



Audit, Governance and Standards Committee

Thu 23 Apr
2015
7.00 pm

Committee Room 2
Town Hall
Redditch

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- In addition, the public now has a right to be present when the Council determines “Key Decisions” unless the business would disclose confidential or “exempt” information.
- Unless otherwise stated, all items of business before the Executive Committee are Key Decisions.
- (Copies of Agenda Lists are published in advance of the meetings on the Council's Website:
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**If you have any queries on this Agenda or any of the decisions taken or wish to exercise any of the above rights of access to information, please contact
Debbie Parker Jones
Democratic Services**

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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 Democratic Services 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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Do Not re-enter the building until told to do so.

The emergency Assembly Area is on Walter Stranz Square.



Audit, Governance and Standards Committee

Thursday, 23rd April, 2015

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Borough Councillors:	Roger Bennett (Chair) David Thain (Vice-Chair) Natalie Brookes John Fisher Jane Potter	Rachael Smith John Witherspoon Pat Witherspoon Vacancy (1)
Independent Member:	Dave Jones (non-voting co-opted – for Audit and Governance)	
Feckenham Parish Council Representative:	Kevin White (non-voting co-opted – for Standards)	

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 - 14)	<p>To confirm as a correct record the minutes of the meeting of the Audit, Governance and Standards Committee held on 22nd January 2015, subject to an amendment, as noted at the meeting of Full Council on 30th March 2015, to the final paragraph of Minute No. 36 v) (Ref 5 – Audit Findings Report 2013/14 – Unfilled vacancies) which should read:</p> <p>“Action: item to remain on Action List for reporting at the <u>April</u> 2015 meeting of the Committee, unless all required information available for circulation to members of the Committee any sooner.”</p> <p>(Minutes attached)</p>
4. Monitoring Officer's Report - Standards Regime (Pages 15 - 18) Head of Legal, Equalities and Democratic Services	<p>To receive a report from the Monitoring Officer on any matters of relevance to the Committee.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>

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<p>5. Feckenham Parish Council Representative's Report - Standards Regime</p>	<p>To receive a report from the Feckenham Parish Council Representative on any matters of relevance to the Committee.</p> <p>(Oral report)</p> <p>(Astwood Bank & Feckenham Ward)</p>
<p>6. Audit, Governance and Standards Committee - Action List and Work Programme</p> <p>(Pages 19 - 24)</p> <p>Chief Executive</p>	<p>To consider the Audit, Governance and Standards Committee's Action List and Work Programme.</p> <p>(Action List and Work Programme attached)</p> <p>(No Direct Ward Relevance)</p>
<p>7. Grant Thornton Auditing Standards - Communication with the Audit & Governance Committee and Executive</p> <p>(Pages 25 - 54)</p>	<p>To present Members with the Auditing Standards – Communication with the Audit & Governance Committee and Executive report for 2014/15 from the Councils External Auditors Grant Thornton.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>8. Grant Thornton Audit Plan - 2014/15</p> <p>(Pages 55 - 72)</p>	<p>To present to Members the Grant Thornton Audit Plan 2014/15.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>9. Grant Thornton - Progress Update March 2015</p> <p>(Pages 73 - 88)</p>	<p>To update Members on Grant Thornton's progress as at March 2015 in delivering their responsibilities as the Council's external auditors.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>10. Risk Monitoring and Reporting</p>	<p>To receive any Officer and/or Lead Risk Member (Councillor John Witherspoon and Mr Dave Jones, Independent Member) oral updates in relation to risk monitoring activity which has taken place since the last meeting of the Committee.</p> <p>(Oral report(s))</p> <p>(No Direct Ward Relevance)</p>

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<p>11. Fraud Monitoring and Reporting</p>	<p>To receive any Officer and/or Lead Fraud Member (Councillor Thain) oral updates in relation to fraud monitoring activity which has taken place since the last meeting of the Committee.</p> <p>Note: Former Councillor Braley was one of the two Lead Fraud Members on the Committee. Members are therefore asked to consider whether they wish to appoint a replacement Lead Fraud Member at this point, or whether they prefer to do this at the first meeting of the 2015/16 Municipal Year when all Lead Member positions on the Committee are due to be considered.</p> <p>(Oral report(s))</p> <p>(No Direct Ward Relevance)</p>
<p>12. Benefits Investigations and Housing Benefits Overpayments - 1st October 2014 to 31st December 2014</p> <p>(Pages 89 - 98)</p> <p>Executive Director, Finance and Resources</p>	<p>To advise Members on the performance of the Benefits Fraud Investigation and Housing Benefits Overpayment Services for the 3rd quarter of 2014/15.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>13. Internal Audit - Progress Report</p> <p>(Pages 99 - 126)</p>	<p>To present a progress report of internal audit work with regard to the 2014/15 audit work.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>14. Internal Audit - Annual Audit Plan 2015/16</p> <p>(Pages 127 - 136)</p>	<p>To present to Members the Council's final Internal Audit Operational Plan for 2015/16, and to confirm the key performance indicators for the Worcestershire Internal Audit Shared Service for 2015/16.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>15. Accounting Standards</p> <p>Executive Director, Finance and Resources</p>	<p>To consider an update to the Accounting Standards in preparation for the 2014/15 accounts.</p> <p>(Oral report)</p> <p>(No Direct Ward Relevance)</p>

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16. Portfolio Holder's Update - Quarterly Budget Monitoring	<p>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.</p> <p>(Oral report)</p> <p>(No Direct Ward Relevance)</p>
17. Annual Review of the Operation of the Audit, Governance and Standards Committee and the Committee's Procedure Rules (Pages 137 - 144) Chief Executive	<p>To review the operation of the Audit, Governance and Standards Committee during the 2014/15 Municipal Year and the Committee's Procedure Rules.</p> <p>(Chair's oral report)</p> <p>(Audit, Governance and Standards Committee Procedure Rules attached)</p> <p>(No Direct Ward Relevance)</p>
18. Calendar of Meetings 2015/16	<p>Members are asked to note the following meeting dates of the Committee for the 2015/16 Municipal Year:</p> <ul style="list-style-type: none">• Thursday 2nd July 2015;• Wednesday 30th September 2015;• Thursday 28th January 2016; and• Thursday 21st April 2016. <p>All meetings are due to commence at 7.00pm.</p> <p>Note: There will also be an Officer Briefing for all members of the Committee at 7.00pm on Thursday 10th September 2015 on the Statement of Accounts; prior to the Committee's formal consideration of the Statement of Accounts at the 30th September 2015 meeting.</p> <p>(No Direct Ward Relevance)</p>

19. Exclusion of the Public

Should it prove necessary, in the opinion of the Chief Executive, to exclude the public from the meeting at any point during the proceedings in relation to any item(s) of business on the grounds that either exempt and/or confidential information is likely to be divulged, the following resolution(s) will be moved:

"That under Section 100 I of the Local Government Act 1972, as amended, it/they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraphs of that part being (*...to be specified by the Chairman at the meeting*), and that it is in the public interest to do so.", and/or

"That under Section 100 A of the Local Government Act 1972, as amended, it/they involve the likely disclosure of confidential information which would be in breach of an obligation of confidence."

The paragraphs under Part 1 of Schedule 12A to the Act 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 Bennett (Chair), Councillor David Thain (Vice-Chair) and Councillors Michael Braley, Natalie Brookes, Jane Potter and Mark Shurmer

Dave Jones – Independent Member for Audit & Governance (non-voting co-opted member of the Committee)

Also Present:

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

Officers:

Andy Bromage, Claire Felton, Sue Hanley, Sam Morgan and Amanda de Warr

Committee Services Officer:

Debbie Parker-Jones

30. CHAIR'S OPENING REMARKS

The Chair stated that it was his responsibility to ensure that the meetings of the Committee ran smoothly. Whilst it was important to hear all Members' points of view he would not allow Members to talk across each other. He requested that Members who wished to speak raise their hand to register their intent, following which they would then be given the opportunity to speak. If a meeting could not be controlled this would be suspended as meetings had to be conducted in a controlled and organised manner.

31. APOLOGIES

Apologies for absence were received on behalf of Councillors John Fisher, Rachael Smith, John Witherspoon and Pat Witherspoon. Councillor Mark Shurmer substituted for Councillor Fisher.

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Chair

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It was also noted that Megan Harrison, Independent Person under the Standards regime, would not be observing the meeting that evening.

32. DECLARATIONS OF INTEREST

There were no declarations of interest.

33. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 25th September 2014 were submitted.

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 25th September 2014 be confirmed as a correct record and signed by the Chair.

34. MONITORING OFFICER'S REPORT - STANDARDS REGIME

Members received a report from the Monitoring Officer outlining the current position in relation to standards regime matters of relevance to the Committee.

It was noted that no complaints had been received against Members (Borough or Parish) since the previous meeting of the Committee in September 2014.

As the end of the current municipal year was approaching Member training had reduced and the Member Support Steering Group would be meeting shortly to discuss upcoming issues.

RESOLVED that

the report of the Monitoring Officer be noted.

35. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT - STANDARDS REGIME

Mr Kevin White, Feckenham Parish Council Representative, was not present at the meeting to provide any update on behalf of the Parish Council.

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36. AUDIT, GOVERNANCE AND STANDARDS COMMITTEE - ACTION LIST AND WORK PROGRAMME

Action List

i) Ref 1 – Future monitoring of use of balances to support expenditure

It was noted that this item had remained on the Committee's Action List for some time and that any relevant updates in this regard would in future be incorporated into budget/savings reports and the Portfolio Holder updates. Members therefore agreed that this item could be removed from the Action List.

Action: item to be removed from Action List.

ii) Ref 2 – Meeting start times

Members agreed with the Officer suggestion in the Action List that the question as to whether the start time of meetings should be brought forward be re-visited at a later date, once future meeting end times had been monitored to establish whether there was any need for any such change.

Action: item to remain on Action List for future monitoring.

iii) Ref 3 – Independent Member attendance and performance

Officers requested, and Members agreed, that a report on this be taken to the first meeting of the 2015/16 Municipal Year.

Action: item to be removed from Action List and added to the Committee's Work Programme for reporting at the July 2015 meeting.

iv) Ref 4 – Audit Findings Report 2013/14 – Officer update on progress against external auditor recommendations

It was noted that the management responses and associated action plan due dates in relation to the external auditor recommendations for the year ended 31st March 2014 were included in the Annual Audit Letter at agenda item 7. The Portfolio Holder's Quarterly Budget Monitoring update at agenda item 10 would also provide some relevant information in this regard.

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Action: item to be removed from Action List as Officer responses provided in report at agenda item 7.

v) Ref 5 – Audit Findings Report 2013/14 – Unfilled vacancies

Officers advised that this was still a work in progress and that information on the number of unfilled vacancies and how long these had been vacant for would be presented to the next meeting of the Committee.

A Member requested that the information be issued as soon as possible, even if this initially included data in relation to one or two departments only. Officers responded that they wished to ensure all the information was available prior to issuing this in order to ensure Members had a full and clear picture of the position.

Action: item to remain on Action List for reporting at the July 2015 meeting of the Committee, unless all required information available for circulation to members of the Committee any sooner.

Work Programme

Officers advised that they would be looking at the reports listed on the Work Programme to ascertain which of these were still relevant moving forward. They would then liaise with the Committee Chair on any proposed report changes.

Officers added that the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2015/16 report which had been scheduled for consideration by the Committee that evening would, owing to report timing issues, instead need to be considered by the Executive Committee. The Capital Programme would be agreed at an earlier stage from next year, meaning this report would in future be considered by the Audit, Governance and Standards Committee.

In response to a Member question Officers advised that for the past couple of years the draft annual accounts and governance statement had been issued to the members of the Committee at the same time these were forwarded to the external auditors. This had allowed Members additional time to scrutinise these prior to the Committee's final approval of the documents at the September meeting. A Statement of Accounts briefing was also arranged for members of the Committee a couple of weeks prior to the

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September meeting, which provided Members with the opportunity to discuss any queries. This process would continue and Officers added that the date for submitting the draft accounts to the external auditors might need to move to back slightly to July, the timings of which would be negotiated with the external auditors. The external auditors stated that very few changes were usually required to the draft accounts.

RESOLVED that

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

37. GRANT THORNTON - ANNUAL AUDIT LETTER

Members were presented with the Grant Thornton Annual Audit Letter ('the Letter'). The Letter summarised the key findings and Officer responses to the recommendations arising from the work the external auditors had carried out at the Council for the year ended 31st March 2014.

The external auditors stated that a large amount of the information contained in the Letter had already been seen by Members as it was effectively a shortened version of their Audit Findings report.

Members considered the key issues and recommendations detailed in the Letter and the management responses to these. Officers were currently working on a 3-year Medium Term Financial Plan ('the Plan'), which would be in place from 2015/16. Unidentified savings within the Plan would be reduced from the current levels and a detailed review of the 2013/14 outturn savings was being undertaken with Heads of Service to identify all recurring savings. There would also be a review of job vacancies as part of the budget process.

The external auditors wished to know where savings would be made in future years and expressed the need for early and timely financial reporting. The Quarter 3 forecast had proved to be significantly different to the actual outturn figures, with more savings having been made than expected. Whilst this was positive news the external auditors wanted to see more accurate budget forecasting and monitoring. Officers advised that the financial ledger system was currently being upgraded, and that the new system would include an improved budget monitoring module which would enable managers to better monitor their budgets. Debtor information was also due to be brought into the new system.

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In response to Member comments the external auditors stated that whilst the key issues raised in the Letter had been raised in previous years, there had been improvements in all areas. They added that it was difficult to compare the position with other councils as the upcoming demise of the Audit Commission had meant that there was no separate purview, with focus on performance management in the public sector having diminished.

Regarding future performance management arrangements, Officers advised that the Senior Management Team would shortly be considering the options for the development of a corporate dashboard of measures to address the reporting of measures and delivery of the Council's Strategic Purposes. This work would be developed over the following couple of months and information on this brought to Members.

In relation to the going concern judgement within the accounts, Officers stated that a 3-year sustainable plan would improve the position with this. Whilst it was not uncommon for authorities to have a level of unidentified savings the Plan aimed to show how savings would be made to address this issue. The Council did not have a history of not having a 3-year plan, with this being the only occasion on which this had happened. The finance system upgrade had also impacted on this.

RESOLVED that

the Annual Audit Letter included at Appendix 1 to the report be noted.

38. GRANT THORNTON - CERTIFICATION WORK REPORT 2013/14

Members were presented with the Grant Thornton Certification Work Letter for 2013/14.

The external auditors explained the background to the report and where additional work had been required which had seen some increases in the fees payable. In relation to the amendment to the Housing Benefits Subsidy claim, it was noted that whilst errors had been identified the impact of these on the subsidy claimed was minor in relation to the value of the claim.

It was noted that the Audit Commission had yet to agree that the fees charged by the external auditors for 2013/14 were appropriate.

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RESOLVED that

the Certification Work Letter for 2013/14 be noted.

39. GRANT THORNTON - PROGRESS UPDATE JANUARY 2015

Members received an update report from Grant Thornton on the external auditor's progress in delivering their responsibilities to the Council. The report also included a summary of emerging national issues and challenge questions in respect of those emerging issues.

The external auditors advised that they had not yet started the main work on the 2014/15 audit of accounts. The audit plan for this would be brought to the next meeting of the Committee and initial work on the Value for Money conclusion would start during their interim visit. Work on the 2014/15 final accounts audit was planned for July to September, with the majority this due to be undertaken in August.

The external auditors went on to provide explanations of their national reports. The Audit Commission was due to be abolished on 31st March 2015. Grant Thornton were currently in the second year of their 5-year external auditor contracts, and at the end of the 5 years the Government would need to make a decision regarding subsequent contracts.

The issue of long-term public sector sustainability was discussed. Whilst local government had responded well to the medium-term challenges and first period of austerity in the face of ever increasing funding, demographic and other challenges meant that they would be tested significantly by the second phase of austerity. The external auditors stated that it was important for authorities to think ahead and that there were other councils who were currently in a far worse off position than Redditch Borough Council.

The significant differences in the scale of funding reductions faced by different authorities were noted. The external auditors explained that the authorities most affected were the larger authorities, some of which received 70% grant funding from central government. Other smaller authorities received 70% of their income from Council Tax, meaning there would be significant differences in how government cuts impacted on authorities.

In response to a Member query Officers provided a general breakdown of income received by the authority and were asked to

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circulate the exact figures in this regard, setting out the amounts and main income categories, after the meeting.

The external auditors highlighted the Local Government Audit Committee Member Network event which was taking place on Wednesday 25th February 2015, the theme of which would be Governance Challenges and Priorities for 2015. The session would cover financial integrity, reinforcing audit quality, improving information quality and focusing on assurance, all of which were key roles for an effective Audit Committee and which all members of the Committee were welcome to attend.

In response to a Member request the external auditors agreed to in future include an additional column in their update reports to record any progress and relevant action dates against the five recommendations arising from their work as detailed in the Annual Audit Letter at agenda item 7.

RESOLVED that

- 1) Grant Thornton's update report be noted; and**
- 2) Grant Thornton in future include an additional column in their update reports to record any progress and relevant action dates against the five recommendations arising from their work as detailed in the Annual Audit Letter for the year ended 31st March 2014.**

40. PORTFOLIO HOLDER'S UPDATE - QUARTERLY BUDGET MONITORING

In the Portfolio Holder's absence Officers provided Members with the Quarterly Budget Monitoring update.

The financial position statement for Quarter 2 (April to September 2014) had been presented to the Executive Committee in December and had detailed the projected year end for 2014/15.

When the budget was set there had been over £635k of unidentified savings across the Council. A number of budget reviews had been undertaken over the last 6 months, the aim of which were to ensure that savings were met from within the Council's finances. This had focused on the previous year's savings and in most cases Heads of Service had offered up previous underspends to meet the 2014/15 financial position.

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The projections at September 2014 had showed that £423k of the £635k would be met and Officers had assured the Portfolio Holder that the additional £212k would be achieved by the end of the year. This would be achieved by a vacancy freeze (only recruiting to essential posts) and a freeze on non-essential general spend.

A number of significant savings would be made by the end of the year, which included:

- additional bereavement income;
- effective management of vacant posts;
- receipt of unexpected grant funding;
- reduced external legal support; and
- service reviews in the Benefits and Fraud teams.

Officers were currently working on the Quarter 3 financial position (April to December 2014), details of which would be reported to a future meeting of the Committee.

RESOLVED that

the update be noted.

41. INTERNAL AUDIT - PROGRESS REPORT

The Committee considered a progress report on internal audit work for the residual of 2013/14 and the 2014/15 year to date.

Officers highlighted the Pitcheroak Golf Course audit which had resulted in a Limited assurance level. This had been given a Limited assurance owing to the number of areas which needed to be looked at, however no high priority recommendations had arisen with this. Perfectly adequate management responses had been provided on the audit issues highlighted and reasonable timeframes within which to make the necessary adjustments had been set. Internal Audit would undertake the normal follow-up action in this regard and a report referred back to the Committee updating Members on progress made.

A number of core financial audits were ongoing, the outcomes of which would be reported to the next meeting of the Committee.

Members noted current delivery against the Internal Audit Plan for 2014/15, which was on target as expected. No high priority recommendations had been reported since the last meeting of the Committee, which was satisfying to see.

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RESOLVED that

the report be noted.

42. INTERNAL AUDIT - PROVISIONAL 2015/16 AUDIT PLAN

Members received a report which presented the Redditch Borough Council Provisional Internal Audit Operational Plan for 2015/16 ('the Plan') and the key performance indicators for the Worcestershire Internal Audit Shared Service for the same period.

Officers introduced the report and advised that the final Plan would be presented to the next meeting of the Committee. Members were advised that the Plan was risk-based and Officers were currently working with Heads of Service to identify risk exposures in their areas.

This year's Plan was more flexible and slightly different to the format in previous years. Increased shared and joint working arrangements between Redditch Borough Council and Bromsgrove District Council, and using the 2015/16 financial year as a year of realignment in regard to audit assignments, had ensured that both Councils benefitted from the efficiencies derived as a result of a better coordinated approach to audit delivery.

Members' views were sought on the Plan and suggestions as to where they felt audit resources should be directed. The Plan would be subject to review and change as the year progressed in consultation with the s151 Officer.

The 2015/16 Plan was based on a resource allocation of 400 chargeable days, which represented a reduction of 84 days against the previous year's plan. The Plan allowed for flexibility in adjusting the number of audit days allocated where deemed necessary. The Service Manager of the Worcestershire Internal Audit Shared Service was confident that the resource allocation was sufficient for him to provide management, external audit and those charged with governance with the assurances and coverage that they required over the system of internal control, annual governance and statement of accounts.

The Independent Member queried whether the Key Performance Indicators detailed in Appendix 2 to the report could be expanded in order to provide a more detailed picture of performance, and to reflect whether there had been an improvement in performance, particularly as departmental audits were not repeated on a like-for-like 12-month basis.

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Officers responded that, from an Internal Audit perspective, assurances were given on the work which was being undertaken and Internal Audit could only offer an opinion on that work. From a corporate perspective, departments had individual service measures in place to monitor performance and costs, which they took relevant action on to address any issues of concern. Costs benefits analyses were undertaken by services but it was not possible to compare these against other authorities as services between authorities varied greatly. Customer satisfaction was also monitored via various means but at this stage there was not a full suite of performance measures in place, which as stated by Officers earlier in the meeting the Senior Management Team were currently in the process of developing.

Officers stated that internal audits were intended to look at the bigger picture but agreed that what the Independent Member was suggesting in relation to the possible development of Key Performance Indicators was something which could be subject to a separate piece of work. Officers therefore agreed to take this issue away for discussion with the s151 Officer and to report back on this at the next meeting of the Committee.

RESOLVED that

- 1) the report be noted; and**
- 2) Officers report back at the next meeting on the outcome of discussions with the s151 Officer concerning the possible development of the Key Performance Indicators.**

43. RISK MONITORING AND REPORTING

The Independent Member, who was also one of the Lead Risk Members on the Committee, provided Members with an update in relation to a number of meetings which he had attended with Officers and the Portfolio Holder for Corporate Management to discuss a range of risk management issues.

A number of issues had been considered including:

- the authority's understanding of demand;
- reducing waste;
- the root causes of risk and how these might be eliminated;

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- the Vanguard systems thinking approach and whether this was appropriate to all or whether this could stifle innovation; and
- driving down costs.

Moving forward, the Independent Member stated that he was unsure as to whether he would be involved in the Council's Risk Management Group but that he was more than willing to be a part of this if required.

A Member queried when the Committee would have sight of the Council's Corporate Risk Register. Officers confirmed that this would normally be referred to the Committee on an annual basis and that a half-yearly update would then be provided on this. Officers stated that they would look to take the Corporate Risk Register to the next meeting of the Committee. It was also noted that the Committee had previously received a programme of presentations from all Heads of Service on their key operational risks.

RESOLVED that

- 1) **the update be noted; and**
- 2) **Officers aim to present the Corporate Risk Register to the next meeting of the Committee.**

44. FRAUD MONITORING AND REPORTING

The Lead Fraud Members updated the Committee on separate meetings which they had attended with Officers from the Benefits Services Fraud Investigation Service.

One of the Lead Members asked that it be recorded that the briefing which he had received from Officers had been very relevant, and that he had been impressed by the work carried out by the team.

The other Lead Member commented that whilst there were good fraud detection practices in place he felt there was some unfairness in the system as he believed it placed too much responsibility on claimants.

RESOLVED that

the update be noted.

Audit, Governance and Standards

Committee

Thursday, 22 January 2015

45. BENEFITS INVESTIGATIONS - 1ST JULY 2014 TO 30TH SEPTEMBER 2014

The Committee received a report which advised on the performance of the Benefits Services Fraud Investigation Service for the period from 1st July to 30th September 2014.

Officers highlighted the key elements of the report and responded to Members' questions. Officers stated that they had hoped to be in a position to provide some quarterly and year-on-year comparative data in the report. However, as they had only began reporting this information to the Committee the previous year they would seek to include some comparative data in the next report. Such data would, however, become irrelevant over time in view of the transfer, in February 2016, to the Single Fraud Investigation Service (SFIS).

Officers stated that the Council was now better able to identify where overpayments had been made and that it was still the claimant's responsibility to make contact with the Council in such circumstances. The Council was currently able to deduct any overpayments from a claimant's bank account but the introduction of Universal Credit would see a change with this, which Officers anticipated would likely lead to more write-offs. It was hoped however that such write-offs would take place over a period of time, be staggered and would not involve large amounts of money.

A Member queried what the Council's reserve was for bad debts. Officers were unsure as to the figure in this regard and agreed to come back to Members on this.

Following the introduction of the SFIS the Council would still have responsibility for monitoring Council Tax Support overpayments or potential fraud as this function would not be transferring to the new SFIS. The Council would continue to work with the most vulnerable residents to help them through the new changes and to provide them with any appropriate budgeting and other support.

RESOLVED that

subject to the required Officer follow-up action detailed in the preamble above, the report be noted.

46. DEBT RECOVERY UPDATE - QUARTERS 1 AND 2 2014/15

Members considered a report on the collection and recovery processes of the Council's Income Team and the Council's outstanding debt levels.

Audit, Governance and Standards

Committee

Thursday, 22 January 2015

Officers stated that whilst they had attempted to provide a clear picture in the report of the total level of debt outstanding at the end of each financial year, and of the value of new invoices raised, the way in which the current system reported on this did not make this easy. Hopefully however the new finance system would assist Officers in providing future data.

The Independent Member queried whether it was possible to ascertain the age of a debt. Officers explained that it was currently difficult to do this as it depended on how an invoice had been set up, with there being a wide variety of different debt types. Part of the new finance system included an age of debt module which Officers stated they needed to look into. What was currently known however was that the vast majority of money owed to the Council was paid within the expected terms and that the number of outstanding invoices was low.

RESOLVED that

the report be noted.

The Meeting commenced at 7.00 pm
and closed at 9.05 pm

.....
Chair

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

23rd April 2015

MONITORING OFFICER'S REPORT – STANDARDS REGIME

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder consulted	
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Wards affected	All Wards
Ward Councillor consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Governance and Standards Committee since the last meeting of the Committee on 22nd January 2015.
- 1.2 It is proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated as to any relevant developments. Any further updates arising after publication of this report will be reported orally by the Monitoring Officer (MO) at the meeting.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

the report of the Monitoring Officer, together with any additional updates provided by the Monitoring Officer at the meeting, be noted and commented upon as appropriate.

3. KEY ISSUES**Financial Implications**

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

Legal Implications

- 3.2 The Localism Act became law on 15th November 2011. Chapter 7 of Part 1 of the Localism Act 2011 introduced a new standards regime effective from 1st July 2012. The Act places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****23rd April 2015**

councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and also came into force on 1st July.

Service / Operational Implications**Member Complaints since last meeting of the Committee**

- 3.3 One complaint has been received (against a Borough Councillor) since the last meeting of the Committee. This related to a planning matter and was resolved locally by the Monitoring Officer as there were found to be no grounds for the complaint.

Member Training

- 3.4 Plans for Member induction after the elections have progressed. Dates are planned for training for the Planning and Licensing Committees. This training will be mandatory for those councillors either new to the roles or who have served on the Committees during the last year and who have experience but who have not undertaken the training during 2014/15.
- 3.5 Training will also be offered for councillors on all other committees and proposals for ongoing support will be discussed with the Member Steering Group.
- 3.6 Representatives from Feckenham Parish Council will be invited to training on the Code of Conduct.

Customer / Equalities and Diversity Implications

- 3.7 Any process for managing standards of behaviour for elected and co-opted Councillors must be accessible to the public. It is therefore proposed that an impact assessment will be carried out on the complaints process when established, to ensure accessibility.
- 3.8 In addition, it is proposed that the new arrangements will be publicised on the Council's website and that Officers will work to ensure that members of the public are made aware of the process for making a complaint through all existing community engagement events.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**23rd April 2015

4. RISK MANAGEMENT

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

- Risk of challenge to Council decisions; and
- Risk of complaints about elected Members.

5. APPENDICES

None

6. BACKGROUND PAPERS

Chapter 7 of the Localism Act 2011.
Any relevant complaint papers.

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AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 23RD APRIL 2015 MEETING

Officers:

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

Ref	Action/Issue	Origin	Lead Officer/ Member	Priority/ timescale	Officer Response/Action Status
1	Council's Income Figures	Minute No. 39 of 22.01.15 meeting refers	Sam Morgan	Completed	Information emailed to members of the Committee on 28.01.15.
2	Audit Findings Report 2013/14 – Unfilled vacancies Officers agreed to check if they were able to provide Members with information on the number of unfilled vacancies and how long these had been vacant for.	Minute No.'s 23 of 25.09.14 and 36 of 22.01.15 meetings refer	Sam Morgan	23.04.15 meeting	Officers agreed to provide this information at the 23.04.15 meeting, or sooner if all of the required information was available for circulation (agreed at 22.01.15 meeting).
3	Council's reserve for bad debts Officers to check and confirm what the Council's level of reserve was for bad debts.	Minute No. 45 of 22.01.15 meeting refers	Amanda de Warr	23.04.15 meeting	Officers to confirm figure in this regard.
4	Development of Key Performance Indicators Officers to report back to the Committee on the outcome of discussions with the s151 Officer regarding the possible development of Key Performance Indicators.	Minute No. 42 of 22.01.15 meeting refers	Andy Bromage & Jayne Pickering	23.04.15 meeting	Officers will update Members orally on any discussions in this regard as part of the final Internal Audit 2015/16 Audit Plan which appears as a separate item later in the agenda for the April 2015 meeting.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 23RD APRIL 2015 MEETING

5	Corporate dashboard of measures Officers to report on progress regarding development of corporate dashboard of measures for the reporting of measures and delivery of the Council's Strategic Purposes.	Minute No. 37 of 22.01.15 meeting refers	Jayne Pickering	02.07.15 meeting	Officers to provide oral update at July 2015 meeting on any developments in this regard.
6	Meeting start times In view of the large volume of business for consideration at meetings Officers were asked to explore with all members of the Committee and the political Group Leaders the possibility of meetings commencing earlier in the evening to ensure there was sufficient time for all required business to be conducted.	Minute No.'s 21 of 25.09.14 and 36 of 22.01.15 meetings refer	Debbie Parker-Jones	30.09.15 meeting (unless earlier attention required)	Meeting start times to be re-visited once future meeting finish times have been monitored and it has been established whether there is any need for start time changes (agreed at 22.01.15 meeting). The Committee's Work Programme is also being reviewed in the meantime to ascertain whether any of the listed reports are no longer required.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**21st April 2015

WORK PROGRAMME

(Note: The Audit, Governance and Standards Committee's Terms of Reference, as agreed by the Council on 9th June 2014, are attached for Members' information.)

2nd July 2015

- **Monitoring Officer's Report – Standards Regime**
- **Parish Council Representative's Report – Standards Regime**
- **General Dispensations – Standards Regime**
- **Committee Action List & Work Programme**
- **Independent Member Attendance and Performance Report** (one-off report to July 2015 meeting only)
- **General Risk Monitoring** (including any oral updates from the Committee's Lead Risk Members)
- **Annual Governance Statement 2014/15**
- **Corporate Risk Register – Annual Update**
- **General Fraud Monitoring** (including any oral updates from the Committee's Lead Fraud Members)
- **Benefits Investigations**
- **Debt Recovery Update Report** (for Quarters 3 and 4 – October to March)
- **External Audit – Progress Report including oral update on Value for Money Conclusion**
- **External Audit – Audit Fee Letter 2015/16**
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Progress Report**
- **Internal Audit – Annual Report 2014/15** (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 these are issued to the External Auditors. A briefing on the Statement of Accounts will also take place for all members of the Committee in early/mid-September 2015, prior to the Committee's formal consideration of the Statement at its end of September meeting.]

30th September 2015

- **Monitoring Officer's Report – Standards Regime**
- **Parish Council Representative's Report – Standards Regime**
- **Committee Action List & Work Programme**
- **General Risk Monitoring** (including any oral updates from the Committee's Lead Risk Members)
- **General Fraud Monitoring** (including any oral updates from the Committee's Lead Fraud Members)

**AUDIT, GOVERNANCE AND
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- **Benefits Investigations**
- **Audited Statement of Accounts 2014/15 (including final Annual Governance Statement)**
- **External Audit – Progress Report**
- **External Audit – Audit Findings Report 2014/15**
- **Portfolio Holder Update – Quarterly Budget Monitoring (oral update)**
- **Internal Audit – Monitoring Report**

28th January 2016

- **Monitoring Officer's Report – Standards Regime**
- **Parish Council Representative's Report – Standards Regime**
- **Committee Action List & Work Programme**
- **General Risk Monitoring** (including any oral updates from the Committee's Lead Risk Members)
- **Corporate Risk Register – 6-month Update**
- **General Fraud Monitoring** (including any oral updates from the Committee's Lead Fraud Members)
- **Benefits Investigations**
- **Debt Recovery Update Report** (for Quarters 1 and 2 – April to September)
- **Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2016/17**
- **External Audit – Progress Report**
- **External Audit – Annual Audit Letter**
- **External Audit – Grant Claims Certification Work Report**
- **Portfolio Holder Update – Quarterly Budget Monitoring (oral update)**
- **Internal Audit – Progress Report**
- **Internal Audit – Annual Audit Plan 2016/17 (Draft)**

21st April 2016

- **Monitoring Officer's Report – Standards Regime**
- **Parish Council Representative's Report – Standards Regime**
- **Committee Action List & Work Programme**
- **General Risk Monitoring** (including any oral updates from the Committee's Lead Risk Members)
- **General Fraud Monitoring** (including any oral updates from the Committee's Lead Fraud Members)
- **Benefits Investigations**
- **Accounting Standards (Statement of Accounting Policies)**
- **External Audit – Auditing Standards 2015/16 (Communication with the Audit and Governance Committee and Executive)**
- **External Audit – Progress Report**
- **External Audit – Audit Plan 2015/16**
- **External Audit – Audit Fee Letter 2016/17**

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**21st April 2015

- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Progress Report**
- **Internal Audit – Annual Audit Plan 2016/17 (Final)**
- **Annual Review of the Operation of the Audit, Governance and Standards Committee (Chair’s Oral Report) & Annual Review of the Committee’s Procedure Rules** (Minute No. 4 (Audit and Governance Committee – Procedure Rules) of 28th June 2012 meeting refers)
- **Calendar of Meetings 2016/17**

Meeting date to be determined

- **Review of the operation of the Protocol on Member-Officer relations (following consideration by the Constitution Review Working Party).**
- **Review of the operation of the Protocol on Member-Member relations (following consideration by the Constitution Review Working Party).**

January or April 2018

- **Review of Independent Member Appointment (prior to expiry of current 4-year term of office in July 2018)** Minute No. 22 of 25th September 2014 meeting refers.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE 23rd April 2015

GRANT THORNTON : AUDITING STANDARDS - COMMUNICATION WITH THE AUDIT & GOVERNANCE COMMITTEE AND EXECUTIVE

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

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Auditing Standards – Communication with the Audit & Governance Committee and Executive report for 2014/15 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 Executive, supported by the Council's management, and the Audit, Governance and Standards Committee meets its responsibilities in the following areas:
- Fraud
 - Law and regulation

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE 23rd April 2015

- Going concern
- Related parties
- Accounting for estimates

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 – Communication with the Audit & Governance Committee and Executive report for 2014/15

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

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

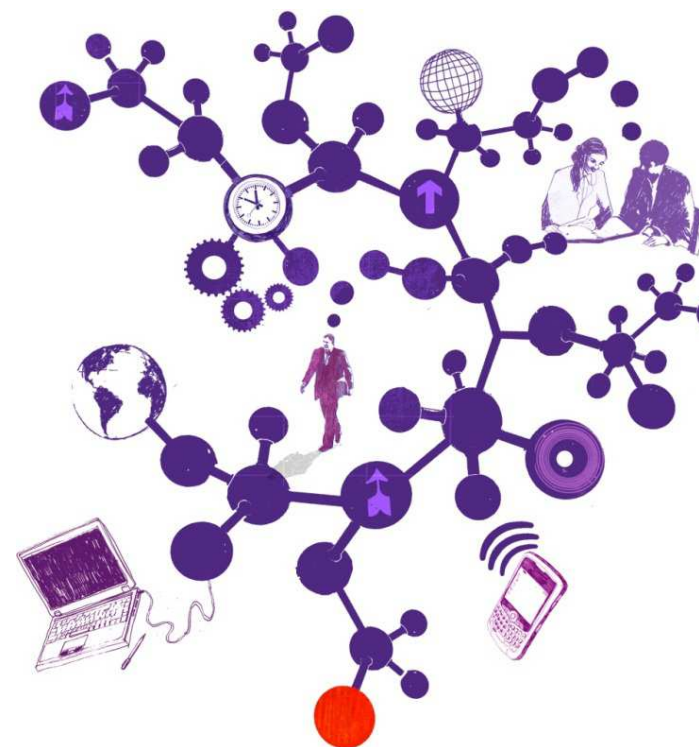
Redditch Borough Council

Audit year 2014/2015

Last updated 13 April 2015

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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, Governance and Standards 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, Governance and Standards 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, Governance and Standards 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, Governance and Standards Committee, officers and external audit in each of these area, as set out be 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, Governance and Standards 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, Governance and Standards 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, Governance and Standards 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, Governance and Standards Committee.
- How officers communicates its views on ethical behaviour to the Audit, Governance and Standards Committee.
- How the Audit, Governance and Standards Committee exercises oversight of officers' fraud risk assessment and response processes and the internal controls to mitigate these risks.
- What knowledge the Audit, Governance and Standards 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?	<p>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.</p> <p>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.</p> <p>The Council is currently reviewing and updating its risk management processes and procedures.</p> <p>Management considers there is a low risk of material misstatement in the financial statements due to fraud.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>2 Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2014? If so how does the Audit, Governance and Standards Committee respond to these?</p>	<p>There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> ▪ Council Tax ▪ Benefit Fraud ▪ Single person discount <p>However, there is a dedicated benefits investigation team which investigates any fraud and have undertaken a number of successful reviews and prosecutions during 2014/15</p> <p>The Audit, Governance and Standards Committee receives any adhoc fraud reports.</p> <p>There are no material instances of fraud that have been identified during the year.</p> <p>The Audit, Governance and Standards Committee would consider the fraud and the actions put forward by officers to ensure fraud is mitigated in the future.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>3 Do you suspect fraud may be occurring, either within the Council or within specific departments ?</p> <ul style="list-style-type: none"> ▪ 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? 	<p>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.</p> <p>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.</p>
<p>4 Are you satisfied that the overall control environment, including:</p> <ul style="list-style-type: none"> ▪ The process for reviewing the system of internal control; ▪ Internal controls, including segregation of duties; <p>exist and work effectively?</p> <p>If not where are the risk areas? What other controls are in place to help prevent, deter or detect fraud?</p> <p>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?)</p>	<p>Yes – Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud.</p> <p>Sound systems of internal control with roles and responsibilities are defined in various places such as constitution.</p> <p>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.</p> <p>The regular monitoring of budgets and the allocation of financial professional support to budget holders provides control and mitigation against such overrides.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>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?</p> <ul style="list-style-type: none"> What concerns are staff expected to report about fraud? 	<p>There is a Fraud Strategy and Whistleblowing procedure in place which explain the procedures to follow. The Fraud Strategy will be updated during 2015/16.</p> <p>Employees are aware of the anti-fraud of the anti-fraud and corruption strategy, details are available on the website.</p> <p>There will be further updates during 2015/16 to encourage staff to report any concerns that they may have.</p>
<p>6 From a fraud and corruption perspective, what are considered to be high-risk posts:</p> <ul style="list-style-type: none"> How are the risks relating to these posts identified, assessed and managed? 	<p>There are not any significantly high-risk posts identified.</p>
<p>7 Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>2014/15 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.</p>
<p>8 What arrangements are in place to report fraud issues to the Audit Governance and Standards Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>Internal Audit provide the Audit, Governance and Standards 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, Governance and Standards committee.</p> <p>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.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
9 Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2014? If so, how does the Audit and Ethics Committees 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 and Standards 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
<p>1 How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The Monitoring Officer will advise the Council's Management team and Councillors as appropriate.</p> <p>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.</p>
2 How is the Audit Governance and Standards 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 2014 with any on-going impact on the 2014/15 financial statements	No
4 Is there any actual or potential litigation or claims that would affect the 2014/15 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 to support a positive going concern assessment, as is also reported in the Medium Term Financial Strategy. A separate report on Going Concern will be presented to Members as part of the final accounts approval.
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 by the Council as part of the Medium Term Financial Plan. The financial plan considerations in setting the medium term budget are consistent with the issues reported to Council throughout the Financial Year. Reports in year are consistent with the budget set. A Council Plan is currently being developed together with a performance framework.
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 grants. 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 2014 in addition to the Business rates retention scheme.
4 Have there been any significant issues raised with the Audit Governance and Standards 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)	Last year a report on financial resilience was presented to the Committee that had flagged up a number of concerns around the future financial capacity of the Council. This had also been considered by Executive. As a result of subsequent work done on this issue the Council now has a sustainable Medium Term Financial Plan/Strategy and has produced financially viable budgets for 2015/16 and 2016/17, 2017/18.
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 and the successful production of a viable Medium Term Financial Plan for 2015/16, and 2016/17. 2017/18.
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 Governance and Standards 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 Executive and to the Council. In addition it is proposed that the savings plans are monitored on a regular basis at the Audit Governance and Standards Committee during 2015/16. In addition a separate report will be presented to members as part of the final accounts process.

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, the Council utilise the services of an independent qualified valuation officer to support any judgements or valuations made.
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?	<p>The Council discloses its related parties under the following headings:</p> <ol style="list-style-type: none"> 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 – LGPS , this party is subject to common control by Central Government and is administered by Worcestershire County Council. 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
<p>2 What are the controls in place to identify, account for, and disclose, related party transactions and relationship?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> ▪ 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	<p>The length of the life is determined at the point of acquisition or revaluation according to:</p> <ul style="list-style-type: none"> ▪ 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE 23rd APRIL 2015

GRANT THORNTON AUDIT PLAN 2014/15

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 2014/15. 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 2014/15 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 £91k.

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 2014/15 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 2014/15 and 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 & STANDARDS COMMITTEE 23rd APRIL 2015

- 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 2014/15

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
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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.

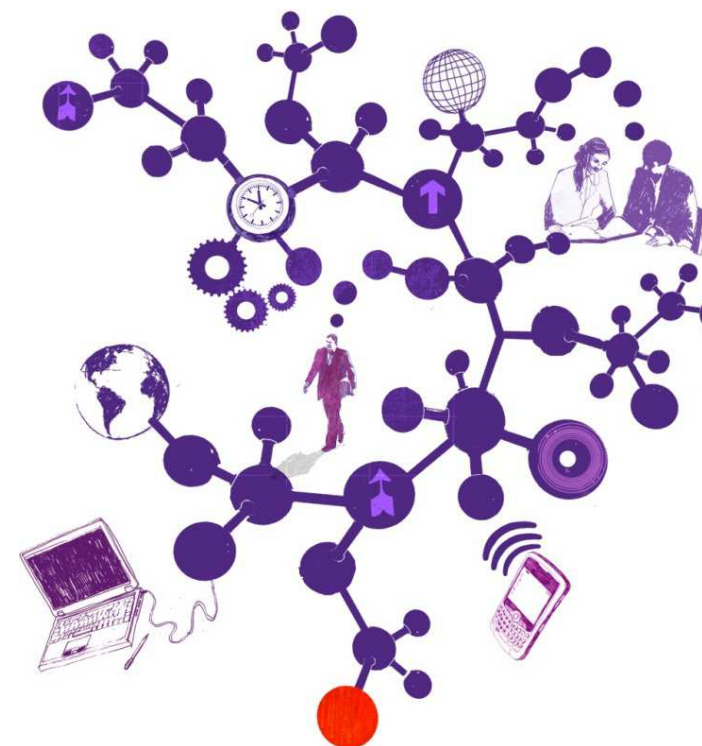
Year ended 31 March 2015

23 APR 2015

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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. Value for Money
9. Results of interim work
10. Key dates
11. Fees and independence
12. Communication of audit matters with those charged with governance

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.

Challenges/opportunities

1. Alternative delivery Models.

- the Council already has a number of partnership arrangements with other Council- including sharing management team and some services with its neighbouring council.
- The Council is considering a Joint property vehicle with partners and exploring the possibility of a leisure Trust to provide some of its existing services.

2. Procurement and Commissioning

- Delivering efficiency savings through service reviews and improved procurement

LG Reorganisation

- Regional devolution plans
- Combined Authorities
- Confederations

4. LG Finance Settlement

- The local government spending settlement showed local authorities are facing a cash reduction in their spending power of 6% in 2015-16.
- For Redditch, the settlement has resulted in a 5% reduction in spending power and the budget setting report highlights a reduction in grant of £652k

Our response

- As part of our VFM conclusion, we will consider the savings plans associated with the above projects as part of our assessment of the MTFP.
- We will discuss with you developments as the Council continues to review services. We will provide a view on any proposals as requested. .

- We will review the progress you have made in delivering your efficiency savings in this area as part of our review of your arrangements for financial resilience.

- We will discuss with you how these regional developments are likely to impact on Redditch Borough Council's forward plans.

- Redditch Borough Council's general fund balances are adequate, and above the level prescribed as minimum by the S151 Officer. The MTFP does not place reliance on these balances although there is some use of earmarked reserves planned for 2015/16.
- We will review your MTFP and financial strategy as part of our work on your arrangements for financial resilience.

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
- The Council are upgrading their ledger system and including a new debtors system.

2. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

3. Financial Pressures

- The VFM conclusion was qualified in the prior year due to the absence of a medium term financial plan.
- Managing service provision with less resource.
- Progress against savings plans.

4. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes the Housing Benefit grant claim on which audit certification is required

Our response

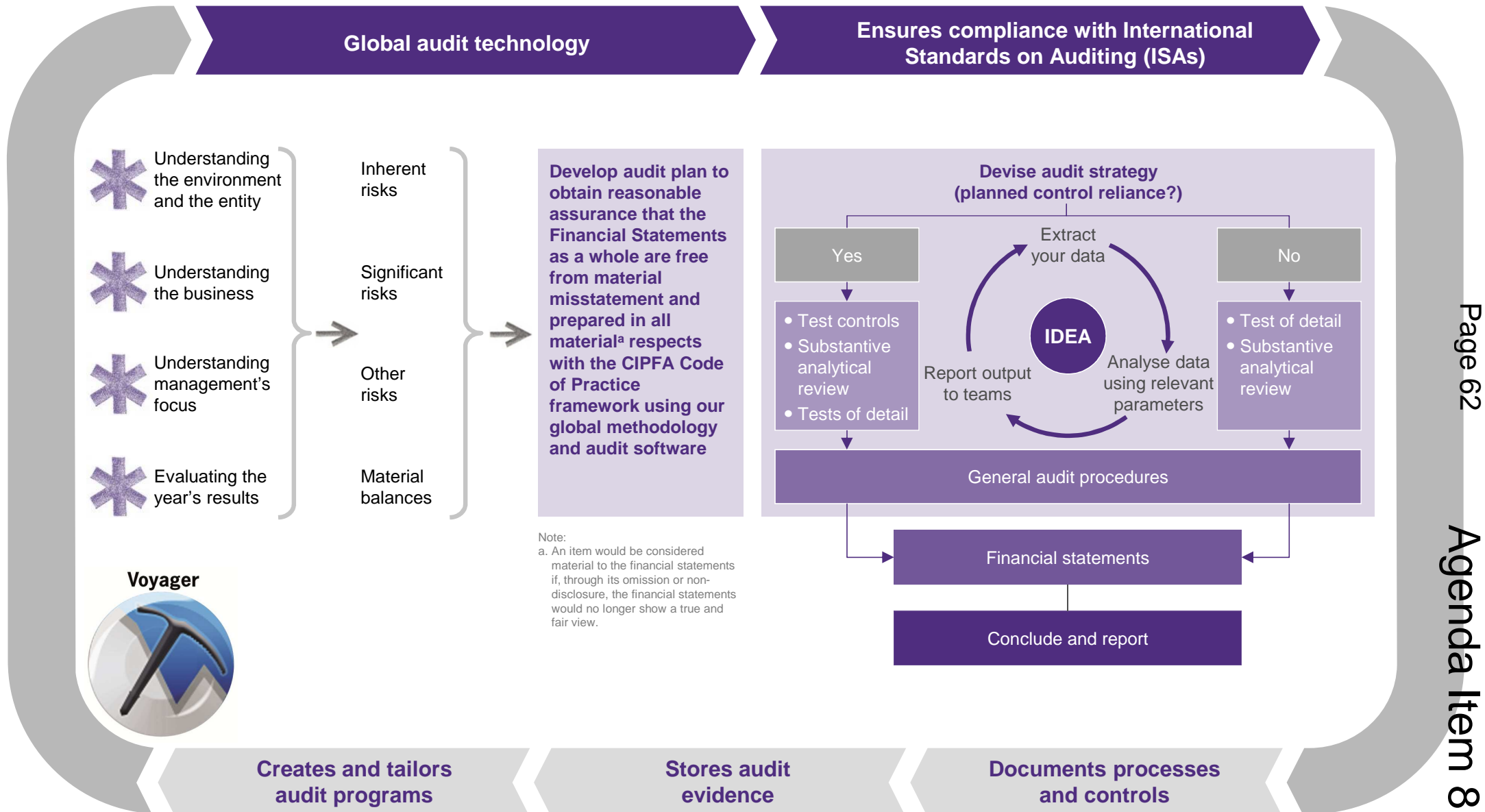
We will ensure that the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing

- 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 the Council's performance against the 2014/15 budget, including consideration of performance against savings plans
- We will undertake a review of Financial Resilience as part of our VfM conclusion
- we will follow up the matters raised in the prior year Audit Findings Report and Annual Audit Letter

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

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	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Redditch Borough Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Redditch Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management <p>Further work planned:</p> <ul style="list-style-type: none">• Further review of accounting estimates, judgments and decisions made by management• Testing of journal entries• 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 risks	Description	Audit Approach
Operating expenses	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period. (Operating expenses understated)	Work completed to date: <ul style="list-style-type: none">We have conducted a walkthrough of the key controls for this system Further work planned: <ul style="list-style-type: none">We will search for unrecorded liabilities by reviewing payments after the year endWe will review the Council's accruals process and test according (including goods receipted)
Employee remuneration	Employee remuneration and benefit obligations expenses understated. (Remuneration expenses not correct) In addition to this expected risk, we are aware that there is a gap in the payroll manager role for a period of 3 months. This provides an audit risk and we will undertake additional procedures to test completeness.	Work completed to date: <ul style="list-style-type: none">We have conducted a walkthrough of the key controls for this systemWe have tested a sample of employees remuneration covering the period to January 2015 to ensure they have been correctly calculated and accounted for.We have completed a trend analysis on employees remuneration covering the period to January 2015 to identify any areas of further investigation. Further work planned: <ul style="list-style-type: none">We will undertake a reconciliation of the payroll system to the general ledger, including proof in total of the monthly payroll to the general ledger.We will complete our trend analysis and testing of individual employees for the 2014/2015 year Additional work <ul style="list-style-type: none">Review of Payroll reconciliation approval arrangements for the period when the payroll manager is not in postReview of exception reports and review of the follow up of any exceptions identified

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

In 2013/14 we qualified the VFM conclusion due to the absence of a medium term financial plan (MTFP). In 2015/16 the Council has prepared a MTFP . We will consider the basis of this plan, in particular the recurring savings outlined in the plan, as these are key to the financial resilience of the council.

We have undertaken an initial risk assessment and have identified the following areas for further review:

- 1) Reliability of assumptions in the MTFP: -we will consider the basis of the savings in the 2015/16 financial plans and the progress being made on delivery
- 2) Reliability and timeliness of in year financial reporting - we will consider out-turn against Q3 and the adequacy of reporting of savings achieved on out-turn
- 3) Liquidity - we will consider the level of balances and the reliance being placed on earmarked reserves
- 4) Links between MTFP and strategic priorities - we will consider progress council is making on defining what success looks like, how they are measuring it and how this relates to the decisions made in the MTFP
- 5) risk management - how the council is managing risks - at a corporate level but particularly the 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.

Results of interim audit work

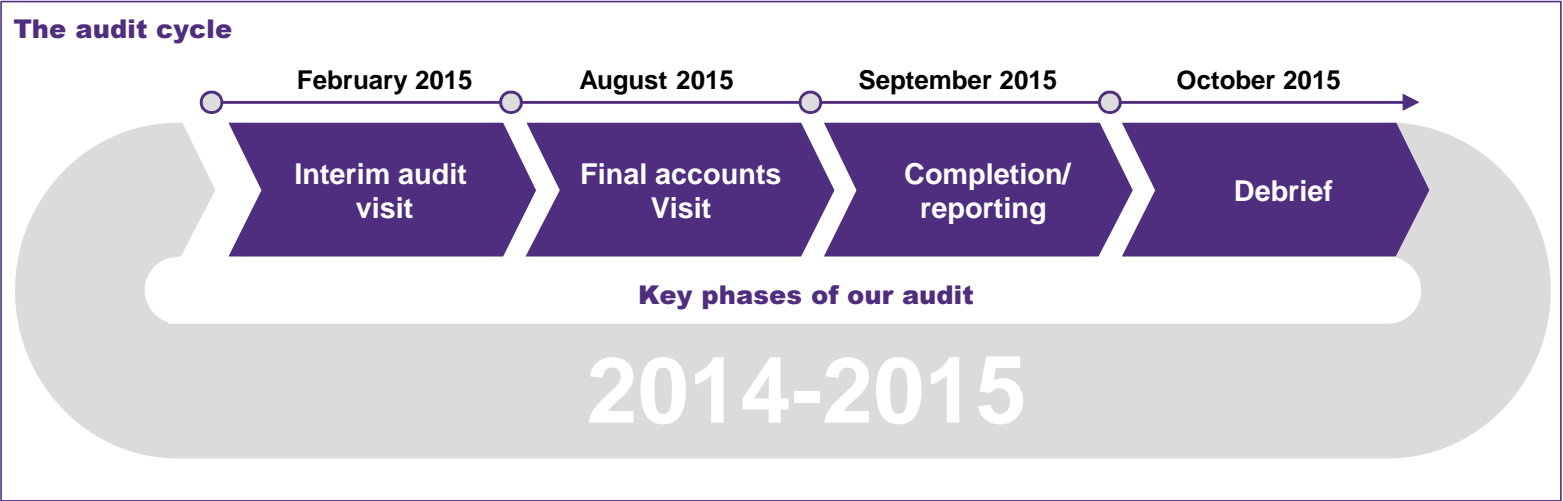
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	We have undertaken a high level review of internal audit's overall arrangements..	Our work to date has not identified any issues that we wish to bring to your attention. We will review internal audit's work on the Council's key financial systems and consider the impact of their findings on our planned approach.
Walkthrough testing	We have completed most of our walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. At the time of our interim visit in February – bank reconciliations had not been completed beyond month 7. New systems issues have meant that officers are behind on these but expect that up to February will be completed by our visit in April. Our work has not identified any other issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.	We understand the reasons for the delay in completing the bank reconciliation, however this is a key control and we would expect bank reconciliations to be completed monthly. .
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none">• Communication and enforcement of integrity and ethical values• Commitment to competence• Participation by those charged with governance• Management's philosophy and operating style• Organisational structure• Assignment of authority and responsibility• Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements. We have noted that several of the council's policies and procedures are in need of review and this includes financial regulation and the fraud and corruption policy. This matter was raised last year. Similarly last year we highlighted that the corporate risk register was not being used effectively. The most up to date register provided at our interim audit was March 14, suggesting that it is still not being used as a relevant management tool .

Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	<p>Our information systems specialist has 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.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>We have identified some more minor control weaknesses and they have recently been shared with your IT manager. We did note that several of the matters raised last year have not yet been addressed.</p>
Journal entry controls	<p>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.</p> <p>The system does allow senior officers to post journals, which is a matter we raised last year, although we did not identify any matters arising out of this in our testing. Our testing approach this year will involve using computer assisted techniques to identify any such journals and we will test any identified.</p>	<p>We will complete our detailed journal testing as part of the final accounts visit as we judge this to be the most efficient approach</p>
Early substantive testing	<p>We have had discussion with your officers around current issues this year, including around the valuation of your investment assets. We have also discussed the progress the council has made on the upgrade of the financial ledger and the new income module.</p> <p>We have undertaken some early testing on payroll which we will complete at our second interim and final visit.</p>	<p>We are planning to undertake some further substantive testing at our second interim visit of payroll and property. No matters of concern have arisen from our work to date.</p>

Key dates



Date	Activity
January 2015	Planning
February 2015	Interim site visit
April 2015	Presentation of audit plan to Audit Committee
August 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Executive Director of Finance & Corporate Resources
September 2015	Report audit findings to those charged with governance
September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	77,280
Grant certification	13,720
Total fees (excluding VAT)	91,000

Fees for other services

Service	Fees £
None	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

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.

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

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.

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 & STANDARDS COMMITTEE 23TH APRIL 2015

GRANT THORNTON PROGRESS UPDATE – March 2015

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 from Grant Thornton.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note the Progress Report.**

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 from Grant Thornton details their progress in delivering their responsibilities as external auditors. The report outlines that as at March 2015 the 2014/2015 Accounts Audit Plan would be completed in line with the agreed timetable. With regards to the interim accounts audit, a number of visits have already been undertaken to review work progressing. The initial risk assessment has been completed by Grant Thornton with a further review completed after year end.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE 23TH APRIL 2015

3.4 In addition to the update on the account progress for the Council the report includes a summary of emerging national issues and developments that may be relevant and a number of challenge questions in respect of these emerging issues which Members may wish to consider. These include:

- Independent Commission into Local Government Finance
- Help into Work and DCLG Build to rent scheme
- Local Government Governance Review
- Stronger futures : development of the LGPS
- Accounting changes re Business Rate Appeals
- Earlier Closure of the Accounts

3.5 There are no issues that are not being addressed by officers to ensure the Council meets its statutory financial obligations.

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 – March 2015 Grant Thornton Report

6. BACKGROUND PAPERS**7. KEY****AUTHOR OF REPORT**

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Audit Committee Update

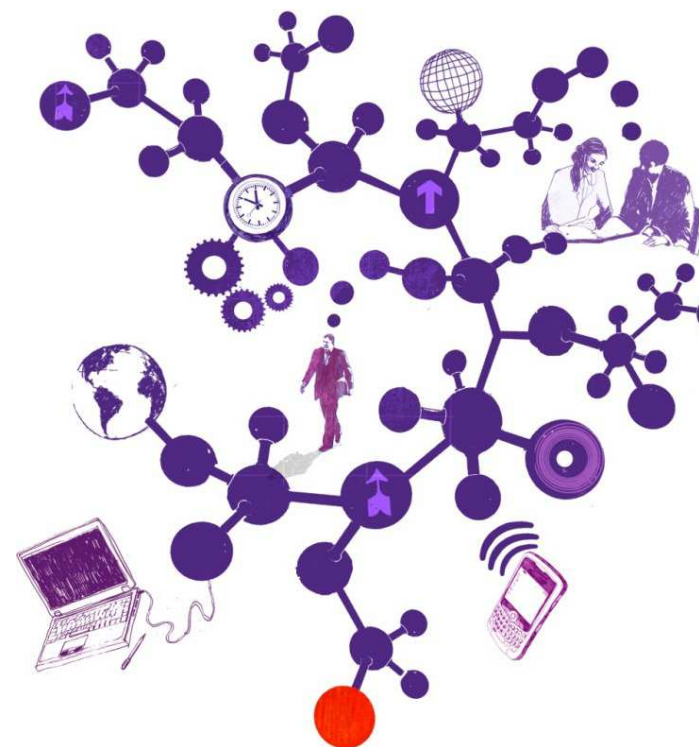
Year ended 31 March 2015

March 2015

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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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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.

Progress at 31 March 2015

Work	Planned date	Complete?	Comments
2014-15 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 2014-15 financial statements.	April 2015	Y	To the April Audit and Governance Committee
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • 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. 	February 2015	N	We undertook our first interim visit in February and our findings are reflected in the audit plan. We are having a short second interim visit in April, partly to reflect the fact that there has been a ledger upgrade and a new income module but also to bring forward substantive testing – to reduce the pressure at the final accounts.
2014-15 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	August / September 2015	N	Members of your finance team attended the CIPFA FAN final accounts training at our offices in February. We also meet with your officers regularly to discuss current and emerging issues.

Progress at 31 March 2015

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion comprises: <ul style="list-style-type: none">• The organisation has proper arrangements in place for securing financial resilience• The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	30 September 2015	N	We have completed our initial risk assessment and this is reflected in the Audit Plan. We will undertake our detailed risk assessment after the outturn is known. We will also review the assumptions around savings, and progress on delivery over the summer. We will follow up the recommendations in the 2013/14 Audit Findings Report.
Other activity undertaken <ul style="list-style-type: none">• We have met with your Executive Director (Finance and Resources) and Chief Executive to discuss current issues.• We have provided updates on technical issues and other guidance judged to be appropriate• We have met with your benefits team to discuss matters arising from last year and plans for this years subsidy claim.	n/a	n/a	

All Aboard? - Local Government Governance Review 2015

Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long -term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

Governance of the organisation – the main area of concern highlighted in this year's governance survey
Is the level of dissatisfaction with the scrutiny process.

Governance in working with others – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

Governance of stakeholder relations – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are a transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Independent Commission into Local Government Finance

Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

Help into work programmes

Local government issues

In its press release of 12 January 2015 the LGA reported that more than one million unemployed people are falling through cracks in national work schemes that are failing to reach some of the most vulnerable jobseekers. It warned that whilst councils are being left to pick up the pieces to prevent more vulnerable people slipping further into long-term unemployment and disengagement they cannot afford to continue resolving the failings of these national schemes in their communities without the appropriate funding.

As a remedy the LGA calls on the next government to commit to devolving all nationally-run education, skills and employment schemes to local areas so councils can join-up services to support their most vulnerable residents. A report published by the National Institute of Economic and Social Research (NIESR), commissioned by the LGA, explores in detail how a sample of councils across the country have provided a safety net for their most vulnerable and hardest to reach residents. The NIESR report's lead author, Dr Heather Rolfe, said:

"Local authorities have a unique position in their communities, are able to bring services together, forging partnerships and strengthening referral networks. It is through such work that they are able to help unemployed people who are beyond the reach of national programmes."

DCLG – Build to rent scheme

Local government issues

Housing Minister Lewis Brandon announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion [Build to Rent scheme](#), which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".

As part of its strategy of creating a bigger and better private rented sector the government has also

- published a [How to rent](#) guide, so tenants and landlords know their rights and what to expect when renting privately
- published a [model tenancy agreement](#), so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint

Provision for Business Rates Appeals

Accounting and audit issues

Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

Earlier closure and audit of accounts

Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.



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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

23rd April 2015

**BENEFITS INVESTIGATIONS AND HOUSING BENEFITS
OVERPAYMENTS - 1 October 2014 – 31 December 2014**

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	√
Relevant Head of Service	Amanda de Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	
Non-Key Decision	

1. SUMMARY OF PROPOSALS

This report gives performance information in relation to Benefits Fraud Investigation and Housing Benefits Overpayment for the 3rd quarter of 2014/15

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that subject to any comments, the report be noted.

3. KEY ISSUES**Financial Implications**

- 3.1 Direct expenditure for the year from 1st April 2013 to 31st March 2014 in relation to Housing Benefit and Council Tax Support amounted to just under £20m.
- 3.2 Successful investigation of fraud can impact upon other areas of benefit administration, particularly in identifying overpayments. £58,351.89 in Housing Benefit and £10,111.07 in Council Tax Benefit/Reduction were identified on the files closed during the period of this report.

Legal Implications

- 3.3 There are no specific legal implications.

Service/Operational Implications

- 3.4 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support in the local area. A shared dedicated counter fraud team is in place and their purpose is to prevent and deter fraud in

**AUDIT, GOVERNANCE AND
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addition to investigating any suspicions of fraudulent activity against the Authority. All members of the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role

- 3.5 As at 31 December 2014 there were 5,998 live Housing Benefit claims and 7,047 Council Tax Reduction claims in payment. Just under half of the caseload is made up of customers of working age which results in a large number of changes on claims where people are moving into or out of work, changes in wages and claiming out of work benefits.
- 3.6 Housing Benefit and Council Tax Support being means tested benefits can tempt some customers to act fraudulently by under declaring income and savings, or not reporting a partner who is working or may have other income in order to gain financially. There is also a risk of error in the system.
- 3.7 During the period covered by this report covers 172 fraud referrals were received by the team.
- 3.8 85 (49.4%) of these fraud referrals were received as a result of data-matching.
- 3.9 59 of those came through the Housing Benefit Matching Service (HBMS). This is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP) which matches our live benefit caseload on a monthly basis against DWP records relating to nationally paid benefits and private pensions, HMRC records relating to Tax Credits, work or savings as well as Post Office post redirection records
- 3.10 The DWP also began matching Housing Benefit data against the real time information (RTI) that employers and pension providers are now required to submit to HM Revenue and Customs (HMRC). DWP notify the Authority of cases where the claims could be in payment incorrectly during this period. This new data match resulted in the further 26 data-matching fraud referrals being received.
- 3.11 Although the results demonstrate that data matching continues to be an excellent tool in detecting fraud but some of the data that ours has been matched against will have changed and the matches cannot be taken to be as correct without further investigation.
- 3.12 45 (26.2%) of the fraud referrals received during the period were from official sources. Of these

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
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- 6 were received from the Department for Work and Pensions (DWP)
- 34 from within Redditch Borough Council (RBC), mainly within the Benefit Team
- 4 from staff within RBC Housing Department
- 1 from another landlord/housing provider.

- 3.13 42 (24.4%) of the referrals came from members of the public.
- 3.14 35 of those referrals were made by anonymous telephone call, 2 by email and 5 by anonymous letter.
- 3.15 This information demonstrates that most members of the public prefer to raise their suspicions of fraud anonymously and an on-line reporting form is now available on Benefits pages within the RBC website to further encourage this.
- 3.16 Referrals from members of the public continue to increase following reports of successful prosecution cases in the local press giving details of the case and how to report suspicions of benefits fraud. Fear of having their names printed in the paper seems to be the biggest concern of customers who are being interviewed under caution for benefit fraud offences. This practice is therefore thought to deter others from offending.
- 3.17 Where benefits are in payment by both RBC and the DWP, a joint approach is taken on fraud referrals which if proven would have an effect on both in order to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This maximises staffing resources and also prevents the possibility of duplicate investigation work.
- 3.18 43 investigations were closed as follows during this period and fraud or error was established in all of these cases. Case examples are included in Appendix 1.
- 4 customers were prosecuted. The offences in 2 of these cases related to undeclared partners, 1 case to an undeclared private pension and the other to undeclared capital.
 - A caution was accepted by 1 customer, for undeclared work.
 - No administrative penalties were offered during the period. Consideration is always given to the customer's full circumstances, including their realistic ability to pay a financial penalty when deciding on the appropriate sanction in each case.

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- 32 cases were closed as fraud/error proven following an identified change to benefit entitlement and/or an overpayment established.
 - A further 6 cases were closed as fraud/error proven but with no change to benefit or overpayment. Cases in this category include those where payment of an incorrect claim has been prevented.
- 3.19 When an overpayment has been identified but a full investigation is not considered appropriate, customers are sent a letter reminding them of their duty to report changes in circumstances in order to prevent further overpayments, likelihood of a full investigation and possible sanction on their claim in the future.
- 3.20 The numbers of referrals and sources of those referrals received since April 2011 are set out in Appendix 2.
- 3.21 The continuing trend shows a reduction in referrals from the data-matching source. This is largely due to the automation of changes in DWP benefits and Tax Credits which has reduced the amount of fraud and error entering the system. The quality generally of the RTI referrals is far more reliable than that of HBMS referrals and will therefore result in a higher percentage of positive outcomes.
- 3.22 Quite a high number of referrals that are received will not be investigated for a variety of reasons. Duplicate referrals are often received, sometimes there is no benefit in payment or the information in the allegation is already correctly declared alleged or would have no effect on the claim.
- 3.23 Cases where the allegation will have no effect on the HB/CTS claim but could have an impact on DWP benefits or Tax Credits are referred to the appropriate organisation to investigate.
- 3.24 In some cases the initial referral and background enquiries will not provide sufficient intelligence for there to be a reasonable likelihood of proving fraud. Although a full investigation will not be carried out, in most cases the customer will be interviewed informally to review the claim and discuss the allegation appropriately.
- 3.25 Some of the investigations that are carried out will not establish fraud. Our aim is to keep this number to a minimum which ensures that resources are concentrated on cases likely to result in a positive outcome. There were no cases in this category for this period.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
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- 3.26 Investigations often have implications on other areas of the Council's services, such as Council tenancies. In these cases the Investigation Officer works closely with appropriate Officers in order for all aspects to be covered. If the investigation identifies a potential impact for an external service area, the information will also be shared appropriately.
- 3.27 The shared Investigation Team across both Bromsgrove District and Redditch Borough is working effectively and will continue until February 2016 when the Housing Benefit investigation function transfers to the Single Fraud Investigation Service (SFIS).
- 3.28 The team will continue to investigate claims for Council Tax Support and record the outcomes in order for a decision to be made on the future of this and any further non Housing Benefit fraud investigation functions which will not transferring to SFIS.
- 3.29 During the period of this report the Government introduced a Fraud and Error Reduction Incentive Scheme. This scheme incentivises local authorities to proactively identify claims where there have been unreported changes in circumstances, meaning that too much benefit has been in payment.
- 3.30 A successful bid was made for start-up funding to enable mail shots and leaflets to be issued giving customers further information about their responsibilities to report changes in circumstances as they take place. This funding will also enable additional reviews to be carried out on claims where changes are likely to have taken place but haven't been reported.
- 3.31 A further fund has also been made available and bids have been submitted with a view to enhancing existing software to enable undeclared changes to be identified and targeted more accurately, for new claims against National Fraud Initiative data to identify discrepancies before payment and to develop external data-matching to enable the currently 'hard to identify' frauds, mainly relating to residency and undeclared partners.

Customer / Equalities and Diversity Implications

- 3.32 A robust mechanism for pursuing Housing Benefit and Council Tax Support Fraud is important to customers who expect to see action taken to reduce fraud and overpayment of benefits.

4. RISK MANAGEMENT

Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and additional costs

**AUDIT, GOVERNANCE AND
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incurred. In addition, without effective counter fraud activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

5. APPENDICES

Appendix 1 – Example cases

Appendix 2 - Number of Referrals by source

6. BACKGROUND PAPERS

None

AUTHOR OF REPORT

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EXAMPLE CASES

Case 1

A 44 year old woman accepted a caution after admitting offences of failing to declare that she had been working as a driver between October 2012 and June 2014.

The offences were indicated through a HBMS data-match and investigation confirmed the period of work and identified a Housing Benefit overpayment of £4,235.35.

Although the period and amount of offending suggests that prosecution should usually be the first sanction option in this case, it was decided that a caution should be offered as an alternative in this case.

Repayment of the debt is currently suspended as the customer is currently subject to a Debt Relief Order. The customer however is fully aware that the overpayment cannot be included in the order as the debt is a result of fraud so will be required to repay this at the earliest opportunity.

Case 2

A 69 year old man was sentenced to a 12 month day time curfew, 8 a.m. to midnight, 7 days a week, for fraudulently claiming benefits totalling over £68,000 by claiming to be single and sharing a home with his sister, whereas she was actually his wife.

This fraud came to light when a member of the public telephoned the Benefit Fraud Team to report a residency issue and it was realised that the couple were being referred to as husband and wife, not brother and sister.

The investigation took a considerable length of time due to complications and the lack of co-operation from the customer but resulted in overpayments of £2,740.57 Housing Benefit and ££856.06 Council Tax Benefit for the period from September 2009, when the couple moved to Redditch until May 2011 when the claim was stopped.

The DWP were invited to join the investigation and offences were identified on their benefits dating continuously from 1996 until 2011 with overpayments totalling £65,039.34.

Recovery of the Housing Benefit overpayment is currently being pursued.

Case 3

The investigation into the claim of a 32 year old man was closed without sanction after the case was rejected for prosecution by the Crown Prosecution Service (CPS).

This investigation began as a result of anonymous information in June 2013 alleging that the customer had been carrying out undeclared work. Initial checks established

that the claim had been closed in June 2013 after the customer advised that he had become self-employed.

Further investigation established that the customer had been working for an employer in March 2013 and identified 2 further undeclared employers between August 2011 and September 2012.

Overpayments of £3,495.90 Housing Benefit and £399.97 Council Tax Benefit were identified.

The DWP were invited to join the investigation. They identified overpayments of £6,442.94 Jobseeker's Allowance, £1,252.70 Employment and Support Allowance and £7,102.90 Disability Living Allowance then went on to conduct the interview under caution and lead the prosecution.

Unfortunately the CPS requested further information from the lead investigator but rejected the case as this wasn't provided within a reasonable timescale due to extended sickness absence.

The Housing Benefit overpayment is being recovered by weekly instalment.

Appendix 2

Referrals by source

¼ ending	Public	Data matching	Official source	Total
December 2014	42	85	45	172
September 2014	50	148	33	231
June 2014	47	102	27	176
March 2014	49	83	46	178
December 2013	56	54	83	186
September 2013	47	62	79	188
June 2013	66	66	74	202
March 2013	46	184	89	312
December 2012	30	216	61	314
September 2012	55	242	83	380
June 2012	76	400	61	534
March 2012	78	231	103	396
December 2011	78	112	101	287
September 2011	79	131	99	309
June 2011	68	113	105	286

The total number of referrals for this period is the lowest recorded since June 2011, however the quality, particularly through data-matching has improved.

Fraud awareness training for staff has begun and an increase in referrals from this source is starting to emerge.

RTI referrals will reduce the number of cases referred by the Benefit Team as the undeclared changes to earnings and pensions are being identified prior to the claim being selected for review.

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THE INTERNAL AUDIT PROGRESS 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 progress report of internal audit work with regard to the 2014/15 audit work.

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”.

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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.

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2014 to 31st March 2015 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 PROGRESS REPORT (22nd JANUARY 2015):

2014/2015 AUDITS FINALISED**Forge Mill Museum**

The audit found a reconciliation was carried out to ensure all income received was banked and reflected in the main ledger correctly and appropriate records maintained for the cashing up and banking process. However weaknesses were identified over several areas including the recording and control of museum artefacts, stock control over resalable items, separation of duties in the cashing up process and the security of the cashing up environment. Discussions have taken place with the Leisure Services Manager regarding the need to ensure there is resilience within the team for updating the inventory system however due to the historical nature and expertise required in registering new items this can only be undertaken by the "Keeper of Collections". There were no 'high' priority recommendations reported.

Current Status: Final Report issued 6th February 2015
Assurance: Moderate

Reddicard Fees/Concessions

The audit found there was a sound system of control in place but some of the expected controls could be improved. Procedures were in place and all Reddicard sales were found to have sufficient supporting information recorded on the Haven system however at the time of the audit one Reddicard pricing was still in accordance with the 2013/14 charges and not the current financial year. In addition there were insufficient controls over the supply and stock of Reddicards and no stock reconciliation process was in place. Stock is transferred from one centre to another and records are not maintained of

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stock held at every centre. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 11th February 2015
Assurance: Moderate

Housing Repairs and Maintenance

The audit found there was a sound system of control in place but some of the expected controls could be improved. There were good arrangements in place for monitoring and improving performance to the customer and trends indicated improving levels. There was also an effective and continuing process to maximise productivity of the workforce. However, the audit identified the need to improve the control of stock held on imprest vans, and, improvements that are required for monitoring contractor performance and to ensure contractual payments are made in accordance with the conditions of contract. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 22nd January 2015
Assurance: Moderate

Council Tax

The audit found generally there was a sound system of control in place with overall controls operating effectively notably in the annual debit raising and the processing of property band amendments. Write offs were found to be regularly processed and properly supported and authorised. Isolated control weaknesses were identified in particular to a lack of reviews on exemptions and discounts. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 6th February 2015
Assurance: Significant

NNDR

The audit found there was a sound system of internal control in place but testing identified some isolated weaknesses. The review confirmed that the processing of property rateable values and the application of discounts and relief was well administered. However, the annual debit raising process could be improved if variances arising were investigated at the time and details recorded as to why any variances occurred. There were no 'high' priority recommendations reported.

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Current Status: Final Report issued 6th February 2015
Assurance: Moderate

Cash Receipting

The audit found there was a sound system of internal control in place over the management of cash receipting, including effective receipting and recording of cash and cheques received. However, some expected controls were not in place in respect of clearing the suspense account, and, ensuring that the authority meets the needs of the Payment Card Industry Security Standards.

Current Status: Final Report issued 29th January 2015
Assurance: Moderate

Housing and Council Tax Benefits

The audit found there was a sound system of internal control in place. Testing identified that claims were processed accurately including claims for Council Tax Hardship, and, that suitable recovery actions were being undertaken. There were some issues with the completion of feeder system reconciliations between Benefits and General Ledger entries, whereby no reconciliations have been completed for the 2014/15 period to date. Responsibility for the reconciliations was passed from the Finance team to the Benefits team for the 2014/15 period. Completion by the end of the financial year is required for submission of the subsidy claim. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 11th February 2015
Assurance: Significant

Summary of assurance levels:

2014/15	
Forge Mill Museum	Moderate
Reddicard Fees/Concessions	Moderate
Housing Repairs and Maintenance	Moderate
Council Tax	Significant
NNDR	Moderate
Cash Receipting	Moderate
Housing and Council Tax Benefits	Significant

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2014/15 AUDIT WORK WHICH IS ONGOING

Although work on the following audits is continuing draft reports have been issued. As soon as a management response is received and the audits finalised notification of their outcome will be brought before committee for consideration. Audits include:

Payroll (inc allowances, starters, leavers)
Creditors
Risk Management
Transformation Arrangements ~ Budget Setting

Audit work is continuing but drawing to a close in respect of the following audits:

Corporate Governance
ICT
Main Ledger inc Budgetary Control & Bank Reconciliation

The outcomes of these audits will be reported to the June 2015 Committee.

3.4 AUDIT DAYS

The table in Appendix 1 shows the progress made towards delivering the 2014/15 Internal Audit Plan and achieving the targets set for the year. As at 28th February 2015 a total of 439 days had been delivered against an overall target of 484 days for 2014/15. 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 24th April 2014 for 2014/15 and include management indicators as well.

Appendix 3 shows the tracking of completed audits.

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

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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
- 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

The Worcestershire Internal Audit Shared Service (WIASS) is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.

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.

WIASS confirms it acts independently in its role and provision of internal audit.

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.

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5. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2014/15
Appendix 2 ~ Key performance indicators 2014/15
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

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REDDITCH BOROUGH COUNCILDate: 23rd April 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 1****Delivery against Internal Audit Plan for 2014/15**
1st April 2014 to 28th February 2015

Audit Area	DAYS USED TO 28/02/15	Forecasted days to the 31st March 2015	2014/15 PLAN DAYS
Core Financial Systems (see note 1)	104	112	112
Corporate Audits(see note 2)	127	160	160
Other Systems Audits	156	158	158
TOTAL	387	430	430
 Audit Management Meetings	 20	 20	 20
Corporate Meetings / Reading	9	9	9
Annual Plans and Reports	11	12	12
Audit Committee support	10	13	13
Other chargeable	2	0	0
TOTAL	52	54	54
GRAND TOTAL	439	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.

Note 2

A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters

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APPENDIX 2**Key Performance Indicators (KPIs) for 01st April 2014 to 31st March 2015.**

The success or otherwise of the Internal Audit Shared Service can be measured against some of the following key performance indicators for 2014/15 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Redditch Borough Council.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Year End Position	2014/15 Position (as at February 2015)	Frequency of Reporting
1	No. of high recommendations	Downward	12	21	3	Quarterly
2	No. of moderate or below assurances	Downward	10	12	9	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	5 (8 returns; 5 excellent & 3 good)	4 (7 returns; 4 excellent & 3 good)	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered = 29	Target = 29 Delivered = 29	Target = 24 (minimum) Delivered = 20 (and 4 at Draft stage)	Quarterly

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

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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 is planned going forward in regard to the more recent audits providing assurance that a programme of follow up is operating.

To provide the Audit Board with assurance we are following a comprehensive 'follow up' programme to ensure recommendations and risks have been addressed from previous audits. Commentary has been provided on audits as part of the normal reporting process. Previous audit year updates in regard to 'follow ups' will be provided every six months to avoid duplication of information. Any exceptions will be reported to the Committee immediately.

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 were performed during quarter 3.

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</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
2014-15 Audits						
DFGs and HRA grants	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendation re. the need to ensure documents are stored correctly	May-15	
Rent Guarantee and deposits	5th November 2014	Head of Housing Services	Significant	1 "medium" priority recommendation to ensure a monthly check is carried out to ensure debts are raised where applicable,	May-15	
Golf Course	28th November 2014	Leisure Services Manager	Limited	6 "medium priority recommendations made in relation to income reconciliations, security to systems and takings, the need to clarify procedures in relation to refunds and performance management	Apr-15	

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>
Procurement	18th November 2014	Financial Services Manager	Significant	3 "medium" priority recommendations made in relation to ensuring value for money is obtained, contracts are re-let at the appropriate times and that there is a clear procurement protocol in relation to procurement rules.	May-15	
Treasury Management	28th November 2014	Financial Services Manager	Significant	1 "medium" priority recommendations to ensure quarterly reconciliations are undertaken in a timely manner	To be followed up as part of the 2015/16 audit.	
Reddicard Fees/Concessions	11th February 2015	Leisure Services Manager	Moderate	2 "medium" priority recommendations made to ensure there is effective stock control of all concession cards and that independent checks are carried out when fees are updated at the start of each financial year.	Aug-15	
Asset Management	20th November 2014	Head of Customer Access and Financial support	Significant	1 "medium" priority re: terms of reference for Joint Asset Management Group	May-15	

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>
Housing Repairs and Maintenance	22nd January 2015	Head of Housing Services	Moderate	4 "medium" priority recommendations to ensure that sufficient stock control, outstanding jobs are monitored, contractor performance is reviewed and retention is held back where applicable.	Jul-15	
Forge Mill	6th February 2015	Leisure Services Manager	Moderate	7 "medium" priority recommendations made re the need to ensure that stock is controlled, inventories are up to date, there are sufficient controls and separation of duties around receipting of income and access to safes are restricted.	Aug-15	
Debtors	5th January 2015	Head of Customer Access and Financial support	Significant	1 "medium" priority recommendation to ensure arrears reports are supplied to services on a quarterly timely basis.	To be followed up in 2015/16 audit	
Cash Receipting	29th January 2015	Head of Customer Access and Financial support	Moderate	1 "high" and 1 "medium" priority recommendations re the need to ensure a PCIDSS certificate is obtained and that the suspense account is reviewed and cleared.	Jul-15	

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>
Council Tax	6th February 2015	Revenue Services Manager	Significant	2 "medium" priority recommendations to ensure new developments are monitored and that there is a clear timetable for review of discounts and exemptions.	To be followed up as part of the 2015/16 audit.	
NNDR	6th February 2015	Revenue Services Manager	Moderate	5 "medium" priority recommendations re the need to monitor empty properties, debit raise variances are investigated and documented, credit balances and grade "2" listed properties are reviewed and information on the website is correct,	To be followed up as part of the 2015/16 audit.	
Benefits	5th February 2015	Revenue Services Manager	Significant	1 "medium" priority recommendations to ensure there are monthly reconciliations between the benefit systems and the financial ledger.	To be followed up as part of the 2015/16 audit.	

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APPENDIX 4

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>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.</p> <p>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.</p>
Moderate Assurance	<p>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.</p> <p>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.</p>
Limited Assurance	<p>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.</p> <p>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.</p>
No Assurance	<p>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.</p> <p>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.</p>

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Priority	Definition
High	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
Medium	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>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.</p>
Low	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Forge Mill Museum					
Assurance: Moderate					
Summary: The review was a full system audit of the controls over the Forge Mill Museum for areas including stock control, cash handling and inventory.					
1	Medium	<u>Refunds and Voids</u> Refunds and void transactions are not signed off by a manager.	Without management checking of the refunds and the void book, fraudulent payments could be recorded and not managed properly.	All refund and void transactions require sign off by an independent officer.	Responsible Manager: Leisure Services Manager Implementation date: End of February 2015 Reminder to be issued to all staff.
2	Medium	<u>Inventory Control of Museum Artefacts</u> Not all artefacts are recorded on the inventory system including those artefacts which are stored at the council's Crossgates Depot.	Loss of information could result in failure to track all artefacts which in turn could result in loss or theft to the council.	All artefacts to be recorded on an inventory system.	Responsible Manager: Leisure Services Manager Implementation date: The work will be completed within the next 18mths. The materials stored at Crossgates are rock, timber and metal as such they can't be accurately archived via the main inventory system (MODES). A spreadsheet based index has been developed and is nearing 50% completion, this process although required is time consuming and due to operational needs it has not been a priority for the service in recent months. This work has now been built into the services planning for 2015/16 as a priority. Agreed End of March 2015

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>Items donated to Forge Mill also require the completion of A Transfer of Title on the Museum Object Entry Form however testing highlighted some instances where this had not been signed.</p> <p>The MODE system is scheduled to be backed up at the end of each day however this sometimes fails and back up is only undertaken every so often.</p>		<p>The Transfer of Title on the Museum Object Entry Form should be completed and signed on every occasion.</p> <p>To review the back up process of the MODES system to ensure it is undertaken in a timely manner resources permitting.</p>	<p>Agreed Now implemented.</p> <p>This is backed up on the services shared drive.</p>
3	Medium	<p><u>Delegation of authority – Fees and charges</u></p> <p>Further clarification is required as to what instances can approved delegation of power be applied to amend leisure fees and charges up to 30%.</p>	Process is open to challenge leading to potential reputational damage.	<p>If delegated powers are applied by the Head of Leisure and Cultural Services to adjust any fees and charges by up to 30% a written rationale should be produced detailing why.</p> <p>To clearly define what instances the delegation of power can be used; a consistent approach to be adopted.</p>	<p>Responsible Manager: Leisure Services Manger</p> <p>Implementation date: End of March 2015</p> <p>Normal Operating Procedure is being developed.</p>
4	Medium	<p><u>Security of Safe and Key Register</u></p> <p>The following control weaknesses were identified:</p> <ul style="list-style-type: none"> The key to the safe situated in the Visitor Centre whilst not in use is retained in an unlocked key cabinet. The key to the safe in the 	Loss or theft of monies also leading to reputational damage.	Security and storage of all safe keys to be reviewed to ensure secure processes are put in place.	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: End of February 2015</p> <p>To review storage to ensure process is secure.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>Needle Museum whilst not in use is retained in a desk drawer in the office which is left unlocked.</p> <ul style="list-style-type: none"> Raffle monies on behalf of outside bodies are being retained in the safe situated in the Needle Museum. 		To review the storage of monies on behalf of outside bodies/organisations.	
5	Medium	<p><u>Cash up process</u></p> <p>The Museum Assistant is the only officer who has the sufficient knowledge of the cashing up and preparation for banking process.</p> <p>There is no separation of duties in the process.</p> <p>Cashing up of daily takings is undertaken in the office however the door isn't always closed or locked and this area is accessible to the general public.</p>	Risk of theft or loss.	<p>To ensure there is resilience within the team and sufficient back up knowledge of the process in the absence of the Museum Assistant.</p> <p>Separation of duties should be implemented to ensure where possible an independent check is undertaken prior to completion of the banking.</p> <p>To review the security of the cashing up environment to ensure access is strictly limited.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: End of March 2015</p> <p>Operations Officer is to be trained up to support assistant.</p>
6	Medium	<p><u>Stock control of Resalable items</u></p> <p>A stock control record is not in place and neither is a reconciliation undertaken to account for all resalable items including new stock, sales and disposals.</p> <p>There were some items of stock held at the time of the audit which are surplus to requirements however staff</p>	Risk of theft or loss.	<p>A stock control process to be introduced in accordance with the council's Financial Regulations. All stock should be booked in upon purchase and sales deducted. Any disposals should also be clearly recorded.</p> <p>A stock count and reconciliation should be carried out on a minimum of a quarterly basis.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: End of March 2015</p> <p>System to be developed.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		were unsure of the disposal policy and procedures.		Staff to be reminded of the disposal of stock process in accordance with the council's Financial Regulations and stock to be disposed of in accordance with these rules.	
7	Medium	<p><u>Manual receipting process in the event of system failure</u></p> <p>There are control weaknesses in the processes adopted in the event of system failure. Under current methods customers are not offered/issued an official receipt and a manual list of monies taken is recorded on a piece of paper and this is disposed of after the event.</p>	Risk of theft or loss.	<p>To review the process for taking payments in the event of system failure.</p> <p>To also consider the use of a remittance control sheet where payments can be recorded and controlled. This should be used to balance monies taken once the system is up and running and should be retained along with the daily cash records.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: 1st April 2015</p> <p>To review the process and introduce a new system,</p>
Audit: Reddicards Fees/Concessions					
Assurance: Moderate					
Summary: The review was a full system audit that concentrated on the areas of the Reddicard system including, issue, cost and reconciliation.					
1	Medium	<p><u>Stock control of Reddicards</u></p> <p>There was little or no stock control over all Reddicards at the time of the audit.</p> <p>The main stock control centre for the sale of Reddicards is Abbey Stadium. Not only do they sell Reddicards but they are also the central distribution centre to other outlets.</p>	Theft or loss of income.	Full stock control records to be maintained at all centres and a stock reconciliation undertaken on a minimum of a quarterly basis.	<p>Responsible Manager: Sports Services Manager/ Cultural Services Manager</p> <p>Implementation date: February 2015</p> <p>Reddicards to be added to the Stock System at Abbey Stadium and stocks of</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>Although they maintain a record of stock sent to other centres, they do not keep a full stock record or undertake a stock reconciliation to balance distribution/sales to remaining stock held.</p> <p>A stock control system is not in place at other centres.</p>			cards reconciled on a monthly basis. Cards should be recorded when they are received by a supplier and then recorded as issued when issued to reception at Abbey and to other sites.
2	Medium	<p><u>Fees and Charges</u></p> <p>At the time of the audit 1 out of 20 Reddicards tested were found to be charged at the 2013/14 approved rate but should have been at the 2014/15 rate.</p>	Potential loss of income.	<p>When fees and charges are amended on the Haven system an independent check is carried out, resources permitting to ensure they have been amended correctly.</p> <p>To ensure there is sufficient resilience within the team to ensure all fees and charges are updated by the 1st April of each financial year.</p>	<p>Responsible Manager:</p> <p>Leisure Services Manager</p> <p>Implementation date:</p> <p>January 2015</p> <p>Charges to be updated by responsible officers as part of the annual price changes exercise. Reddicards and a sample of other prices to be checked independently by nominated Customer Advisor.</p>
Audit: Housing Repairs					
Assurance: Moderate					
Summary: The review was a full system review that concentrated on areas including repair & maintenance requests, performance monitoring, stock and material control, contract letting & monitoring arrangements and budgetary control.					
1	Medium	<p><u>Performance Monitoring</u></p> <p>Whilst acknowledging that with effect from August 2014 'customer satisfaction' surveys are carried out on jobs completed by contractors it may</p>	Performance standards may not be met leading to complaints from tenants resulting in reputational damage.	'Outstanding jobs' be periodically reported and reviewed	<p>Management Response:</p> <p>A new framework General Building and Void contract will ready for tender early next year.</p> <p>A requirement of the contract will be that contractors will be required to regularly</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>also be prudent to monitor 'outstanding' jobs until such time as an appointments system is introduced.</p> <p>There are also other performance measures (e.g. response times) that are included within contracts (e.g. annual service, maintenance and void response of gas fired space and water heating systems) which are not reported and or reviewed.</p>		<p>Where measures are required for contractors to monitor performance then it would be appropriate for these to be reported via the monthly meetings with the supervising officer.</p>	<p>report jobs that are incomplete.</p> <p>Responsible Manager: Housing Capital & Repairs Maintenance Operations Manager</p> <p>Implementation date: April 2015</p> <p>Management Response: Where there are performance measures within existing contracts, such as response times, these will be reported and recorded together with the making and keeping appointments etc. The information will be reported at the monthly contract meeting and recorded in the minutes.</p> <p>Responsible Manager: Housing Capital & Repairs Maintenance Operations Manager</p> <p>Implementation date: February 2015</p>
2	Medium	<p><u>Material stocks</u></p> <p>There is limited control over stocks of materials held on imprest vans.</p>	Poor control of materials and the potential for financial loss.	Stock/usage checks need to be implemented to provide assurance that usage / stock levels are within acceptable levels and the scope for loss is minimised.	<p>Management response: A number of the R&M Tradesmen have an imprest van material stock. The process is controlled and maintained manually between the administration team and our stores. The rolling out of the imprest material van stock to all of the Tradesmen and the reviewing of the process will form part of the stores transformation way of working</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					<p>which will be taking place starting January 2015.</p> <p>Responsible Manager: Housing Capital & Repairs Maintenance Operations Manager.</p> <p>Implementation date: Transformation starts January 2015.</p>
3	Medium	<p><u>Contractual Requirements</u></p> <p>There are no annual checks to confirm that contractor's insurance cover is provided as required and that staff working on the contract are Disclosure and Barring Service compliant.</p>	The council could be exposed to litigation in the event that the contractor(s) are not meeting contractual obligations.	It would be good practice for contractors to confirm annually, via the monthly meetings with the supervising officer, that contractual requirements continue to be in place particularly with regard to new staff.	<p>Management Response This contractual requirement will form part of the monthly contract meetings.</p> <p>Responsible Manager: Housing Capital & Repairs Maintenance Operations Manager.</p> <p>Implementation date: January 2015</p>
4	Medium	<p><u>Contract Payments</u></p> <p>Payments made under the annual service, maintenance and void response of gas fired space and water heating systems contract are not being made in accordance with that stated in the conditions of contract in that no deductions are made for retention</p>	In the absence of a performance bond the Council is exposed to unnecessary financial risks should the contractor cease trading.	Payments to the contractor should be made in accordance with the conditions of contract thereby providing some security to the council in the event that a new contract had to be mobilised	<p>Management Response It is accepted that there is a financial risk to the council in the event that a new contract had to be mobilised at short notice and as such retention will be deducted from future contractual payments.</p> <p>Responsible Manager:Housing Capital & Repairs Maintenance Operations Manager.</p> <p>Implementation date: April 2015</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Council Tax					
Assurance: Significant					
Summary: The review was a full system audit of the Council Tax system concentrating on areas including reconciliations, discounts and exemptions, changes to property bands, write offs and that performance was effectively managed.					
1	Medium	<u>New properties</u> 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 to develop an in-house process for 'spot' checks on developments.	Management Response: Revised process for creation and monitoring of new developments has been agreed. All new developments are created within core database on commencement and regularly reviewed. Responsible Manager: Revenue Services Manager Implementation date: April 2015
2	Medium	<u>Discounts exemptions & relief</u> There is no formal timetable in place for the review of exemptions and discounts.	Changes in circumstances may not be identified leading to the incorrect award of discount, exemption of relief potentially resulting in financial loss to the council.	A formal timetable for review is implemented.	Management Response: Timetable for review of all empty properties to be included in review schedule for 2015/16. Responsible Manager: Revenue Services Manager Implementation date: February 2015

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: NNDR					
Assurance: Moderate					
Summary: The review was a full system audit of the NNDR system concentrating on areas including reconciliations, discounts and exemptions, changes to property valuations, write offs and that performance was effectively managed.					
1	Medium	<u>Accounts on Trace</u> 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 3 rd party where Council tax had been given priority.	Potential loss of income. Reputational risk of communication breakdown between Council departments.	Traces to be applied to accounts in a timely manner.	Management Response: Reminder issued to staff to share information on deceased payers and to ensure that notification all debts are consolidated when write offs are processed. Responsible Manager: Revenue Services Manager Implementation date: Completed
2	Medium	<u>Credit balances</u> 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.	Outdated information displayed on the website provides potential reputational risk to the council.	Information displayed on the website ought to be relevant and up to date.	Management Response Information is held as part of compliance with FOI – however, this was not sufficient to meet FOI requirements and therefore information is no longer held. Report was to be removed as part of on-going migration to new website. Will request information is taken down. Responsible Manager Revenue Services Manager

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					Implementation date February 2015
3	Medium	<u>Exemptions</u> 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 leading to financial loss and reputational damage.	Grade 2 listed buildings be periodically reviewed against subsidiary records (e.g. Planning) to ensure consistency.	Management Response Review of listed building exemptions was completed in 2009 and again following identification of this case. Further review will be completed in 2015; and included in timetable for 15/16 reviews. Responsible Manager Revenue Services Manager Implementation date Review to be timetabled February 2015
4	Medium	<u>Debit Raise</u> The 2014/15 debit raise identified a variance of two properties between the system and the valuation office totals. There was no evidence that the difference had been resolved.	Potential for properties not to be billed resulting in loss of income.	Variances arising be investigated at the time and sufficient notes made to record outcomes.	Management Response: There was a variance of the number of props by two which was a result of properties given a zero rateable value by the Valuation Office Agency and for this reason not appearing in the RBC system totals. However the rateable value was balanced correctly and all demands reconciled. Any differences will be investigated and recorded for Annual Billing 2015 Responsible Manager: Revenue Services Manager

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					Implementation date: February 2015
5	Medium	<u>Empty Properties</u> Arrangements are in place to carry out 'desk top' reviews of empty properties. However due to staff shortages, this exercise has not been carried out for a large part of the year.	Changes in circumstances are not identified leading to relief being incorrectly applied resulting in financial loss.	Reviews of empty properties to recommence as soon as possible.	Management Response: Timetable for review of all empty properties to be included in review schedule for 2015/16. Responsible Manager: Revenue Services Manger Implementation date: February 2015
Audit: Cash Receipting					
Assurance: Moderate					
Summary: The review was a full systems audit on the cash receipting system concentrating on areas including income receipt, debit and credit card standards, suspense account, G4S cash collection and staff awareness.					
1	High	<u>Payment Card Industry (PCI) Certification</u> Whilst work has been completed towards the PCI certification the current certification has yet to be official awarded.	Non compliance with the PCI standards may open the council to the potential of incurring penalties.	The PCI Compliance certification must be completed as a matter of urgency.	Awaiting input from IT and Financial Services Manager to complete Responsible Manager: Financial Services Manager Implementation date: 1 st April 2015
2	Medium	<u>Suspense Account</u> Posting of unallocated funds to the Suspense Account have left a large number of transactions and a value of over £600k of items that have not yet been posted to the correct accounts.	Unallocated funds and accounts could mean that account values are inaccurate.	Items that relate to problems with the suspense account when the Civica system was installed must be cleared. All suspense items must be cleared on a timely basis.	Cashiers have taken all possible actions to clear items in suspense. Those now in there cannot be identified. A mechanism for dealing with these must be identified. Responsible Manager: Financial Services Manager and

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					Customer Services Manager Implementation date: 31 st March 2015
Audit: Housing and Council Tax Benefits					
Assurance: Significant					
Summary: The review was a full system audit of the Benefits system concentrating on areas including the local provision of hardship schemes, overpayments, write-offs, HB/ CTS parameters accuracy and reconciliations.					
1	Medium	<u>Reconciliations</u> Monthly reconciliations between the General Ledger and Housing Benefits records have not been completed to date for the 2014/15 financial period. Responsibility was transferred from the Finance team to the Benefits team during 2014/15.	Errors with financial postings may not be identified in a timely manner, resulting in poor integrity of financial information.	Reconciliations between the General Ledger and Benefits records to be brought up to date and future reconciliations to be completed monthly.	Responsible Manager: Revenues Services Manager Implementation date: April 2015 Reconciliations were to be handed over to Quality and Improvement Officer appointed December 2014, we will liaise with Accounts to ensure process is implemented for end of year accounts and monthly reconciliations from April 2015.
end					

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 23rd April 2015**THE 2015/16 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 2015/16;
- to confirm the key performance indicators for the Worcestershire Internal Audit Shared Service for 2015/16

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”.**

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 23rd April 2015Service / Operational ImplicationsInternal 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 2015/16, 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 considered the corporate strategic purposes, risk priorities per discussions with the s151 Officer and the results of an independent risk assessment of the audit universe by Internal Audit. Dialogue is continuing with and Heads of Service in regard to the audit plan and the risk exposure in their areas. The internal audit plan for 2015/16 has been considered by the council's section 151 officer and has been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes. The draft plan was brought before the Committee on the 22nd January 2015 for consideration and comment.

With the increasing amount of closer working arrangements with Redditch Borough Council and Bromsgrove District Council we have used the 2015/2016 financial year as a year of realignment in regard to audit assignments. By taking this approach it will ensure that both Councils benefit from the efficiencies that can be derived from an even better coordinated approach of audit delivery in regard to joint systems and shared services. By bringing a provisional plan of work to Members in January 2015 it allowed Members to have a positive input

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE****Date: 23rd April 2015**

into the audit work programme for 2015/16 and make suggestions as to where they feel audit resources should be deployed under the direction of the s151 Officer. As with all plans it may be subject to review and change as the year progresses in consultation with the s151 Officer.

Resource Allocation

To reflect the changing environment in regard to joint working and shared services the internal audit plan for 2015/16 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. This is a reduction of 84 days against last years plan resulting in a reduction in contribution by Redditch Borough Council in regard to the Internal Audit Shared Service. 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.

The Internal Audit Plan for 2015/16 is set out at **Appendix 1**.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2015/16 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 key performance indicators which have been developed for the service and management. 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.

AUDIT & GOVERNANCE COMMITTEEDate: 23rd April 2015

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 2015/16

Appendix 2 ~ Key performance indicators 2015/16

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUTHOR OF REPORT

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REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 23rd April 2015**APPENDIX 1****DETAILED PLAN FOR 2015/2016 AUDIT PROGRAMME**

Audit Area	Audit Risk Assessment Score (Max 45) *	Planned days 2014/15	Planned Days 2015/16	Difference = + or -
Core Financial Systems Service Area Finance				
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	10	-2
Cash Collection	Risk assessment score 30	12	0	-12
Debtors	Risk assessment score 29	12	10	-2
Treasury Management	Risk assessment score 28	7	7	0
Cash, General Ledger, Budgetary Control & Bank Reconciliations	Risk assessment score 28	15	13	-2
SUB TOTAL		112	94	-18
Corporate #				
Shared Service Client	Risk assessment score 29	16	0	-16
IT Services (budget moved to Service area)	Risk assessment score 29	15	0	-15
Procurement / Contract Compliance/Tendering (budget moved to Service area)	Risk assessment score 28	17	0	-17
Risk Management	Risk assessment score 26	15	7	-8
Transformation Arrangement (Critical Friend) (budget moved to Service area)	s151	10	0	-10
Corporate Governance (Health & Safety, Media & Comm's, Performance measures & data quality) (budget moved to Service area)	n/a	17	0	-17
Anti Fraud, Special Investigations and National Fraud Initiative (NFI)	n/a	25	15	-10
Advisory and Consultancy / Contingency	n/a	14	12	-2
Completion of prior years work	n/a	10	8	-2

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Statement of Internal Control	n/a	5	3	-2
Follow Up on recommendations	n/a	16	15	-1
SUB TOTAL		160	60	-100
Other Systems Audits (2014/15)				
Rent Arrears /Rent Payment & Collection	Risk assessment Score 33	15	0	-15
Housing Repairs & Maintenance	Risk assessment Score 32 & HoS	18	0	-18
Planning Enforcement	Risk assessment Score 31	16	0	-16
Golf Course	Risk assessment Score 29	10	0	-10
Countryside Centre & Arrow Valley Park	Risk assessment Score 29	17	0	-17
Reddicard/Fee Concessions	Risk assessment Score 28	12	0	-12
Forge Mill Museum	Risk assessment Score 28	10	0	-10
Planning Fees	Risk assessment Score 28	13	0	-13
Land Charges Fees	Risk assessment Score 26	13	0	-13
Rent Guarantee/Rent Deposit Scheme	Risk assessment Score 27	11	0	-11
DFG's	Risk assessment Score 23	15	0	-15
Threadneedle House	n/a	0	0	0
Bus Service Operators Grant	n/a	8	8	0
SUB TOTAL		158	8	-150
Service Area: Planning and Regeneration	Risk assessment Score 29	0	25	25
Development and Building Control				
Land Charges				
Service Area: Housing	Risk assessment Score 29	0	28	28
Welfare Reform impact				
Tenants Rechargeable works				
Equipment and adaptations				
Void property control and lettings				
Service Area: Community Services	Risk assessment Score 26	0	14	14
Safeguarding				
Service Area: Environmental	Risk assessment Score 26	0	20	20
Street scene				

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 23rd April 2015

Refuse chargeable collections				
Service Area: Leisure and Culture	Risk assessment Score 29	0	30	30
Community Centres				
Leisure facilities				
Haven system				
Service Area: (Corporate) Including Legal and Democratic	Risk assessment Score 33	0	40	40
Individual Electoral Registration				
Delegations				
Strategic Purposes and partnerships				
Procurement ~ Purchase Card use				
Service Area: IT	Risk assessment Score 30	0	27	27
Transformation assistance				
SUB TOTAL (Service Areas)		0	184	184
CHARGEABLE SUPPORT				
Audit Management Meetings	n/a	20	20	0
Corporate Meetings / Reading	n/a	9	9	0
Annual Plans and Reports	n/a	12	12	0
Audit Committee support	n/a	13	13	0
SUB TOTAL		54	54	0
TOTAL CHARGEABLE		484	400	-84

AUDIT & GOVERNANCE COMMITTEE

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Explanatory Notes:

*Risk assessment scores are indicators derived from an internal audit assessment based on local knowledge and risk assessment using various factors including materiality, impact of failure, system risk, resource risk, fraud risk and external risk.

A number of corporate audit budgets have been reallocated to service areas so that the audit budgets can be used more flexibly and include elements including transformation, health and safety and shared service working taking into consideration the risk exposure for the service.

Customer access and support will be considered overall as part of the service audits.

Summary of Days per Overall Audit Group for 2015/16.

Planned Days for 2015/16	2014/15	2015/16
Core Financial Systems	112	94
Corporate Work	160	60
Other Systems Audits	158	192
Sub Total	430	346
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	400

AUDIT & GOVERNANCE COMMITTEE

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Appendix 2

KEY PERFORMANCE INDICATORS 2015/16

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2015/16 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Redditch Borough Council.

	KPI	Trend requirement	2014/15 Year End Position	2015/16 Position (as at DD/MM/YY)	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	XX		Quarterly
2	No. of moderate or below assurances	Downward	XX		Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	XX		Quarterly
4	No. of audits achieved during the year	Per target	Target = (minimum) Delivered =	Target = 16(minimum) Delivered =	Quarterly

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

**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE
PROCEDURE RULES****1. Role of the Audit, Governance and Standards Committee**

- 1.1 The Council has established an Audit, Governance and Standards Committee.
- 1.2 The Audit, Governance and Standards 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, Governance and Standards Committee can make informed recommendations but it is not the role of the Audit, Governance and Standards Committee to be a substitute for management of Internal Audit.
- 1.4 The Audit, Governance and Standards 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, Governance and Standards Committee are as follows:

Audit and Governance
Internal and External Audit

- 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, monitor and review the Council's overall corporate governance arrangements.
- e. To enhance the profile, status and authority of the internal audit function which will demonstrate its independence.

- f. To focus audit resources by agreeing, and periodically reviewing, audit plans and monitoring delivery of the audit service.
- g. To receive and consider such internal audit reports that the Chair and/or Deputy Chief Executive considers necessary.

Risk

- h. To consider, monitor and review the effectiveness of the Council's risk strategies, policies and management arrangements and seek assurances that action is being taken to address identified risk related issues.

Finance and Value for Money

- i. To consider and approve the Council's Annual Statements of Accounts.
- j. To consider any report from the Internal Audit Manager in pursuance of Financial Regulations.
- k. To ensure good stewardship of the Council's resources and assist the Council to achieve value for money in the provision of its services.
- l. To keep under review, and make recommendations on, proposed amendments to Financial Regulations.
- m. To consider and make recommendations if appropriate on, the Annual Governance Statement.

Standards

- n. To promote and maintain high standards of conduct by Councillors and any co-opted members of Council bodies;
- o. To assist the Councillors and co-opted members to observe the Members' Code of Conduct;
- p. To advise the Council on the adoption or revision of the Members' Code of Conduct;
- q. To monitor the operation of the Members' Code of Conduct;
- r. To advise, train or arrange to train Councillors and co-opted members on matters relating to the Members' Code of Conduct;
- s. To grant dispensations to Councillors and co-opted members from requirements relating to interests set out in the Members' Code of Conduct;

- t. To deal with any report from the Monitoring Officer following an investigation into a complaint concerning the Members' Code of Conduct;
- u. To consider and determine allegations that a Councillor or co-opted Councillor may have failed to follow the Code of Conduct and where a breach of the Code is established making recommendations as to any sanctions to the appropriate person or body.
- v. The exercise of u – v above in relation to the Parish Councils in the Council's area and the members of those parish Councils;
- w. To monitor, and review the operation of the Protocols on Member-Officer and Member-Member relations.

2.2 Within those Terms of Reference, the Audit, Governance and Standards 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.

3. Composition

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

4. Co-optees

The Audit, Governance and Standards 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, Governance and Standards Committee.

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

6. Meetings of the Audit, Governance and Standards Committee

- 6.1 There shall be at least 4 ordinary meetings of the Audit, Governance and Standards 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, Governance and Standards Committee may be called by the Chair of the Audit, Governance and Standards Committee, by any 3 members of the Audit, Governance and Standards Committee or by the Chief Executive if s/he considers it necessary or appropriate.

7. Quorum

The quorum for a meeting of the Audit, Governance and Standards Committee shall be 4 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, Governance and Standards Committee.
- 8.2 The Audit Services Manager shall be expected to attend each meeting of the Audit, Governance and Standards Committee.

- 8.3 *The Monitoring Officer shall be expected to attend each meeting of the Audit, Governance and Standards Committee when Standards issues are included on the agenda.*

9. Participation in Meetings

No member of the Audit, Governance and Standards Committee may be involved in the consideration of a decision in which s/he has been directly involved. If any member of the Audit, Governance and Standards 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, Governance and Standards 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, Governance and Standards 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, Governance and Standards 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, Governance and Standards Committee meetings

The Audit, Governance and Standards 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, Governance and Standards 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, Governance and Standards 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, Governance and Standards Committee to be included on the agenda for the next available meeting of

the Committee. On receipt of 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, Governance and Standards 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, Governance and Standards Committee following the referral.
- 12.3 The Audit, Governance and Standards 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, Governance and Standards Committee shall report its findings and any recommendations back to Council or Executive Committee (as appropriate).

13. Investigations and Enquiries

The Audit, Governance and Standards 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, Governance and Standards Committee in its deliberations;
- c. invite witnesses to attend to address the Audit, Governance and Standards 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, Governance and Standards 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

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, Governance and Standards 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, Governance and Standards Committee. Where the account to be given to the Audit, Governance and Standards 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, Governance and Standards Committee shall in consultation with the Councillor or Officer arrange an alternative date for attendance.

15. Attendance by others

- 15.1 The Audit, Governance and Standards 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, Governance and Standards 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, Governance and Standards 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, Governance and Standards Committee which arise from that motion.
- 15.3 If the Audit, Governance and Standards 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, Governance and Standards Committee will be given the opportunity to ask questions of attendees, and to contribute and speak;

- b. those assisting the Audit, Governance and Standards Committee by giving evidence will be treated with respect and courtesy; and
- c. the investigation will be conducted so as to maximise the efficiency of the investigation or analysis.

16. Reports from the Audit, Governance and Standards Committee

- 16.1 Once it has formed recommendations on proposals for development, the Audit, Governance and Standards Committee will make its findings public and will report to the Executive Committee.
- 16.2 The Audit, Governance and Standards Committee may report directly to full Council where the Section 151 Officer and/or Audit Services Manager advises the Audit, Governance and Standards Committee that it is appropriate to do so.
- 16.3 If the Audit, Governance and Standards 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, Governance and Standards Committee within two months of it being submitted.

17. Consideration of Audit, Governance and Standards 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, Governance and Standards Committee will be considered. The minutes and/or reports of the Audit, Governance and Standards 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, Governance and Standards Committee meetings.

19. Finance

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