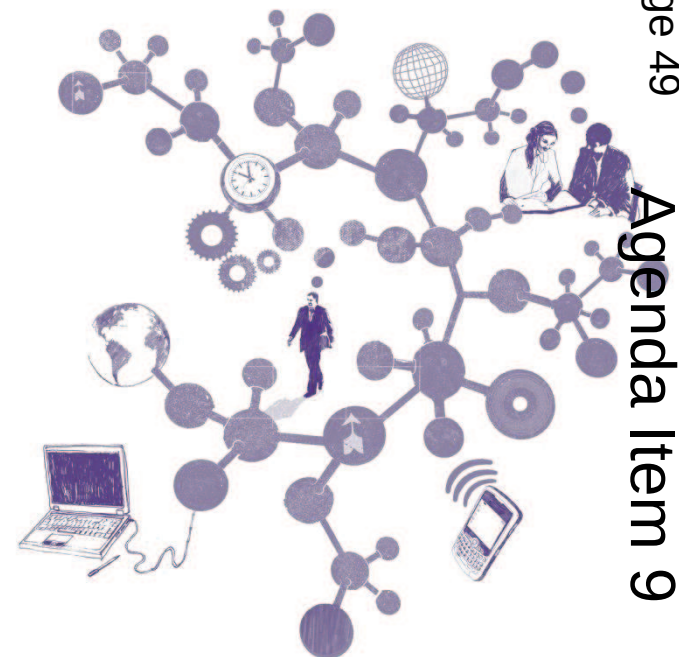
Year ended 31 March 2014

25 February 2014

Phil Jones
Director
T 0121 232 5232
E phil.w.jones@uk.gt.com

Zoe Thomas
Audit Manager
T 0121 232 5277
E zoe.thomas@uk.gt.com

Kathryn Kenderdine
Audit Executive
T 0121 232 5316
E kathryn.a.kenderdine@uk.gt.com



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Appendix A Summary of expected claims and returns for the year ended 31 March 2014

Our approach to grant certification work

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council’s role in set out in more detail below:

- the Executive Director of Finance and Corporate Resources is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council’s certificate to be given by an appropriate senior officer. This is typically the Executive Director of Finance and Corporate Resources or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim
- national non-domestic rates return

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefit claim)
- national non-domestic rates return

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for the Council is £12,298.

The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- Council staff will undertake initial and 40+ testing in line with the agreed quality standards
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Kathryn Kenderdine at the following address:

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

or emailed to kathryn.a.kenderdine@uk.gt.com

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

Claim (CI reference)	Authority deadline **	Certification deadline **	Claim certified in prior year	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14	Yes	Claim qualified and amended

* No certification of council tax benefit is required in 2013/14

** Indicative deadlines only – final deadlines to be confirmed by the Audit Commission



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AUDIT & GOVERNANCE COMMITTEE

25TH APRIL 2014

GRANT THORNTON – AUDITING STANDARDS 2013/14

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Executive Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Auditing Standards report for 2013/14 from the Councils External Auditors Grant Thornton.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note the report and management responses.**

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications as a direct result of this report however robust internal financial control mechanisms as confirmed within this report reduce the costs associated with fraud and inaccurate accounting arrangements.

Legal Implications

- 3.2 Grant Thornton have a responsibility to ensure that robust systems are in place together with proactive communications with those charged with Governance.

Service / Operational Implications

- 3.3 External Auditors have a duty in planning and performing their audit of the financial statements to understand how Cabinet, supported by the Council's management, and the Audit & Governance Committee meets its responsibilities in the following areas:
- Fraud
 - Law and regulation
 - Going concern
 - Related parties
 - Accounting for estimates

AUDIT & GOVERNANCE COMMITTEE

25TH APRIL 2014

The report attached at Appendix 1 details the management response in relation to the controls that are in place within Redditch Borough Council to ensure that arrangements are in place to support the financial and operational management of the organisation. There are no specific concerns that have been highlighted by the External Auditors.

Customer / Equalities and Diversity Implications

- 3.4 There are no implications arising out of this report.

4. RISK MANAGEMENT

- 4.1 As part of all audit work the auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems.

5. APPENDICES

Appendix 1 – Grant Thornton Auditing Standards Report 2013/14

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

Name: Jayne Pickering
E Mail: j.pickering@bromsgrove&redditch.gov.uk
Tel: 01527-881207

Auditing Standards – Communication with the Audit & Governance Committee and Executive

Redditch Borough Council

Audit year 2013/2014

Last updated 9 April 2014

Phil Jones
Engagement Lead
T 0121 232 5232
E phil.w.jones@uk.gt.com

Zoe Thomas
Manager
T 0121 232 5277
E zoe.thomas@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

The purpose of this report is to ensure there is effective two way communication between the Council's Audit and Governance Committee, who are "Those Charged with Governance" and the external auditor.

As your external auditors we have a responsibility under professional auditing standards to ensure there is effective communication with the Audit and Governance Committee. This means developing a good working relationship with members, while maintaining our independence and objectivity. If this relationship works well it helps us obtain information relevant to our audit and helps members to fulfil their financial reporting responsibilities. The overall outcome is to reduce the risk of material misstatement

In planning and performing our audit of the financial statements we need to understand how the Audit and Governance Committee, supported by the Council's management, meets its responsibilities in the following areas:

- Fraud
- Law and regulation
- Going concern
- Accounting for estimates
- Related Parties

This report summaries the respective responsibilities of Audit Committee, officers and external audit in each of these area, as set out by International Standards on Auditing (UK and Ireland) (ISAs). Our primary responsibility is to consider the risk of material misstatement.

Each section of the report includes a series of question that management have responded to. We would like to ask the Audit and Governance Committee to consider these responses and confirm that it is satisfied with the arrangements.

Fraud Risk Assessment

The ISAs define fraud as:

"An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage."

[ISA (UK&I) 240, paragraph 11]

The primary responsibility to prevent and detect fraud is with the Audit and Governance Committee and the Council's management. To do this:

- Officers need to ensure there is a strong emphasis on fraud prevention and deterrence, with a commitment to honest and ethical behaviour
- Audit and Governance committee oversight needs to include the potential for the override of controls and inappropriate influence over the financial reporting process

Our overall responsibility is to ensure the Council's financial statements are free from material misstatement due to either fraud or error. We are required to maintain professional scepticism through the audit, which means considering the potential for the intentional manipulation of the financial statements.

Fraud Risk Assessment cont..

We are also required to carry out a fraud risk assessment to inform our audit approach. This includes considering the following:

- How management assess the risk of material misstatement in the financial statements due to fraud.
- Officers' response to assessed fraud risk, including any identified specific risks.
- Investigations into data matches identified through the National Fraud Initiative and subsequent outcomes.
- How officers communicate the process for assessing and responding to fraud risk to the Audit and Governance Committee.
- How officers communicates its views on ethical behaviour to the Audit and Governance Committee.
- How the Audit and Governance Committee exercises oversight of officers' fraud risk assessment and response processes and the internal controls to mitigate these risks.
- What knowledge the Audit and Governance Committee has of actual, alleged or suspected fraud.

Table 1 sets out how Officers have responded to our financial risk assessment

Table 1 Fraud Risk Assessment

Question	Management response
1. What is officers' assessment of the risk of material misstatement in the financial statements due to fraud? Is this consistent with the feedback from your risk management processes?	Although there is an on-going risk of fraud being committed against the Council, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas and work on Council Tax and Housing Benefit fraud. There is on-going communication between external audit and responsible officers on emerging technical issues. Officers also attend technical updates. Financial monitoring reports also highlight areas of variance within the capital and revenue budgets and this assists management in identifying areas of material misstatement within the accounts. The Council is currently reviewing and updating its risk management processes and procedures. Management considers there is a low risk of material misstatement in the financial statements due to fraud.

Table 1 Fraud Risk Assessment cont.

Question	Management response
2 Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2013? If so how does the Audit Committee respond to these?	There are some areas that are inherently at risk from fraud such as: ▪ Council Tax ▪ Benefit Fraud ▪ Single person discount However , there is a dedicated benefits investigation team which investigates any fraud and have undertaken a number of successful reviews and prosecutions during 2013/14 The Audit and Governance Committee receives any adhoc fraud reports. There are no material instances of fraud that have been identified during the year. The Audit and Governance Committee would consider the fraud and the actions put forward by officers to ensure fraud is mitigated in the future.

Table 1 Fraud Risk Assessment cont.

Question	Management response
3 Do you suspect fraud may be occurring, either within the Council or within specific departments ? ▪ Have you identified any specific fraud risks? ▪ Do you have any concerns there are areas that are at risk of fraud? ▪ Are there particular locations within the Council where fraud is more likely to occur?	Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Authority. Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However management does not consider these to be significant risks.
4 Are you satisfied that the overall control environment, including: ▪ The process for reviewing the system of internal control; ▪ Internal controls, including segregation of duties; exist and work effectively? If not where are the risk areas? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets?)	Yes – Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Sound systems of internal control with roles and responsibilities are defined in various places such as constitution. The role of internal audit, provides assurance that the Council's internal controls are in place. An annual report is produced and is available prior to the annual accounts being signed and approved. The regular monitoring of budgets and the allocation of financial professional support to budget holders provides control and mitigation against such overrides.

Table 1 Fraud Risk Assessment cont.

Question	Management response
5 How do you encourage, and communicate to, employees about your views on business practices and ethical behaviour? How do you encourage staff to report their concerns about fraud? ▪ What concerns are staff expected to report about fraud?	There is a Fraud Strategy and Whistleblowing procedure in place which explain the procedures to follow. The Fraud Strategy will be updated during 2014/15. Employees are aware of the anti-fraud of the anti-fraud and corruption strategy, details are available on the website. There will be further updates during 2014/15 to encourage staff to report any concerns that they may have.
6 From a fraud and corruption perspective, what are considered to be high-risk posts: ▪ How are the risks relating to these posts identified, assessed and managed?	There are not any significantly high-risk posts identified.
7 Are you aware of any related party relationships or transactions that could give rise to instances of fraud? ▪ How do you mitigate the risks associated with fraud related to related party relationships and transactions?	2013/14 financial statements disclosure of related party transactions does not identify potential fraud risk. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.
8 What arrangements are in place to report fraud issues to the Audit and Governance Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?	Internal Audit provide the Audit and Governance committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken. Any adhoc investigations are reported to the Audit and Governance committee. The departmental risk registers are reviewed by the Committee and the Corporate Risk Register is monitored regularly to ensure management has adequate controls in place.

Table 1 Fraud Risk Assessment cont.

Question	Management response
9 Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2015? If so, how does the Audit and Ethics Committee respond to these?	We are not aware of any whistleblowing reports. If there was such a report then members would consider the appropriate course of action.

Law and Regulation

Auditing standards require us to consider the impact that law, regulation and litigation may have on the Council's financial statements. The factors that may result in particular risks of material misstatement due to fraud or error are:

- The operational regulatory framework – this covers the legislation that governs the operations of the Council.
- The financial report framework – according to the requirement of International Financial Reporting Standards, the Code of Accounting for Local Authorities in England and relevant Directions.
- Taxation considerations – for example compliance with Value Added Tax and Income Tax regulations.
- Government policies that otherwise impact on the Council's business
- Other external factors; and
- Litigation and claims against the Council.

Where we become aware of information about a possible instance of noncompliance we need to gain an understanding of it to evaluate the possible effect on the financial statements.

The ISAs also require us to make enquiries of management and the Audit Governance Committee about the arrangements in place to comply with law and regulation. To help with this, management have responded to the following questions.

Table 2 : Law and Regulation

Question	Management response
1 How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The Monitoring Officer will advise the Council's Management team and Councillors as appropriate. The reporting arrangements include sections for both financial and legal implications to ensure managers have considered compliance with laws and regulations. In addition staff have professional training and conduct in place to support compliance.
2 How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	Assurance of complying with the Council's Constitution is provided through the Annual Governance Statement which is reported to Executive.
3 Have there been any instances of non-compliance with law and regulation since 1 April 2013 with any on-going impact on the 2013/14 financial statements	No
4 Is there any actual or potential litigation or claims that would affect the 2013/14 financial statements?	None
5 What arrangements does the Council have in place to identify, evaluate and account for litigation and claims?	The legal and finance team liaise on a regular basis to identify and evaluate any potential claims.
6 Have there been any reports from other regulatory bodies, such as HM Revenue and Customs which indicate non-compliance?	No

Going Concern

Going concern is a fundamental principle in the preparation of the financial statements. Under the going concern assumption, a council is viewed as continuing in operation for the foreseeable future with no necessity of liquidation or ceasing trading. Accordingly, the Council's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business. A key consideration of going concern is that the Council has the cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

We have discussed the going concern assumption with key Council officers and reviewed the Council's financial and operating performance. Following are key questions on the going concern assumptions which we would like the Cabinet to consider.

Table 3 : Going Concern

Question	Management response
1 Has a report been received from management forming a view on going concern?	The Director of Finance and Corporate Resources (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.
2 Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan is agreed at the same time as the Council Plan. The financial plan makes clear reference to the Council Plan as the basis for the financial considerations in setting the medium term budget. The financial assumptions are therefore consistent with the Council Plan. Reports in year are consistent with the budget set.
3 Are the implication of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The Financial Plan considered the government changes in terms of rents. The plan sets out the likely implications of the Governments Resources Review and other changes to local government finance such as the new Council Tax Support scheme and other council tax reforms being implemented from 1 April 2013 in addition to the Business rates retention scheme.
4 Have there been any significant issues raised with the Audit and Governance committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control)	A report on financial resilience has been presented to the Committee that has flagged up a number of concerns around the future financial capacity of the Council. This has also been considered by Executive.
5 Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No

Table 3 : Going Concern cont...

Question	Management response
6 Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills	Yes
7 Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	Yes – regular financial monitoring reports to officers and members
8 Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern.	No – the financial resilience report identified a number of financial issues that are being addressed by officers.
9 Are arrangements in place to report the going concern assessment to the Audit Committee? How has the Audit and Governance Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	Regular financial monitoring is presented to the Committee. In addition it is proposed that the savings plans are monitored on a regular basis at the Audit and Governance Committee.

Accounting Estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard, we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an account estimate.

We need to be aware of all estimates that the Council are using as part of their accounts preparation; these are detailed in appendix 1.

The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable, and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

Table 4: Accounting Estimates

Question	Management response
1 Are management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant account estimates that require significant judgement?	No
2 Are management arrangements for the accounting estimates, as detailed in Appendix 1 reasonable?	Yes officers have reviewed the estimates and believe they are reasonable.
3 How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	The professional judgement of the s151 Officer is accepted by the Committee.

Related Parties

For local government bodies, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS 24: Related Party Disclosures. The Code identifies the following as related parties to local government bodies:

- entities that directly, or indirectly through one of more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates
- joint ventures in which the authority is a venturer;
- an entity that has an interest in the authority that gives it significant influence over the authority
- key officers and close member of the family of key officers
- post employment benefit plan (pension fund) for the benefit of employees of the Council, or of any entity that is related party of the Council

The Code notes that, in considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged from the viewpoint of both the Council and the related party.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Table 5: Related Parties

Question	Management response
1 Who are the Council's related parties?	The Council discloses its related parties under the following headings: 1. Government – Central Government has control influence over the Council as the Council needs to act in accordance with its statutory responsibilities. 2. Pension Fund – this party is subject to common control by Central Government. 3. Precepts & Levies – these parties are subject to common control by Central Government and thus might be empowered to transact on non-commercial terms. The Council is bound to pay the amount demanded from these parties through precept or levy. 4. Assisted Organisations – the provision of financial assistance by the Council to such parties or voluntary organisations may give the Council influence on how the funds are to be administered and applied. 5. Members and Officers – certain Members and Officers may have controlling influence or related interests with other of the Council's related party organisations, such that they may be in a position to significantly influence the policies of the Council

Table 5: Related Parties cont....

Question	Management response
2 What are the controls in place to identify, account for, and disclose, related party transactions and relationship?	A number of arrangements are in place for identifying the nature of a related party and reported value including: ▪ Maintenance of a register of interests for Members a register for pecuniary interests in contracts for Officers and Senior Mangers requiring disclosure of related party transactions. ▪ Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests. ▪ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. ▪ Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation. ▪ Review of year end debtor and creditor positions in relation to the related parties identified. ▪ Review of minutes of decision making meetings to identify any member declarations and therefore related parties.

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant and equipment valuations	The Council has a contract with Worcestershire County Council property department to manage its asset base, including undertaking annual valuations. The Valuer is a RICS/CIB Member) and reviews are made inline with RICS guidance on the basis of 5 year valuations with interim reviews.	Capital Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation	Yes, the Worcestershire County Council valuer	Valuations are made in line with RICS guidance – reliance on expert.	No
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: ▪Buildings 50 years ▪Equipment/vehicles 5 years ▪Plant 12 years ▪Infrastructure 40 years	Consistent asset lives applied to each asset category.	Yes, the Worcestershire County Council valuer	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction material used. This life would be recorded in accordance with the local qualified RICS or CIB Member.	

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation & Amortisation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets	No	The length of the life is determined at the point of acquisition or revaluation according to: ▪ Assets acquired in the first half of a financial year and depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year. ▪ Assets that are not fully constructed are not depreciated until they are brought into use.	No
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable	Assets are assessed at each year end as to whether there is any indication that an asset may be impaired	Worcester-shire County Council Valuer	Valuations are made in line with RICS guidance – reliance on expert	No

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments cont..	amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.			is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income.	
Non adjusting events – events after the BS date.	S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an unadjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.	Heads of Services notify the s151 Officer	This would be considered on individual circumstances	This would be considered on individual circumstances	N/A

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Overhead allocation	The Cost Centre Management Team apportion central support costs to services based on fixed bases as detailed in the 'Allocation Summary' spread sheet.	All support service cost centres are allocated according to the agreed 'Allocation Summary' spread sheet	No	Apportionment bases are reviewed each year to ensure equitable	No
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their internal treasury consultants and other finance professions.	Take advice from finance professionals	Yes	Take advice from finance professionals	No
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing.	An aged debt listing is provided routinely and finance calculate the provision	No	Consistent proportion used across aged debt as per SORP	No

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Council becomes aware of the obligation	No	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a Change in accounting method in year?
Accruals	CCMT collate accruals of Expenditure and Income. Activity is accounted for in the financial year it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Landfill Allowance liability	As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination)	Finance check calculation from DEFRA	No	The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However where some of the obligation will be met by payment a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.	No

AUDIT & GOVERNANCE COMMITTEE

24TH APRIL 2014

GRANT THORNTON AUDIT PLAN 2013/14

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering Executive Director Finance and Resources
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To present to members the Grant Thornton Audit Plan 2013/14. A copy of this document is attached to this report as Appendix 1.

2. RECOMMENDATIONS

- 2.1 **Members are asked to note and agree the 2013/14 Audit Opinion Plan**

3. KEY ISSUES

Financial Implications

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £77k.

Legal Implications

- 3.2 The Council has a statutory responsibility to formally prepare accounts in compliance with national guidelines and ensure these are audited by an audited body.

Service / Operational Implications

- 3.3 Attached at Appendix 1 is the 2013/14 Audit Opinion Plan . The Plan sets out work that the Grant Thornton propose to undertake in relation to the Audit of the financial accounts for 2013/14and any risks that have will require additional review and consideration.
- 3.4 The Audit will include an understanding of the organisational operations together with issues that may impact on the Council in the future. This assessment results in the External Audit consideration of the risks associated with the accounts and the Appendix details the level of risk allocated to the services we provide.

AUDIT & GOVERNANCE COMMITTEE

24TH APRIL 2014

- 3.5 The work by the Grant Thornton will enable a robust opinion to be made across all the internal control and accounting arrangements that the Council has in place.

Customer / Equalities and Diversity Implications

- 3.6 None as a direct result of this report

4. RISK MANAGEMENT

- 4.1 The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are treated in compliance with accounting standards. Risk management arrangements in place across the organisation ensure that risks are addressed and mitigated.

5. APPENDICES

Appendix 1 – Annual Audit Plan 2013/14

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
E Mail: j.pickering@bromsgroveandredditch.gov.uk
Tel: 01527-881400

The Audit Plan for Redditch Borough Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

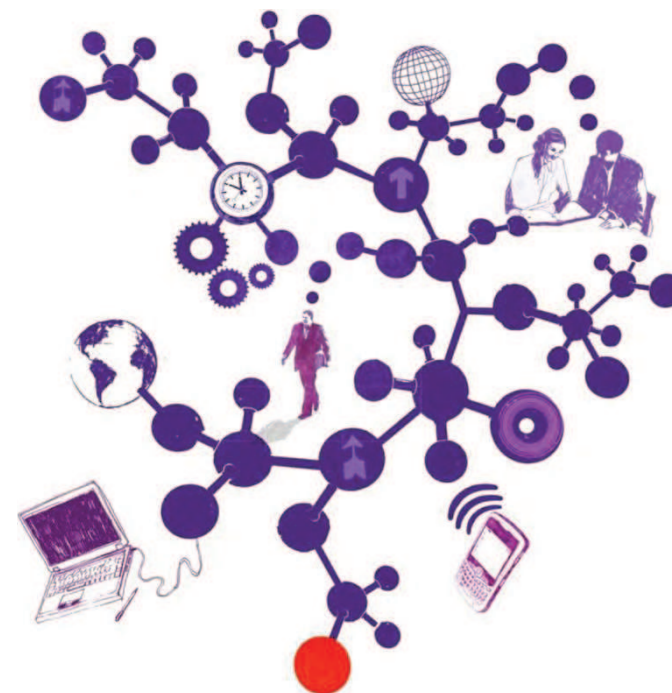
Year ended 31 March 2014

31 March 2014

Phil Jones
Engagement Lead
T 0121 232 5232
E phil.w.jones@uk.gt.com

Zoe Thomas
Audit Manager
T 0121 232 5277
E zoe.thomas@uk.gt.com

Kathryn Kenderdine
Audit Executive
T 0121 232 5316
E kathryn.a.kenderdine@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section

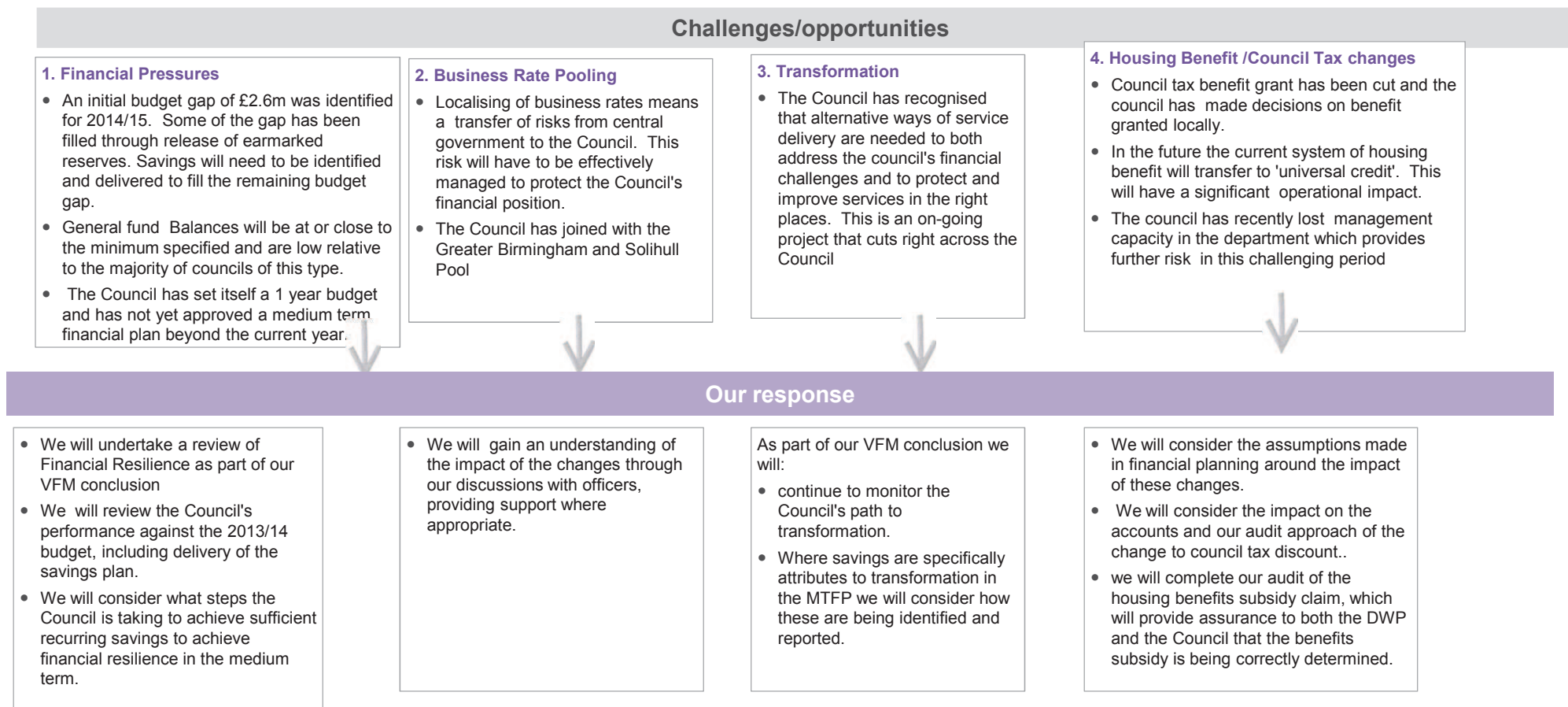
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



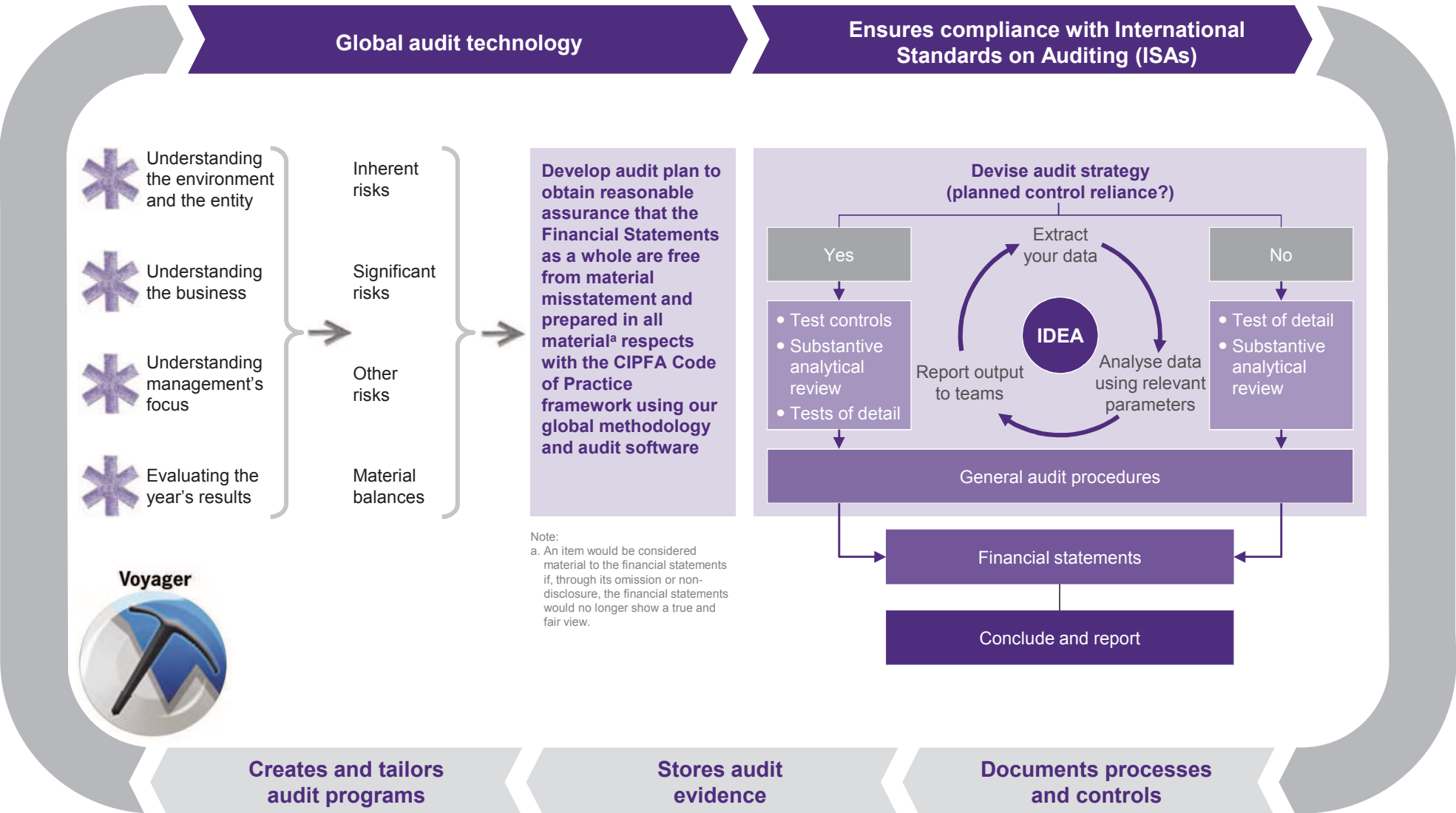
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
1. Financial reporting - Changes to the CIPFA Code of Practice - Clarification of Code requirements around PPE valuations - Changes to NDR accounting and provisions for business rate appeals	2. Legislation - Local Government Finance settlement - Welfare reform Act 2012	3. Corporate governance - Annual Governance Statement (AGS) - Explanatory foreword	4. Pensions The impact of 2013/14 changes to the Local Government pension Scheme (LGPS)	5. Financial Pressures - Managing service provision with less resource - Progress against savings plans	6. Other requirements - The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion - The Council completes grant claims and returns on which audit certification is required. We are expecting that it will only be the housing benefit subsidy claim this year.

Our response					
We will ensure that the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing.	We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate	- We will review the arrangements the Council has in place for the production of the AGS - We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge	We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management	- We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan - We will undertake a review of Financial Resilience as part of our VFM conclusion	- We will carry out work on the WGA pack in accordance with requirements - We will certify the HB grant claims in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Work planned: • Review of revenue recognition policies • Testing of material income streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Work completed to date: • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries Further work planned: • Review of accounting estimates, judgments and decisions made by management • Further testing of journal entries – month 12 and year end journals • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	We have conducted a walkthrough of the key controls for this system	We will carry out testing including: - cut off testing of purchase orders and goods received notes(both before and after year end) - the completeness of the reconciliations to the purchasing system. Testing will also cover a sample of operating expenses covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for and in the correct period.
Employee remuneration	Employee remuneration accrual understated	- We have conducted a walkthrough of the key controls for this system - Testing of a sample of employees remuneration covering the period to February 2014 to ensure they have been correctly accounted for.	We will carry out testing including: - the completeness of the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements - sample of payments made in April & May to ensure payroll expenditure is recorded in the correct year. - review of monthly trend analysis of total payroll Top up testing will cover a sample of employee remuneration payments covering the period March –May 2014 to ensure they have been accurately accounted for and are in the correct period.
Welfare Expenditure	Welfare benefit expenditure improperly computed	We have conducted a walkthrough of the key controls for this system	We will carry out testing in accordance with the methodology required to certify the Housing Benefit subsidy claim.

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Housing Rent Revenue Account	Revenue transactions not recorded	We have conducted a walkthrough of the key controls for this system	Substantive testing of HRA rental income
Property, Plant & Equipment	Revaluation measurement not correct	- We have conducted a walkthrough of the key controls for this system - We have reviewed the qualifications of the valuer	- We will review the terms of reference, the assumptions and methods used by the Valuer, in their work carried out as an expert for the Council. - We will review valuation reports to support the accounting entries

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

We will:

- consider the planning assumptions in the budget for 13/14 and 14/15 and progress towards developing a medium term financial plan
- review the outturn for the 2013/14 financial year including the delivery of planned savings.
- consider the links between the Council financial planning and the strategic planning of the Council.
- consider how the Council is managing its financial risks

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council depending on the outcome of our review.

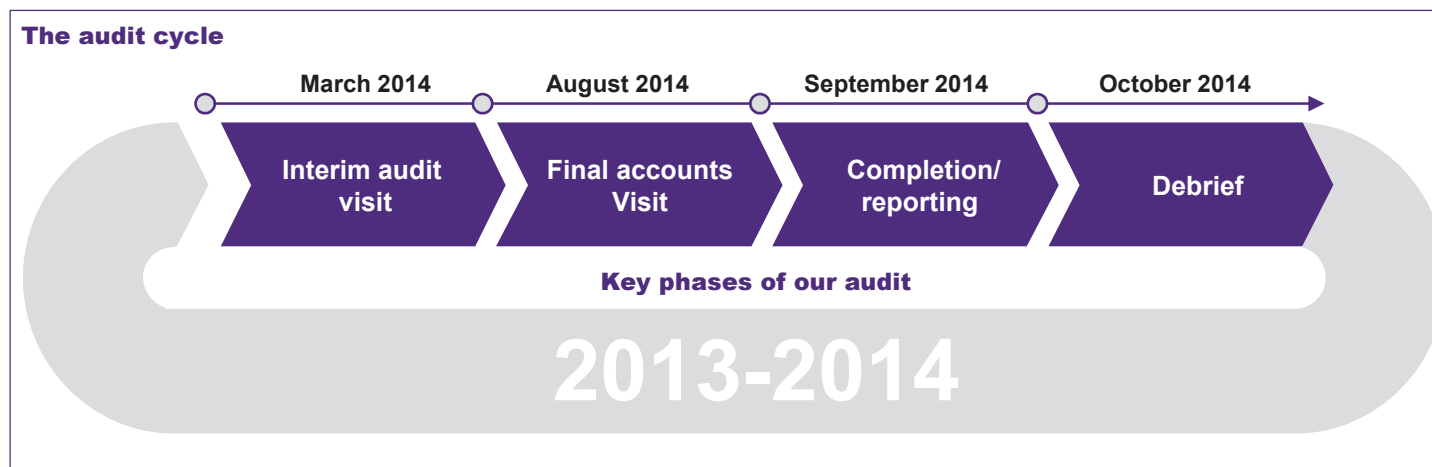
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Entity level controls	As part of our assessment of controls we review the council risk register and performance information	The detailed risk register was in the process of being updated and has not yet been provided for our review. The corporate risk register provided was out of date and did not link directly with Council strategic priorities or contain clear actions for risk mitigation. We are awaiting details of current performance measures to complete our assessment.
Internal audit	We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention. We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Walkthrough testing	We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.
Review of information technology controls	Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year. IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.	Our work has identified a number of deficiencies in IT controls that have been reported to officers, however we did not judge that these constituted a material weakness.

	Work performed	Conclusion
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements. To date we have undertaken detailed testing on journal transactions recorded for the first eleven months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.	There were no risks identified from the work completed to date. Further work on the remaining month will be undertaken as part of our post statements work.
Early substantive testing	We have undertaken the following work as part of our early substantive testing: • Review of grants received in year to supporting documentation • Significant investments taken out during the year were reviewed to ensure that there were in line with the Treasury Management strategy • Confirmation that some of the significant assets in the opening balance exist and belong to the Council	There have been no issues to report from the work undertaken to date. The following work is to be completed to add to early substantive work completed • Grants will be reviewed to ensure the correct accounting treatment has been applied at the year end • Investments in the balance sheet will be reviewed at year end to ensure they are in line with the Council's policy and can be agreed to . • Material additions to the Property, Plant and Equipment of the Council will be tested to prime documents.
Value for money	We have undertaken our initial risk assessment . This has involved detailed discussions with the Director of Finance on the basis of the 2014/15 budget and follow up of the matters raised in our VFM work last year. We updated our understanding of the HRA business plan developed as part of the self-financing determination.	The risks will be considered as part of our detailed risk assessment.. The 'HRA business plan' has been updated to reflect new information, however this is a financial model and should form part of a more detailed business plan for the service. The council has no firm plans to move towards componentisation of its HRA property assets, either as a whole or for on-going capital expenditure. The Council is continuing to use MRA as a proxy for depreciation, and needs to formally demonstrate that this is an appropriate measure as part of the final accounts process.

Key dates



Date	Activity
March 2014	Planning
March 2014	Interim site visit
April 2014	Presentation of audit plan to Audit Committee
August 2014	Year end fieldwork
September 2014	Audit findings clearance meeting with Director of Finance
September 2014	Report audit findings to those charged with governance (Audit & Governance Committee)
September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	76,380
Grant certification	13,900
Total fees (excluding VAT)	90,280

Fees for other services

Service	Fees £
Threadneedle House Review	Tbc

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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AUDIT & GOVERNANCE COMMITTEE

24th APRIL 2014

GRANT THORNTON – AUDIT FEE LETTER 2014/15

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering – Executive Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Audit Fee letter for 2014/15 from the Councils External Auditors Grant Thornton and to approve the level of fee.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to RESOLVE that the fee be agreed.**

3. KEY ISSUES

Financial Implications

- 3.1 The 2014/15 budget assumes the level of fee as set in the attached letter. This is similar to the level of the 2013/14 charge.

Legal Implications

- 3.2 None as a direct result of this report. The Council has a legally binding contract with Grant Thornton to provide the External Audit service for at least the next 4 years.

Service / Operational Implications

- 3.3 External Auditors have a duty to carry out all work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice.
- 3.4 The areas of work include
- Audit of Financial Statements
 - Value for Money Conclusion
 - Work on Whole Of Government Accounts
- 3.5 In addition the fee for the review and validation of the grant claims has been reduced from £17k to £13k.

AUDIT & GOVERNANCE COMMITTEE

24th APRIL 2014

Customer / Equalities and Diversity Implications

- 3.6 There are no implications arising out of this report.

4. RISK MANAGEMENT

- 4.1 As part of all audit work the auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems.

5. APPENDICES

Appendix 1 – Grant Thornton Audit Fee Letter

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

Name: Jayne Pickering
E Mail: j.pickering@bromsgrove&redditch.gov.uk
Tel: 01527-881207



Grant Thornton
An instinct for growth™

Mrs Jayne Pickering
Executive Director of Finance and Corporate Resources
Redditch Borough Council
Town Hall
Walter Stranz Square
Redditch
Worcs
B98 8AH

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham B4 6AT

T +44 (0)121 212 4000
F +44 (0)121 212 4014
DX 13174 Birmingham
www.grant-thornton.co.uk

21 March 2014

Dear Jayne

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £76,380, which is consistent with the fee for the previous two years..

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Chartered Accountants

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Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £13,300. A grant certification plan will be prepared in Spring 2015.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	19,095
December 2014	19,095
March 2015	19,095
June 2015	19,095
Grant Certification	
December 2015	13,300
Total	89,680

Outline audit timetable

We will undertake our audit planning and interim audit procedures in Spring 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in August and September 2015. and work on the whole of government accounts return in September 2015 .

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	Spring 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to November 2015	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Phil Jones	0121 232 5232	p.w.jones@uk.gt.com
Engagement Manager	Zoe Thomas	0121 232 5277	z.thomas@uk.gt.com
VFM/Advisory Lead	Vivien Holland	0121 232 5117	v.holland@uk.gt.com
Audit Executive	Kathryn Kenderdine	121 232 5316	k.kenderdine@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, jon.roberts@uk.gt.com.

Yours sincerely

Phil Jones
For Grant Thornton UK LLP

AUDIT & GOVERNANCE COMMITTEE

Date: 24th April 2014

**THE INTERNAL AUDIT MONITORING REPORT OF THE SERVICE MANAGER
OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the end of year monitoring report of internal audit work as at 31st March 2014.

2. RECOMMENDATIONS

2.1 The Committee is asked to RESOLVE that the report be noted.

3. KEY ISSUES

Financial Implications

3.1 There are no direct financial implications arising out of this report.

Legal Implications

3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Service / Operational Implications

3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council’s Annual Governance Statement.

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This section of the report provides commentary on Internal Audit's performance for the period 01st April 2013 to 31st March 2014 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST REPORT (16th January 2014):

2013/2014 Audits:

Debtors

The review was a full system audit concentrating on the controls from the point where the invoice was raised to entry onto the main ledger. The review assessed the system is operated in accordance with the Council's Financial Regulations and agreed procedures, Debtors invoice requests are raised onto the IBS system correctly and in a timely manner, all accounts raised and payments made to the Council are in a timely manner, cancellation and 'Write off' of debts are controlled independently and carried out in accordance with the Council's Financial Regulations and justifiable reasons provided, there is an effective debt recovery system in operation, inhibits and recovery suppressions are controlled and monitored independently, all accounts and payment details are recorded correctly and accurately in the main ledger and regular reconciliations are undertaken, and, basic IT Controls are in place. The audit did not look at the cash collection procedures as this was covered in a separate audit.

Current Status: Final Report issued 16th January 2014

Assurance: Significant

Main Ledger

The review was a full system audit concentrating on the control of the Main Ledger to ensure the quality (validity, accuracy, completeness) and timeliness of the input to the ledger, (for example from the feeder systems, procurement cards and direct debits), the timely locating/correcting of errors and omissions within the system (for example the use of suspense codes), sufficient, relevant, reliable information is available to budget holders and budget holders are managing, monitoring and controlling their budgets effectively in accordance with approved procedures, all budget journals and virements are controlled effectively in accordance with agreed procedures and the Council's Financial Regulations, and, bank reconciliations are undertaken on a regular basis and any balancing items are investigated and dealt with promptly. The VAT process was not covered by the review as it was audited separately. The review concluded the system of control is generally sound but our testing identified the Financial Regulations required updating and the review of

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system access rights could be strengthened. There were no high or medium priority recommendations.

Current Status: Final Report issued 19th February 2014
Assurance: Significant

Council Tax

The review was a full system audit concentrating on areas of the Council Tax system to ensure there is a reconciliation of the opening debit at the beginning of the financial year, there are regular reconciliations from Council Tax system to feeder systems i.e. Cash Receipting, the Benefits system and Financial ledger, empty properties are regularly monitored and billed promptly where necessary, effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, accounts with credit balances are regularly reviewed and there are appropriate controls in place for account transfers and refunds, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, systems access is appropriate. The review concluded that controls reviewed were found to be operating effectively notably in the recovery of arrears and identification and referral of new properties to the Valuation Office. Regular reconciliations are carried out from the Council Tax system to the Financial Ledger with no balancing issues identified. Isolated control weaknesses have been identified in respect of access and security and new properties.

Current Status: Final Report issued 24th March 2014
Assurance Level: Significant

Benefits

The review was a full system audit. The review concentrated on areas including Overpayments occurring as a result of Local Authority error, Essential Living Fund payments, Fraud Identification, assessment and recovery, and, reconciliations of Benefits, Council Tax and General Ledger entries. The review concluded there is a generally sound system of internal control in place, but testing has identified isolated weaknesses in a small number of areas. Controls regarding overpayments were found to be operating effectively, with cases being reviewed and followed-up in a suitable manner. However controls regarding the reconciliation of overall expenditure should be reviewed to ensure that they are appropriate for the needs of the Service. In April 2013 Redditch Borough Council took on responsibility for the management of a new discretionary Emergency Living Fund scheme, which has replaced the Crisis Loan and Community Care Grant schemes as per changes in the Welfare Reform Act 2012, to be managed by the Benefits

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Service. Several recommendations have been identified during the audit work with regards to improving the management controls over the scheme.

Current Status: Final report issued 7th March 2014

Assurance: Significant

VAT

The review was a full system audit which concentrated on the VAT procedures to ensure and provide assurance that up to date procedure and guidance documents exist for completion of VAT returns and are available to staff, output tax is declared correctly, input tax is calculated correctly, input and output tax are properly and promptly recorded in the Council's main ledgers, VAT records are in a format which facilitates the completion of the VAT returns, and, any payments received from HMRC or made by the Council to HMRC are in accordance with the VAT returns and properly recorded in the ledger. The review concluded there is a generally sound system of internal control in place. Internal Audit testing did not identify any errors in the recording of VAT on the financial systems. VAT is recorded within a separate account in the Council's main ledger and this helps to facilitate the completion of the VAT returns which are completed timely on a monthly basis. However, it was determined that the Financial Services Manager completes all the VAT Returns which could lead to resource pressures in the future.

Current Status: Final report issued 31st March 2014

Assurance: Significant

Cash Collection

The review was a full system audit concentrating on the control of the cash collection from the point where the cash is received by the Council to entry onto the main ledger. The audit was to ensure adequate controls are in place regarding the cashing up process undertaken by the One Stop Shops and the Town Hall Cash Office, all income receipted in the 'Paris' system is credited to the Council's bank account correctly and in a timely manner, the cash receipting suspense account is reviewed on a regular basis ensuring all payments are allocated correctly to the general ledger in a timely manner, and, controls are in place regarding the collection of cash by G4S. The review concluded there is a sound system of control in place but some of the expected controls are not operating effectively therefore assurance can only be given over the effectiveness of controls within some areas of the system. The audit testing identified that there are adequate controls in place regarding the collection of cash by G4S and all income receipted in Paris is credited to the Council's bank account correctly in a timely manner. It was also noted that the 2012/13 finding regarding the 'Removal of Network Access for Leavers' has not yet been implemented fully as this is currently being reviewed and

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worked upon through the 'transformation' process by the ICT and HR departments. For this reason this has not been brought forward as an outstanding exception. Internal Audit testing has identified isolated weaknesses in the inconsistent application of controls in the clearing of the suspense account and some areas of the cashing up process.

Current Status: Final Report issued 26th February 2014
Assurance: Moderate

NDR

The review was a full system audit concentrating on areas of the NNDR system to ensure there is a reconciliation of the opening debit at the beginning of the financial year, empty properties are regularly monitored and billed promptly where necessary, there are regular reconciliations from NNDR system to feeder systems i.e. Cash Receipting, the Benefits system and Financial ledger, effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, accounts with credit balances are regularly reviewed and there are appropriate controls in place for account transfers and refunds, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, system access is appropriate. The review concluded although some areas are working effectively some of the expected controls are not in place. The review found that effective recovery procedures are in place with no significant issues to report and regular reconciliations are carried out between NNDR system and the financial ledger. Empty properties are regularly reviewed and billed at the earliest opportunity. Weaknesses identified during the audit included credit balances, property reconciliation, exemptions, access and security.

Current Status: Final Report issued 24th March 2014
Assurance: Moderate

Creditors

The review was a full system audit concentrating on the controls over the Creditor System ensuring orders had been authorised and the goods/service had been received before the invoice was authorised and paid to the correct creditor, purchase orders were raised prior to the receipt of goods/services unless specifically excluded, supplier details for new creditors and amendments to these records were authorised and subject to internal checks, invoices were paid once and are recorded correctly and accurately in the main ledger, reconciliations between the main ledger and the creditors ledger were carried out in a timely manner, adequate controls exist over BACS payments, appropriate access controls are in place for the Council's E-

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procurement/Cedar system, requirements of the HMRC's Real Time Information reporting are met in relation to any payments made to sub-contractors, and, payment of invoices are monitored on a regular basis to ensure there are no late payment penalties incurred by the Council under the "The Late Payment of Commercial Debts 2013" regulations. The audit did not cover the procurement process. The review concluded there is generally a good system of internal control in place but some of the expected controls are not in place and are not operating effectively. Internal Audit testing identified that payments are made when purchase orders have been raised and the receipt of goods/services unless specifically excluded and are appropriately authorised. Regular reconciliations are undertaken between the Creditors' system and the main ledger. There is no requirement for the Creditors' team to report on the HMRC's Real Time Information as they do not make any payments to subcontractors unless they have a Self-Employed Tax Reference. All other payments to sub-contractors are sent back to the relevant department and/or forwarded to the Human Resources team to process through payroll. The audit identified weaknesses in the monitoring of late payments and regular review of the creditors' system access rights.

Current Status: Final Report issued 2nd April 2014
Assurance: Moderate

Kingsley Sports Centre

The review was a full systems audit concentrating on the controls in operation at Kingsley Sports centre to ensure security and access to the cash float, takings and safe, all income received for activity bookings are receipted and banked correctly, there are adequate controls in place regarding cashing up, a reconciliation is carried out to ensure all income is banked, agrees to the Council's bank account and is reflected in the main ledger correctly, and, hours claimed by staff (including overtime) agree to rotas, sickness, annual leave records and "booking in and out" records. The review concluded there are weaknesses in the design and inconsistent application of controls that put the achievement of the Council's objectives at risk in many of the areas reviewed. However, it was noted that there are adequate controls around the security of cash floats, takings and safe and that there are regular reconciliations carried out to ensure income received is receipted and reflected in the Council's main ledger accordingly. Internal audit testing identified several weaknesses including checks carried out on overtime claimed by staff members. It was also noted that although staff had been changed from casual staff contracts to permanent staff contracts in February 2013, they were still receiving payments through completing fortnightly overtime timesheets for their normal working hours as at August 2013. Internal Audit has referred this issue to the Leisure Services senior

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management team who will contact the Council's Payroll section to rectify this situation.

Current Status: Final Report issued 7th March 2014
Assurance Level: Limited

Playing Field and Football Pitches

The review was a critical review and challenge audit concentrating on the controls in operation at Playing fields and football pitches with regard to the system in place for booking, billing and collection of income for Playing fields and football pitches, to review the arrangements in place for the ground maintenance of Playing fields and pitches to ensure they are appropriate, and, to review and assess any complaints and compliments in relation to this. The review did not include the marketing strategies or staffing issues involved in the playing field and football pitches process. The review concluded that the maintenance process for playing fields and football pitches has sufficient controls and adequate response times to requests made by the public or playing fields and football pitches booking team for work to be carried out. A small weakness was identified with the booking process and reported to management. There were no high or medium priority recommendations.

Current Status: Final Report issued 6th March 2014
Assurance Level: N/a Critical Friend

Corporate Compliments and Complaints

The review is a full systems audit concentrating on the Corporate Complaints System ensuring information about the complaints, comments and compliments process is available to customers, the system for recording complaints, comments and compliments is effective and fit for purpose, all complaints are dealt with in accordance with Council policy, sufficient management monitoring information is being provided for reporting purposes, and, customer feedback is used to identify service improvements. The audit found that the iCase system was due to be replaced therefore the focus was targeted towards the assessment of the replacement system due to be commissioned from 1st April 2014. The new system is not a CRM system but a spreadsheet specifically designed for the purpose of recording complaints, comments and compliments. Since the practice of sending out acknowledgement letters and holding letters has been dispensed with and also adherence to set timescales, complaints have been easier to deal with and the personal approach has been seen to be effective and efficient. The critical review identified some areas of weakness in relation to the security of

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the system and Data Protection arrangements. These will be reviewed as part of the on-going development.

Current Status: Final report issued 4th April 2014
Assurance: N/a Critical Friend

Summary of assurance levels for 2013/14:

<u>Audit</u>	<u>Assurance Level</u>
<u>2013/14</u>	
Debtors	Significant
Main Ledger	Significant
Council Tax	Significant
Benefits	Significant
VAT	Significant
Cash Collection	Moderate
NDR	Moderate
Creditors	Moderate
Kingsley Sports Centre	Limited
Playing Fields and Football Pitches	N/a Critical Review
Corporate Compliments and Complaints	N/a Critical Review

2012/13 AUDITS NEARING FINAL COMPLETION

Rent Arrears, Payment and Collection

The review is a limited scope audit and will concentrating on procedures relating to the collection of rent arrears and procedures relating to the monitoring and control of rent arrears. Housing Services are currently undergoing a full Transformation Review and a trial introducing procedural changes being considered effecting the collection and control of rent arrears is about to commence; however management expectations in relation to the actioning and collection of rent arrears are broadly in line to those currently followed, with the emphasis changing in relation to initial/on-going contact with tenants in arrears.

Current Status: Draft Report Stage

Corporate Governance ~ Shared Service

The review is a full systems audit concentrating on documentation provided to the Shared Services Committee and the financial data surrounding

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recharges to the individual councils. The review has included areas such as savings made as a result of Shared Services/Transformation being clearly and accurately recorded, reports being issued to Members/Boards of all Shared Services/Transformation are accurate, clear and timely with savings against projected targets displayed, and, all related recharges to relevant Council's are accurate and timely.

This audit had reached draft report stage but in discussion the s151 Officer requested further work to be undertaken in this area. The audit, therefore, is progressing and will be reported in the near future.

Current Status: Draft Report Stage

As work on the above audits is nearing completion an 'Assurance' level will be assigned on completion.

2013/14 AUDITS NEARING FINAL COMPLETION

Miscellaneous Income ~ Woodland Management

The review is a full systems audit concentrating on income received in relation to Woodland Management. The audit will provide an assurance on whether the annual Woodland Management Plan has been produced and outlines potential harvestable timber together with estimated yields and prices, best prices are obtained for timber sales, all income due is correctly accounted for, invoiced, receipted and where necessary, subject to prompt recovery action, adequate storage facilities are used for timber (logs) pending sale, grant aid is claimed and the receipt of the monies is monitored to ensure that it is received and entered against the correct ledger code, and, that budget monitoring arrangements ensure that anticipated income is received

Current Status: Draft Report issued 25th March 2014

Treasury Management

The review is a full system audit of Treasury Management concentrating on areas of control to ensure Treasury Management is undertaken in line with Statutory and Internal procedures, all monies not immediately required by the Council are invested prudently and that funds are available for use by the Authority when required, there is a complete audit trail for all transactions from the point where the monies are paid out/received into the Council's bank account to the point where the monies are repaid into/out of the Council's

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bank account, all transactions are clearly recorded in the Council's financial recording system, regular reconciliations are undertaken between the ledger and Treasury Management records by an independent person, and, the computer system is subject to basic I.T. controls. The audit will not cover the rate of interest obtained for individual investments/loans or the ratings of the financial institutions used to invest in or obtain loans from.

Current Status: Draft Report issued 26th March 2014

Rent Verification Statements

The review is a full systems audit concentrating on the controls over the Rent Verification Statements system. The audit will provide an assurance on whether there is evidence available to support tenant rent statements and that statements have been authorised at the appropriate level, rent refunds have been applied correctly to tenant's rent accounts and have been authorised and paid in an appropriate and timely manner, tenant payments are correct and posted to the main ledger account in a timely manner (e.g. from Saffron to Cedar), the posting of money received by the council into individual rent accounts is correct and is carried out promptly, and, the relevant procedures have been updated and distributed to officers. The appropriateness of the Saffron system was not covered by the review.

Current Status: Draft Report issued 31st March 2014

Risk Management

The review is a full system audit concentrating on areas of the Risk Management system including the 4Risk management system, corporate and service risk registers, and, minutes for risk management meetings. The audit will provide an assurance and whether there is an appropriate Risk Management framework in place, regular reviews identify new risks and assess the changing risk environment for those already defined, mitigation activities have been determined and successfully implemented where appropriate to minimise the impact and likelihood of risk occurrence, and, the managing and assessing of risks is embedded throughout all Services and that the risk management process is used as a tool for informed decision making. The audit work will not cover the scoring of individual risk register entries.

Current Status: Draft Report issued 1st April 2014

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Shared Service Client

The review is a full system audit concentrating on the Shared Service – Worcestershire Regulatory Services Management process from the host authority's point of view. The audit will provide an assurance and ensure budget holder responsibilities have been defined for each budget area, budget monitoring practices occur in a regular and timely manner critically analysing actual expenditure against budgets and financial forecasts, financial and non-financial performance targets have been defined in the service business plan including the identification and monitoring of efficiency savings, cost reductions and income generation, financial savings identified by partner Councils are assessed for their impact on service delivery, appropriate procedures are in place for monitoring chargeable activities to ensure income is properly accounted for and notified to partner authorities, the provision of information to member Councils for completion of government returns and setting of fees is based on data that is comprehensive and accurate, and, there are appropriate procedures in place to ensure reporting of financial information to the Worcestershire Shared Services Joint Committee and the Worcestershire Regulatory Services Management Board is correct and represents a fair view of the current financial position of the service. The audit did not cover the individual services undertaken for and on behalf of other clients or partner organisations of Worcestershire Regulatory Services.

Current Status: Draft Report issued 4th April 2014

IT

The review is a full systems audit concentrating on the controls in operation by IT Services with regard to measures of success including ICT helpdesk functionality since the merging of the Redditch Borough Council and Bromsgrove District Council, there are adequate controls around the starters and leavers from the point where network access is requested, and there are effective and efficient controls around the disposal of IT equipment. The audit will not cover starters and leavers procedures covered under Human Resources, and, controls around the acquisition of IT equipment as this is covered under Procurement.

Current Status: Clearance Stage

Mutual Exchanges and Transfers

The review is a full system audit concentrating on the Mutual Exchange and Transfer system. The audit will provide an assurance and whether mutual exchanges are made in accordance with approved procedures and legislative requirements, transfers are made in accordance with the

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requirements of the housing waiting list and in line with the allocations policy, the Council adequately promotes mutual exchanges and transfers on the Council's website and at appropriate customer contact points, adequate evidence and documentation is obtained and retained to support each exchange/transfer, and, necessary property inspections are carried out and documented to ensure that any required repairs are carried out by the tenant before completion of the exchange/transfer and in accordance with procedures. The review did not include the Home Choice register.

Current Status: Draft Report issued 4th April 2014

Arts Development

The review is a full system audit. The audit will provide an assurance and ensure controls are in place to account for the recording of bookings, classes and courses (e.g. Palace Youth Theatre), all income is accounted for and has been correctly recorded in the Council's Main Ledger, understand whether customers are satisfied with the provision and that it meets the council's strategic purpose, and, the authority actively promotes its arts programmes and procedures are in place to enable events to be prioritised to ensure different types of arts are catered for. The audit did not cover the process of claiming the Arts Development grant funding as money is no longer allocated to Redditch or further sources of funding.

Current Status: Draft Report issued 4th April 2014

Payroll

The review is full systems audit concentrating on the controls over the Payroll System with regard to ensuring only current bona fide employees of Redditch Borough Council are paid through the payroll system, all amendments to payroll data including new employees, leavers and movers is actioned only on evidence of adequate, timely and authorised information, additional employee payments/deductions including expense claims and honorariums are actioned only on evidence of adequate, timely and authorised information, regular reconciliation with the financial ledgers takes place, system reports and/or exception reports are timely, investigated and acted upon, and, Payroll data, electronic and hard copy, is kept secure at all times. The audit only included documents/information from the point that it was received by the Payroll Section up to and including the transfer of data to the Council's financial ledger. The audit did not cover controls on starters/leavers/transfers that are undertaken by the Personnel Section, controls operated within each Service in authorising additional payments for example expense claims, or,

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controls over the Wyre Forest payroll, other than where the controls operate for all authorities.

Current Status: Clearance Stage

Sports Development

The review is a full system audit. The audit will provide an assurance and ensure procedures/ guidelines exist for the recording, receipting and banking of income for all Sports Development activities, effective controls are in place regarding recording of cash takings, security and storage of cash, and the cashing up process of activities administered through Sports Development. Also, all income received for Sports Development activities is receipted accurately, banked in a timely manner, independent checks are carried out to ensure this is performed correctly, an effective budgetary control in place, and, hours claimed by Casual staff (including overtime) agree to rotas, sickness, annual leave records and activity timetable records. The audit did not cover sources of funding in this particular audit.

Current Status: Clearance Stage

Corporate Governance ~ Protecting the Public Purse

The review is a full review concentrating on the policies and procedures in place. The review will not give an assurance level or provide recommendations but will provide evidence of how the Council is or is not conforming to Protecting the Public Purse 2013 as well as assessing policies and procedures in relation to the Audit Commissions Protecting the Public Purse 2014.

Current Status: Clearance Stage

Corporate Fraud

The review is a full system audit concentrating on areas for Corporate Fraud including policies and the strategic overview to reduce opportunity for fraud and corruption, promote awareness of potential fraud to all staff members, how the organisation manages it's policies to include new legislation, and, declaration registers are in place and monitored.

Current Status: Clearance Stage

Current Status: Clearance Stage

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S106's

The review is a full system audit concentrating on S106 Planning Obligations from the point the agreement is signed and will consider areas such as procedures are in place for the allocation and use of S106 monies including appropriate authorisation, records are in sufficient details to provide management information that, where applicable, can be acted upon in a timely manner, Redditch Borough Council is recording and monitoring all S106 Planning Obligations i.e. where cash and related contributions are sought as well as planning agreements which have been put in place as a means of regulating development activities (where no contribution is sought) and plans are in place to ensure that the Council is ready for or will be in a position to implement the Community Infrastructure Levy (CIL).

Current Status: Fieldwork Review Stage

3.4 AUDIT DAYS

The table in Appendix 1 shows the progress made towards delivering the 2013/14 Internal Audit Plan and achieving the targets set for the year. As at 31st March 2013 a total of 475 days had been delivered against an overall target of 484 days for 2013/14. The target days to the end of the quarter are in line with the target figure for the year as part of the key performance indicators for the service.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Committee on the 18th March 2013 for 2013/14 and include management indicators as well.

Appendix 3 shows the tracking of completed audits.

Appendix 4 shows the 'high' and 'medium' priority recommendations which have are reported to the Committee for information.

3.5 OTHER KEY AUDIT WORK

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a 'critical appraisal'
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues

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- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

Customer / Equalities and Diversity Implications

3.6 There are no implications arising out of this report.

4. RISK MANAGEMENT

4.1 The main risks associated with the details included in this report are:

- Failure to complete the planned programme of audit work within the financial year; and,
- The continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2013/14
Appendix 2 ~ Key performance indicators 2013/14
Appendix 3 ~ Tracking analysis of previous audits
Appendix 4 ~ 'High' and 'Medium' priority recommendations

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

Name: Andy Bromage
Service Manager - Worcestershire Internal Audit Shared Service
E Mail: andy.bromage@worcester.gov.uk
Tel: 01905 722051

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APPENDIX 1

Delivery against Internal Audit Plan for 2013/14
1st April 2013 to 31st March 2014

Audit Area	DAYS USED TO 31/03/14	2013/14 PLANNED DAYS	Target Days to 31/03/14
Core Financial Systems (Note 1)	119	114	114
Corporate Audits(Note 2)	138	155	155
Other Systems Audits	160	161	161
TOTAL	417	430	430
 Audit Management Meetings	 20	 20	 20
Corporate Meetings / Reading	9	9	9
Annual Plans and Reports	10	12	12
Audit Committee support	12	13	13
Other chargeable	7	0	0
TOTAL	58	54	54
GRAND TOTAL	475	484	484

Note 1

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts. Small number of additional days required to deliver the full core financial programme.

Note 2

A number of the budgets in this section are 'on demand' e.g. consultancy, investigations so the requirements can fluctuate thus resulting in a small amount of 'unused' budgets.

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APPENDIX 2

Key Performance Indicators (KPIs) for 01st April 2013 to 31st March 2014.

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2012/13. Further to the request of Members at the Internal Audit Committee of the 25th April 2013 performance indicators have been reviewed and agreed with the Portfolio Holder and are reported below and include indicators for management.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Position (as at March 2014)	Frequency of Reporting
1	No. of high recommendations	Downward	12	13	Quarterly
2	No. of moderate or below assurances	Downward	10	13	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	4	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered =27 &(2x Draft Reports)	Target =29 Delivered = 16 Final Reports 7 Draft Report 5 @ Clearance 1 nearing completion	Quarterly

WIASS operates within and seeks to conform to the Public Sector Internal Audit Standards.

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APPENDIX 3

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action that we are taking against those audits and whether further follow up is planned. To provide the Audit Board with as much assurance as possible going forward we are currently targeting as many audit follow ups as possible. Commentary is provided on those audits that have already been followed up and audits in the process of being followed up to the end of May 2014. Exceptions will be reported to the Committee.

For some audits undertaken each year follow-ups may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the over all work load and are assessed by the Lead Auditors.

Follow up in connection with the core financials is undertaken as part of the routine audits that are/were performed during quarter 3.

REDDITCH BOROUGH COUNCIL

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Responsible Officer</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
			High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed
2011-12 Audits					
Housing Repairs & Maintenance	5th December 2011	Head of Housing & Housing Services Manager	Apr-14		
Housing Capital Contracts - Interim Valuation and Post Contract Appraisal	24th February 2012	Head of Housing & Housing Services Manager	Apr-14		
Maintenance Contracts	31st July 2012	Head of Housing Services	Apr-14		
2012-13 Audits					
Garages	16 July 2012	Head of Housing & Housing Services Manager	Followed up in October 2013. Outcome: Awaiting management response/action plan as service has been developed. Consideration being made as to whether audit report remains valid due to changes.	Apr-14	
Grants to Voluntary Organisations	12 September 2012	Acting Head of Community Services	Having spoken to client the recommendations relate to the approval	Apr-14	

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			of grants which will take place in January 2014. Therefore this will be revisited at this point to obtain evidence of implementation. HT 29/10/2013		
Landscaping & Ground Maintenance	14 September 2012	Head of Environmental Services	Apr-14		
Street Scene	7th January 2013	Head of Environmental Services	Apr-14		
Stores, Depot and Small Plant	27th March 2013	Head of Environmental Services	Apr-14		
Arrow Vale Sports Centre	2nd April 2013	Leisure Services Manager	Apr-14		
Markets	18th March 2013	Head of Planning Services	Apr-14		
Procurement / Contract Compliance	20th May 2013	Financial Services Manager	Apr-14		
Crematorium and Cemeteries	26th April 2013	Head of Environmental Services	Apr-14		
Workshop & Fleet	29th April 2013	Head of Environmental Services	Apr-14		
One Stop Shop / Reception Services and Cash Collection	10th June 2013	Head of Customer Services	Apr-14		
Waste	26th April 2013	Head of Environmental	Apr-14		

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		Services			
Abbey Stadium	2nd May 2013	Leisure Services Manager	Apr-14		
2013-14 Audits					
Dial-A-Ride	24th June 2013	Dial A Ride Manager	Apr-14		
Palace Theatres	25 th October 2013	Leisure Services Manager	May-14		
Allotments	24 th October 2014	Capital Project & Greenspace Manager	Apr-14		
Building Control	29 th October 2013	Building Control Manager	Apr-14		

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APPENDIX 4

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively. No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
Significant Assurance	There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk. Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
Moderate Assurance	The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
Limited Assurance	Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
No Assurance	No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.

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Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Debtors ~ Report issued 16th January 2014					
Assurance: Significant					
Summary: The review is a full system audit concentrating on the controls from the point where the invoice is raised to entry onto the main ledger. The review will assess the system is operated in accordance with the Council's Financial Regulations and agreed procedures,					
1	M	<u>Arrears Reports</u> Arrears reports are not being produced for all Service Managers with exception to Commercial Rents, Community Centre and Lifeline teams	Incorrect figures may be used in the budgetary control process which may lead to the risk of financial loss to the council	The Income team must produce and supply arrears reports to relevant service managers on at least a quarterly basis to ensure that they are aware of their financial position when making decisions that impact the Council.	Quarterly reports will be provided to service managers with immediate effect. Quarter 3 reports to be provided by end Jan 2014 and then quarterly from then on. Responsible Manager: Revenue Services Manager Implementation date: 1st Jan 2014
Council Tax ~ Report issued 25th March 2014					
Assurance: Significant					
Summary: The review was a full system audit concentrating on areas of the Council Tax system to ensure there is a reconciliation of the opening debit at the beginning of the financial year, there are regular reconciliations from Council Tax system to feeder systems and an adequate control environment.					
1	M	<u>Access & security</u> Audit testing of user access identified that there was an IBS system user of the name of "JANET" attached to the high level access group "ADMIN". Systems Admin could not confirm who this particular user was.	Potential for unauthorised access leading to financial loss and reputational damage.	The entry point for this particular user to be removed immediately.	Management Response Access for this user will be removed Responsible Manager Revenue Services Manager Implementation Date 31 st March 2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
2	M	New properties Whilst there is liaison with property developers, details of property completions are sometimes difficult to obtain therefore leading to delays in getting them into rating	Reputational damage due to late billing resulting in lost revenue	To improve relationships with developers and inspect new build sites where possible.	Management Response Looking to improve relationships (one developer is the main issue) but also to develop in-house process for 'spot' checks on developments Responsible Manager Revenue Services Manager Implementation Date 30th April 2014
Benefits ~ Report issued 7th March 2014					
Assurance: Significant					
Summary:The review was a full system audit concentrating on areas including overpayments occurring as a result of Local Authority error, Essential Living Fund payments, Fraud Identification, assessment and recovery, and, reconciliations of Benefits, Council Tax and General Ledger entries.					
1	Medium	<u>Reconciliations</u> Reconciliations between the General Ledger, Saffron rents, and Benefits records have not been completed for any of the relevant periods during the 2013/14 financial year (i.e. April - November) In addition, at the end of the 2012/13 financial period, there was an outstanding imbalance of £648.46. At the time of the audit work this had not been corrected/ written off. The imbalance will continue to carry forwards until resolved.	Errors with financial postings may not be identified in a timely manner, resulting in poor integrity of financial information.	Reconciliations between the General Ledger, Rents records, and the Benefits records should be completed. The outstanding imbalance of £648.46 should be investigated and resolved.	Management Response Agreed. Responsible Manager: Financial Services Manager Implementation date: April 2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		Reconciliations are not subject to formal review by a senior officer to ensure completion.			
2	Medium	<u>Fraud Cases</u> One of the random audit sample of 25 closed fraud cases tested identified payments to a claimant who has capital savings in excess of the defined limits, but is still in receipt of benefits. In addition, Employment and Support Allowance information was also incorrect. This case has been reassessed by the Benefits team at the request of Audit, and payments to this individual have now been ceased. Further investigation into continued fraudulent activity by the individual is being undertaken. The overpayment has been classed as a Local Authority error, but to be recovered through Sundry Debtors. The case had not originally been referred to the Benefits assessment team for further review.	Inaccurate processing of benefits claims, resulting in a financial loss to the authority and/ or the Department for Work & Pensions.	Once a fraud investigation is closed, there should be a formal process of notification to the Benefits Assessment team, identifying necessary actions to be taken.	Management Response Process to be put in place Responsible Manager: Benefits Service Manager Implementation date: Immediate

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
VAT ~ Final Report issued 31st March 2014					
Assurance: Significant					
Summary: The review was a full system audit which concentrated on the VAT procedures to ensure and provide assurance that up to date procedure and guidance documents exist for completion of VAT returns and are available to staff					
1	Medium	<u>Resilience</u> The 2011/12 audit testing showed that the VAT return was not independently reviewed for accuracy and reasonableness once it had been prepared. The VAT Returns have since become the responsibility of the Financial Services Manager.	Inefficient use of officer's time leading to unnecessary pressure resulting in non completion of returns and cash flow issues.	Resources to be reviewed to determine if the completion of the VAT Returns could be allocated to another officer within the Finance Section.	Agreed This will be reviewed as part of the Finance Section restructure. Responsible Manager: Financial Services Manager Implementation date: October 2014
Cash Collection ~ Final Report issued 26th February 2014					
Assurance: Moderate					
Summary: The review was a full system audit concentrating on the control of the cash collection from the point where the cash is received by the Council to entry onto the main ledger.					
1	High	<u>Suspense Account</u> Internal Audit reviewed the Suspense account and noted there was £74,000 unallocated funds in the account as at 12th December 2013. The Suspense Account also had 27 unallocated items from 2012/13 that had not been cleared off at the	There is a risk of financial loss to the Council due to unidentified/miscoded income or payment made by the Council.	Departmental Managers need to make every effort to ensure that all monies invoiced by the Council have the correct coding given to its Debtors to make certain payment is received and recorded correctly in the Council's system.	Management Response Every possible effort is made by cashiers to identify funds and post to the correct accounts. However, monies that cannot be identified by cashiers because information is not forthcoming from services cannot be transferred to the correct accounts and sit in suspense.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		beginning of the 2013/14 financial year.		Senior Management to ensure that all unallocated suspense items in the Council's Suspense Account are cleared at the end of each financial year. In addition, the Council's Suspense Account to be reviewed and cleared as soon as possible to ensure all monies is correctly and promptly allocated.	CMT and 4th Tier Managers will be reminded of the need to ensure they have processes in place to reduce the likelihood of unidentified payments and to provide a prompt response to help identify payments. Responsible Manager: Customer Services Manager Implementation date: 28th February 2014
2	High	<u>Cash Float Management</u> There are no independent checks of the cash floats by senior management. In addition it was noted that floats are not reviewed on an on-going basis to ensure that levels are appropriate and amounts are still required. Internal Audit also identified that the cash floats are not always kept in Council safe overnight.	Risk of retaining surplus amounts of cash which increases the risk of theft and financial losses to the council.	Senior management to review the floats kept by the Cashiers on a regular basis to ensure that they are being managed correctly and that levels remain appropriate. Cash floats to be stored in the Council safe when not in use.	Management Response Clear instructions have been issued to all staff members and a review of floats needs is underway. Responsible Manager: Customer Services Manager Implementation date: 28th February 2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
NDR ~ Report issued 25th March 2014					
Assurance: Moderate					
Summary: The review was a full system audit concentrating on areas of the NDR system to ensure there is a reconciliation of the opening debit at the beginning of the financial year, there are regular reconciliations from NDR system to feeder systems and an adequate control environment.					
1	Medium	Accounts on Trace During the data sample of 25 Write Off balances an example of an account was found where the Sundry Debtor team had been informed that the person was deceased but did not pass this information onto the Revenues Team who only became aware of the situation when they initiated a trace on the account over two years later. It was explained that this was due to a change in process to bring traces back into the Council from a 3rd party where Council tax had been given priority.	Reputational risk of communication breakdown between Council departments.	Traces to be applied to accounts in a timely manner.	Management Response It is necessary to review the existing trace process for CTAX/NNDR & debtors to ensure that they operate as consistently as possible to avoid occurrences identified Responsible Manager Revenue Services Manager Implementation date 30th June 2014
2	Medium	Credit balances Following a review of accounts with credit balances displayed on the Council's website it was found that data currently displayed at the time of the audit was dated January 2013. It states on the site that this data should be updated quarterly. It was also noted that Information regarding what should be the 'multiplier' information is out of date.	Outdated information displayed on the website provides potential reputational risk to the council.	Information displayed on the website should be relevant and up to date. To update accordingly.	Management Response Credit balance reports will be updated at end of year. Responsible Manager Revenue Services Manager Implementation date 31st March 2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	Medium	Property reconciliation The number of properties and the total rateable value was not reconciled with the latest Valuation Officer schedule at debit raise.	Potential for inaccurate billing leading to financial loss and reputational damage.	The number of properties as per IBS should be reconciled with the valuation officer records at the time of debit raise.	Management Response Evidence of the debit raise reconciliation will be held with end of year reports Responsible Manager Revenue Services Manager Implementation date Completed
4	Medium	Exemptions During testing of refunds it was noted that a refund had been issued in respect of a Grade 2 listed building that had not been granted the correct exemption. The refund covered four years.	Potential for inaccurate billing and reputational damage.	Grade 2 listed buildings should be periodically reviewed against subsidiary records (e.g. Planning) to ensure consistency.	Management Response A reconciliation exercise will be carried out. Responsible Manager Revenue Services Manager Implementation date 30th June 2014
5	Medium	Access & security Audit testing of user access identified that there was an IBS system user with the name 'JANET' attached to the high level access group ADMIN. The Systems Control Officer could not confirm who this particular user was.	Potential for unauthorised access leading to financial loss and reputational damage.	The entry point for this particular user to be removed immediately.	Management Response Access to system will be removed. Responsible Manager Revenue Services Manager Implementation date 31st March 2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Creditors ~ Report issued 1st April 2014					
Assurance: Moderate					
Summary: The review was a full system audit concentrating on the controls over the Creditor System ensuring orders had been authorised and the goods/service had been received before the invoice was authorised and paid to the correct creditor.					
1	High	Outstanding payments There is currently no review or evidence of monitoring RBC and BDC outstanding payments over 30 days, including invoices that have been coded 'in dispute', for the financial year beginning 1st of April 2013. Creditors are paid within 30 days from the date of receipt of the invoice. This is within the Councils payment terms. However legislation requires the payments to be made within 30 days of the tax date. 2 out of a sample of 25 invoices tested were paid within the Councils payment terms but could have been classed as late payments under the Late Payments Regulations Act 2013. It was also noted that the system is not being fully utilised by the payments team as the late payments did not have any notes on file detailing reasons of delay. The audit did not highlight any areas where late payment interest had been claimed.	Reputation damage, financial loss through late payment charges. Possible loss of prompt payment discounts and impaired relations with suppliers. There is also a risk of non compliance with the Late Payments Regulations Act 2013.	Monitoring of payments over 30 days from the tax point and invoices placed 'in dispute' must be completed on a regular basis by the Payments team and the reasons notated on the creditors system. Officers must ensure that where there is a query on an invoice and it is likely to cause a delay in payment, the invoice must be placed in dispute. The reasons for the dispute and any work undertaken to resolve the dispute must be placed on the system in case the Council's are challenged at a later date. Senior Managements need to ensure that the Payments team is fully aware of and operates in compliance with the Late Payments Regulations Act 2013.	Management Response Financial Services Manager will put out communication to all staff via the Council Intranet page about the Late Payments Regulations Act 2013. A reminder will also be sent to Senior Management to ensure all efforts are made for payments to be made in accordance with the supplier's terms. The payments team will ensure that Creditor's files are updated to reflect any queries or disputes on an invoice that may cause delay in payment as soon as possible with regular reviews of these accounts taking place. Responsible Manager: Financial Services Manager Implementation date: 01/05/2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Kingsley Sports Centre ~ Report issued 6th March 2014					
Assurance: Limited					
Summary: The review was a full systems audit concentrating on the controls in operation at Kingsley Sports centre to ensure security and access to the cash float, and, hours claimed by staff (including overtime) agree to rotas, sickness, annual leave records and “booking in and out” records.					
1	High	<u>Payment Card Industry Data Security</u> Card receipts produced by the Haven System with full card details of customers (i.e. long card number, expiry date and issue date and issue number) have been retained indefinitely in the safe. In addition It noted that there are others which have been retained but not locked away. Under the Payment Card Industry Data Security Standard (PCIDSS) full card numbers should not be retained both in the cash receipting system and on receipts.	Non-compliance with the Payment Card Industry Data Security Standard (PCIDSS) leading to potential fines	The Council to ensure appropriate plans are in place so that it is compliant with the Payment Card Industry Data Security Standard (PCIDSS).	Management Response Sports Centres are going to shred credit card receipts from April as per the advice from Audit. Going forward our EPOS Provider has submitted a quote to upgrade credit terminals to resolve this issue but we will need to fund this from April 14 as we cannot spend from 13/14 budget. Responsible Manager: Leisure Services Manager Implementation date: 30th April 2014
2	High	<u>Advance Payments</u> Audit testing identified 3 out of the 16 advanced payments that were not paid on time even though the Hirer received the VAT exemption on the block booking in accordance with HMRC regulations.	Financial Loss to the Council and possible penalties imposed by HMRC.	The Sports Centre must ensure that payments are received for block bookings prior to the use of facilities to ensure that they are in line with the block booking advance payments VAT regulations. If payment is not received prior to start of the use of facilities and	Management Response This will be included in an internal audit inspection carried out by the Business Support Officer on a monthly basis. The Leisure Services Manager or Operations Manager will also perform quarterly audit inspections (sampling of high recommendations) to ensure compliance against the recommendations in the report.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				the VAT exemption has been applied, the Sports Centre must contact the Accountancy section to ensure a VAT Journal is carried out to ensure that Kingsley Sports Centre is in line with the HMRC VAT regulations.	Responsible Manager: Operations Manager Implementation date: 31 st March 2014
3	High	<u>Overtime timesheets</u> There is no evidence to show that the overtime timesheets are being checked to rotas by the authorising manager. Internal audit testing also identified that: - the overtime claim sheets did not always show reasons for overtime being clearly stated. - staff rotas showing the shift patterns for each staff including the overtime worked were not always kept up to date. - some staff members were not always signing in and out when they were working - prime documents being written in pencil	Insufficient checks performed by the authorising manager may lead to over/under payments for overtime and may also increase the risk of fraudulent activities taking place. Pencil records are prone to being tempered with, which may lead to fraudulent activities.	The senior management team must ensure that all overtime prime documents are completed in full, with overtime claims being checked to rotas to confirm that the claim is true and valid. They must also ensure that all claims have details of why the overtime is being claimed. Any unjustified overtime should be returned to the staff member to complete the timesheet. The senior management team are also reminded to ensure that all prime records are recorded in a permanent form.	Management Response The overtime form needs to be re-designed to fit the needs of the Sports Centres. For example there isn't the capacity to enter site details and reasons for overtime for each occurrence. Our requirement is for staff working across more than one site to complete one form rather than multi forms. This will be a joint responsibility with the Payroll and HR Teams. This will be included in an internal audit inspection carried out by the Business Support Officer on a monthly basis. The Leisure Services Manager or Operations Manager will also perform quarterly audit inspections (sampling of high recommendations) to ensure compliance against the recommendations in the report. Responsible Manager: Operations Manager Implementation date: 1 st April 2014.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
4	High	<u>Cashing up Records</u> 16 out of 25 Daily Cashing up reports tested did not have sufficient separation of duties. The reports showed: • One member of staff recording and authorising the takings; • the cashier recording the cashing up but no authorising signature; • or no signature from both the cashier and the authorising officer, for the cash collected at the end of the day.	Insufficient evidence of separation of duties may increase the risk of fraud and theft	The Duty Managers to ensure that there is adequate separation of duties in the daily cashing up procedure.	Management Response This will be included in an internal audit inspection carried out by the Business Support Officer on a monthly basis. The Leisure Services Manager or Operations Manager will also perform quarterly audit inspections (sampling of high recommendations) to ensure compliance against the recommendations in the report. Responsible Manager: Operations Manager Implementation date: 1st April 2014
5	Medium	<u>Overs and Unders</u> Internal Audit testing found that there is a consistently high level of over and under weekly bankings that occur in Kingsley Sports Centre. 1 out of 10 of the weekly bankings tested in the audit sample was over £10. All under/over bankings under or above £10 should be fully investigated and explanations provided. There were no notes to evidence this in accordance with agreed procedures. In addition to the above, it was also found that there is also a high level of	Risk of Financial loss to the Council and potential fraudulent activities going unnoticed due to lack of information.	The Duty Managers to ensure that all overs and unders identified over and under £10 must have notes evidencing what action has been taken when reconciling the Haven system to the cash collected. The Senior Management to investigate further the reasons for consistently high unders and overs in case there is an underlying problem such as training required.	Management Response This will be included in an internal audit inspection carried out by the Business Support Officer on a monthly basis. The Leisure Services Manager or Operations Manager will also perform quarterly audit inspections (sampling of high recommendations) to ensure compliance against the recommendations in the report. Responsible Manager: Operations Manager Implementation date:

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		unders and overs identified in the daily cashing up process prior to banking and again notes are not always recorded to demonstrate what action has been taken.			1 st April 2014
end					

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 24th April 2014**THE 2014/15 INTERNAL AUDIT PLAN REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS**1.1 To present:**

- the Redditch Borough Council Internal Audit Operational Plan for 2014/15;
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2014/15

2. RECOMMENDATIONS

- 2.1 The Committee is asked to APPROVE the 2014/15 Audit Plan and Performance Indicators.

3. KEY ISSUES**Financial Implications**

- 3.1 There are no direct financial implications arising out of this report.

Legal Implications

- 3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

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To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”. WIASS is committed to conforming with the requirements of the Public Sector Internal Audit Standards.

Service / Operational Implications**Internal Audit Aims and Objectives**

3.3 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:

- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
- undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
- advise upon the control and risk implications of new systems or other organisational changes e.g. transformation.

Formulation of Annual Plan

The Internal Audit Plan for 2014/15, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has been based upon the risk priorities per discussions with the s151 Officer and Heads of Service as well as an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2014/15 has been agreed with the council's section 151 officer.

By bringing a provisional plan of work before the January 2014 Audit and Governance Committee it allowed Members to have a positive input into the audit

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work programme for 2014/15 and make suggestions as to where they feel audit resources may be required under the direction of the s151 Officer. As with all plans it may be subject to review as the year progresses in consultation with the s151 Officer.

We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

To try and reduce duplication of effort we understand the importance of working with External Auditors. The audit plan is shared with external auditors for information.

Resource Allocation

The Internal Audit Plan for 2014/15 has been based upon a resource allocation of 484 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. Discussions are continuing with the s151 Officer and others charged with governance with regard to reducing the audit days in the coming years ensuring there remains sufficient coverage to provide adequate assurance.

The Internal Audit Plan for 2014/15 is set out at **Appendix 1**.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2014/15 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the s151 officers from client organisations, on a quarterly basis and to the Audit Committee on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of key performance indicators which have been

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developed for the service. These have been agreed with the council's s151 officer and are included at **Appendix 2**.

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

4. RISK MANAGEMENT

4.1 The main risks associated with the details included in this report are:

Failure to complete the planned programme of audit work within the financial year; and,

the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix 1 ~ Draft Internal Audit Plan 2014/15

Appendix 2 ~ Key performance indicators 2014/15

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUTHOR OF REPORT

Name: Andy Bromage
Service Manager - Worcestershire Internal Audit Shared Service
E Mail: andy.bromage@worcester.gov.uk
Tel: 01905 722051

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 24th April 2014APPENDIX 1**DETAILED PLAN FOR 2014/2015 AUDIT PROGRAMME**

Audit Area	Source	Planned days 2013/14	Planned Days 2014/15	Difference = + or -
Core Financial Systems				
Council Tax	Risk assessment score 34	12	12	0
Benefits	Risk assessment score 34	15	15	0
NNDR	Risk assessment score 32	12	12	0
Payroll (inc allowances, starters, leavers)	Risk assessment score 33	15	15	0
Creditors	Risk assessment score 31	12	12	0
Cash Collection	Risk assessment score 30 & HoS	6	12	6
Debtors	Risk assessment score 29	12	12	0
Treasury Management	Risk assessment score 28	7	7	0
Main Ledger inc Budgetary Control & Bank Reconciliation	Risk assessment score 28	17	15	-2
TOTAL		108	112	4
Corporate				
Shared Service Client	Risk assessment score 29	16	16	0
IT Services	Risk assessment score 29	15	15	0
Procurement / Contract Compliance/Tendering	Risk assessment score 28	0	17	17
Risk Management	Risk assessment score 26	15	15	0
Transformation Arrangement (Critical Friend)	s151	10	10	0
Corporate Governance (Health & Safety, Media & Comm's, Performance Indicators & data quality)	n/a	17	17	0
Fraud, Special Investigations and	n/a	26	25	-1

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National Fraud Initiative (NFI)				
Advisory and Consultancy / Contingency	n/a	15	14	-1
Previous Year Work completion	n/a	10	10	0
Statement of Internal Control	n/a	3	5	2
Follow Up on recommendations	n/a	17	16	-1
TOTAL		159	160	1
Other Systems Audits				
Rent Arrears /Rent Payment & Collection	Risk assessment Score 33	0	15	15
Housing Repairs & Maintenance	Risk assessment Score 32 & HoS	0	18	18
Planning Enforcement	Risk assessment Score 31	0	16	16
Golf Course	Risk assessment Score 29	0	10	10
Countryside Centre & Arrow Valley Park	Risk assessment Score 29	0	17	17
Reddicard/Fee Concessions	Risk assessment Score 28	0	12	12
Forge Mill Museum	Risk assessment Score 28	0	10	10
Planning Fees	Risk assessment Score 28	0	13	13
Land Charges Fees	Risk assessment Score 26	0	13	13
Rent Guarantee/Rent Deposit Scheme	Risk assessment Score 27	0	11	11
DFG's	Risk assessment Score 23	15	15	0
Threadneedle House	n/a	0	0	0
Bus Service Operators Grant	n/a	0	8	8
<i>Balancing Figure for 2013/14</i>		<i>148</i>		
TOTAL		163	158	-5
Audit Management Meetings	n/a	20	20	
Corporate Meetings / Reading	n/a	9	9	
Annual Plans and Reports	n/a	12	12	
Audit Committee support	n/a	13	13	
TOTAL CHARGEABLE		54	54	0
TOTAL CHARGEABLE		484	484	0

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE****Date: 24th April 2014****Summary of Days per Overall Audit Group for 2014/15.**

Planned Days for 2014/15	2013/14	2014/15
Core Financial Systems	108	112
Corporate Work	159	160
Other Systems Audits	163	158
Sub Total	430	430
Audit management meetings	20	20
Corporate meetings / reading	9	9
Annual plans and reports	12	12
Audit Committee support	13	13
	54	54
TOTAL Audit Days	484	484

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 24th April 2014Appendix 2KEY PERFORMANCE INDICATORS 2014/15

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2014/15. The indicators also include management indicators to provide the Committee with comparison data.

	KPI	Trend requirement	2013/14 Year End Position	2014/15 Position (as at xxxxxxxx)	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward			Quarterly
2	No. of moderate or below assurances	Downward			Quarterly
3	No. of customers who assess the service as 'excellent'	Upward			Quarterly
4	No. of audits achieved during the year	Per target	Target = 29(minimum) Delivered =	Target = 24(minimum) Delivered =	Quarterly

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

PART 9**AUDIT & GOVERNANCE COMMITTEE PROCEDURE RULES**
*(New draft document – subject to further consideration by the Audit & Governance Committee, and recommendations thereon to the Council.)***1. Role of the Audit and Governance Committee**

- 1.1 *The Council has established an Audit and Governance Committee.*
- 1.2 *The Audit and Governance Committee will work in partnership with the Executive Committee and Officers to ensure good stewardship of the Council's resources and deliver better outcomes for the people of the Borough.*
- 1.3 *The ultimate responsibility for Audit rests with the Council's Section 151 Officer. Therefore the Audit and Governance Committee can make informed recommendations but it is not the role of the Audit and Governance Committee to be a substitute for management of Internal Audit.*
- 1.4 *The Audit and Governance Committee does not have the power to make decisions with regard to Internal Audit or to direct Officers with regard to Internal Audit.*

2. Terms of Reference

- 2.1 *The Terms of Reference of the Audit and Governance Committee are as follows:*
 - a. *To review and monitor the annual audit plans of both the internal and external auditors.*
 - b. *To receive and comment upon external auditors' reports.*
 - c. *To monitor the adequacy and effectiveness of the Council's system of internal control by ensuring that an adequate and effective system of internal financial controls is maintained, that financial procedures are regularly reviewed.*
 - d. *To consider and approve the Council's Annual Statements of Accounts.*
 - e. *To consider, monitor and review the Council's overall corporate governance arrangements.*
 - f. *To ensure that a corporate risk management strategy is in place, to consider, monitor and review the effectiveness of the Council's risk management arrangements and seek assurances that action is being taken to address identified risk related issues.*

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- g. To consider any report from the Internal Audit Manager in pursuance of Financial Regulations.*
- h. To ensure good stewardship of the Council's resources and assist the Council to achieve value for money in the provision of its services.*
- i. To enhance the profile, status and authority of the internal audit function that will demonstrate its independence.*
- j. To contribute towards making the Council, its Committees and Directorates more responsive to the Audit function.*
- k. To focus audit resources by agreeing, and periodically reviewing, audit plans and monitoring delivery of the audit service.*
- l. To receive and consider such internal audit reports that the Chair and/or Acting Deputy Chief Executive considers necessary.*
- m. To keep under review and make recommendations on proposed amendments to Financial Regulations.*
- n. To consider and make recommendations if appropriate on, the Annual Governance Statement.*

2.2 *Within those Terms of Reference, the Audit and Governance Committee will:*

- a. agree annual and strategic audit plans;*
- b. review Internal Audit's progress against the audit plan and consider Internal Audit performance measures;*
- c. receive and consider a summary of work undertaken by Internal Audit since the last meeting, plus current status;*
- d. receive and consider executive summaries of financial process / procedures;*
- e. receive and consider executive summaries of Value For Money reports;*
- f. receive and consider executive summaries of contract audit reports;*
- g. receive and consider executive summaries of any special investigations undertaken by Internal Audit;*
- h. receive and consider a chronological summary of Internal Audit reports awaiting departmental response and address any evident problems;*
- i. monitor the proportion of key recommendations actioned since the previous meeting;*
- j. consider all external audit reports including the Annual Audit Letter.*

PART 9**3. Composition**

The Audit and Governance Committee will comprise such number of Councillors as are determined at the Council's Annual Meeting. All Councillors may be members of the Audit and Governance Committee.

4. Co-optees

The Audit and Governance Committee shall be entitled to appoint a number of people as non-voting co-optees.

5. Chair

- a. The Committee's Chair and Vice-Chair will normally be appointed at the Council's Annual Meeting.*
- b. If the Chair / Vice-Chair are not so appointed, they shall be appointed at the first meeting of the Audit and Governance Committee.*

The Chair and Vice-Chair shall not be members of the controlling political group.

6. Meetings of the Audit and Governance Committee

- 6.1 There shall be at least 4 ordinary meetings of the Audit and Governance Committee in each year.*
- 6.2 Extraordinary meetings may be called from time to time as and when appropriate.*
- 6.3 A meeting of the Audit and Governance Committee may be called by the Chair of the Audit and Governance Committee, by any 3 members of the Audit and Governance Committee or by the Chief Executive if s/he considers it necessary or appropriate.*

7. Quorum

The quorum for a meeting of the Audit and Governance Committee shall be 3 members.

8. Attendance of Officers at meetings

- 8.1 The Section 151 Officer or his/her deputy shall be expected to attend each meeting of the Audit and Governance Committee.*

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- 8.2 *The Audit Services Manager shall be expected to attend each meeting of the Audit and Governance Committee.*

9. Participation in Meetings

No member of the Audit and Governance Committee may be involved in the consideration of a decision in which s/he has been directly involved. If any member of the Audit and Governance Committee finds that a decision in which s/he has been directly involved is to be considered, s/he shall declare the fact to the Audit and Governance Committee and take no part in the discussion and voting in the part of the meeting which relates to that decision.

10. Work Programme

- 10.1 *The Audit and Governance Committee will be responsible for setting its own work programme and in doing so shall take into account of:*

- a. the views of members of the Audit and Governance Committee who are not members of the largest political group on the Council;*
- b. suggestions of matters for consideration made by the Executive Committee;*
- c. suggestions of matters for consideration made by the Council.*

11. Procedure at Audit and Governance Committee meetings

The Audit and Governance Committee shall at each meeting consider the following business:

- a. consideration of the accuracy of the minutes of the previous meeting;*
- b. declarations of interest;*
- c. responses of the Executive Committee to reports of the Audit and Governance Committee; and*
- d. matters set out on the agenda for the meeting in accordance with paragraph 12 below.*

12. Agenda items

- 12.1 *Any member of the Audit and Governance Committee shall be entitled to give notice to the Section 151 Officer that s/he wishes an item relevant to the functions of the Audit and Governance Committee to be included on the agenda for the next available meeting of the Committee. On receipt of*

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such a request the Section 151 Officer will ensure that it is included on the next available agenda.

12.2 Where a matter is referred to the Audit and Governance Committee by the Council (including a matter referred by the Monitoring Officer under Council Procedure Rule 11.10), it shall be considered at either the first or second ordinary meeting of the Audit and Governance Committee following the referral.

12.3 The Audit and Governance Committee shall also respond, as soon as its work programme permits, to requests from the Council or the Executive Committee to review particular areas of Council activity. The Audit and Governance Committee shall report its findings and any recommendations back to Council or Executive Committee (as appropriate).

13. Investigations and Enquiries

The Audit and Governance Committee may

- a. hold enquiries and investigate the available options for the future direction of Internal Audit and may appoint advisers and assessors to assist them in this process;*
- b. conduct site visits, conduct public surveys, hold public meetings, commission research and do all other things that it reasonably considers necessary to inform the Audit and Governance Committee in its deliberations;*
- c. invite witnesses to attend to address the Audit and Governance Committee on any matter under consideration;*
- d. pay to any advisers, assessors and witnesses a reasonable fee and expenses for doing so, provided that any such budget set by the Council each year for such purposes is not exceeded.*

14. Members and Officers giving account

14.1 The Audit and Governance Committee may review internal control mechanisms and systems that exist in any Council Department. As well as reviewing documentation, in fulfilling its Terms of Reference, it may require any member of the Executive Committee, the Chief Executive and/or any senior Officer to attend before it to explain in relation to matters within their remit:

- a. any particular decision or series of decisions;*
- b. the extent to which the actions taken implement Council policy; and /or*

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c. his/her performance;

and it is the duty of those persons to attend if so required.

14.2 If any Councillor or Officer is required to attend meetings of the Audit and Governance Committee under this provision, the Councillor or Officer will be given reasonable notice in writing of the meeting at which s/he is required to attend. The notice will state the nature of the item on which s/he is required to attend to give account and whether any papers are required to be produced for the Audit and Governance Committee. Where the account to be given to the Audit and Governance Committee will require the production of a report, then the Councillor or Officer concerned will be given sufficient notice to allow for preparation of that documentation

14.3 If the Councillor or Officer is unable to attend on the required date, the Audit and Governance Committee shall in consultation with the Councillor or Officer arrange an alternative date for attendance.

15. Attendance by others

15.1 The Audit and Governance Committee may invite people other than those people referred to in paragraph 14 above to address it, discuss issues of local concern and/or answer questions. It may for example wish to hear from residents, stakeholders and Members and Officers in other parts of the public sector and shall invite such people to attend. Any such person invited will be given reasonable notice and the notice will state the nature of the item on which he/she is invited to attend and whether any papers are requested.

15.2 If the Audit and Governance Committee is to consider a motion referred to it by the Council meeting, the proposer and seconder of the motion shall (if they are not members of the Audit and Governance Committee) have the right to attend the relevant meeting and to explain the reasons for their motion, although they may not propose, second or vote on recommendations by the Audit and Governance Committee which arise from that motion.

15.3 If the Audit and Governance Committee invites a person to address a meeting or to give evidence, the following principles will be observed:

- a. the investigation will be conducted fairly and all members of the Audit and Governance Committee will be given the opportunity to ask questions of attendees, and to contribute and speak;*
- b. those assisting the Audit and Governance Committee by giving evidence will be treated with respect and courtesy; and*

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- c. the investigation will be conducted so as to maximise the efficiency of the investigation or analysis.*

16. Reports from the Audit and Governance Committee

- 16.1 Once it has formed recommendations on proposals for development, the Audit and Governance Committee will make its findings public and will report to the Executive Committee.*
- 16.2 The Audit and Governance Committee may report directly to full Council where the Section 151 Officer and/or Audit Services Manager advises the Audit and Governance Committee that it is appropriate to do so.*
- 16.3 If the Audit and Governance Committee cannot agree on one single final report to the Council or Executive Committee as appropriate, then no more than one minority report may be prepared and submitted for consideration by the Council or Executive Committee with the majority report.*
- 16.4 The Council or the Executive Committee shall consider the report of the Audit and Governance Committee within two months of it being submitted.*

17. Consideration of Audit and Governance Committee Reports by the Executive Committee

The agenda for Executive Committee meetings shall include an item at which minutes and/or reports of the Audit and Governance Committee will be considered. The minutes and/or reports of the Audit and Governance Committee referred to the Executive Committee shall be included at this point in the agenda (unless they have been considered in the context of the Executive Committee's deliberations on a substantive item on the agenda).

18. The party whip

The party whip must not be applied at Audit and Governance Committee meetings.

19. Finance

The Audit and Governance Committee may exercise overall responsibility for any finances made available to it.

PART 3 - Table 2**TERMS OF REFERENCE OF COMMITTEES****AUDIT & GOVERNANCE COMMITTEE**

Number of members	7
Politically Balanced Y/N	Y
Quorum	3 (to include at least one member of the Majority Group)
Procedure Rules applicable	Council Procedure Rules (with the exception of Council Procedure Rules 1-4, 10, 14, 18.2, 20.1 and 22)
Terms of Reference	a. To review and monitor the annual audit plans of both the internal and external auditors. b. To receive and comment upon the external auditors' reports. c. To monitor the adequacy and effectiveness of the Council's system of internal control by ensuring that an adequate and effective system of internal financial controls is maintained, that financial procedures are regularly reviewed. d. To consider and approve the Council's Annual Statements of Accounts. e. To consider, monitor and review the Council's overall corporate governance arrangements. f. To ensure that a corporate risk management strategy is in place, to consider, monitor and review the effectiveness of the Council's risk management arrangements and seek assurances that action is being taken to address identified risk related issues. g. To consider any report from the Internal Audit Manager in pursuance of Financial Regulations.

PART 3 - Table 2**TERMS OF REFERENCE OF COMMITTEES**

	h. To ensure good stewardship of the Council's resources and assist the Council to achieve value for money in the provision of its services. i. To enhance the profile, status and authority of the internal audit function which will demonstrate its independence. j. To contribute towards making the Council, its Committees and Directorates more responsive to the audit function. k. To focus audit resources by agreeing, and periodically reviewing, audit plans and monitoring delivery of the audit service. l. To receive and consider such internal audit reports that the Chair and/or Deputy Chief Executive considers necessary. m. To keep under review and make recommendations on proposed amendments to Financial Regulations. n. To consider and make recommendations if appropriate on, the Annual Governance Statement.
Special provisions as to the Chair	For the sake of independence, the Chair shall not be a member of the controlling political group.
Special provisions as to membership	The Committee to comprise elected Members representing all interests of the Authority, preferably with relevant areas of expertise, where possible (such areas as accountancy, audit, business and commerce.) Can be members of the Executive Committee.