



Audit, Governance and Standards Committee

Thu 2 Jul
2015
7.00 pm

Committee Room 2
Town Hall
Redditch

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**Debbie Parker Jones
Democratic Services Officer**

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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.

Members of the Public

Members of the public may, by prior arrangement, speak at meetings of the Council or its Committees. Specific procedures exist for Appeals Hearings or for meetings involving Licence or Planning Applications. For further information on this point, please speak to the Democratic Services Officer.

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The emergency Assembly Area is on Walter Stranz Square.



Audit, Governance and Standards Committee

Thursday, 2nd July, 2015

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Cllrs:	David Thain (Chair) Jane Potter (Vice-Chair) Natalie Brookes Michael Chalk John Fisher	Andrew Fry Gareth Prosser Rachael Smith Pat Witherspoon
Independent Member:	Dave Jones (non-voting co-opted – for Audit and Governance)	
Feckenham Parish Council Representative:	Pat Dormer (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)	To confirm as a correct record the minutes of the meeting of the Audit, Governance and Standards Committee held on 23rd April 2015. (Minutes attached)
4. Monitoring Officer's Report - Standards Regime (Pages 15 - 18) Head of Legal, Equalities and Democratic Services	To receive a report from the Monitoring Officer on any matters of relevance to the Committee. (Report attached) (No Direct Ward Relevance)

Audit, Governance and Standards Committee

Thursday, 2nd July, 2015

<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. Localism Act 2011 - Standards Regime - General Dispensations</p> <p>(Pages 19 - 22)</p> <p>Head of Legal, Equalities and Democratic Services</p>	<p>To consider the re-granting of general dispensations previously granted by the former Standards Committee and, since July 2014, the Audit, Governance and Standards Committee.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>7. Audit, Governance and Standards Committee - Action List and Work Programme</p> <p>(Pages 23 - 36)</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>8. Grant Thornton - Audit Fee Letter 2015/16</p> <p>(Pages 37 - 42)</p>	<p>To present Members with the Audit Fee Letter for 2015/16 from the Council's external auditors Grant Thornton and to approve the level of fee.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>9. Grant Thornton - Update June 2015</p> <p>(Pages 43 - 56)</p>	<p>To update Members on general issues and developments that may impact on the Council in future.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>10. Corporate Risk Register</p> <p>Executive Director, Finance and Resources</p>	<p>To receive a presentation on the Council's Corporate Risk Register.</p> <p>(Presentation)</p> <p>(No Direct Ward Relevance)</p>

Audit, Governance and Standards Committee

Thursday, 2nd July, 2015

<p>11. General Risk Monitoring and Reporting and Appointment of Lead Risk Members on the Committee for 2015/16</p>	<p>To receive any Officer and/or Lead Risk Member (Mr Dave Jones, Independent Member and previously Councillor John Witherspoon) oral updates in relation to any risk monitoring activity which has taken place since the last meeting of the Committee.</p> <p>The Committee is also asked to consider which two Lead Members it wishes to appoint as the Lead Risk Members on the Committee for the 2015/16 Municipal Year.</p> <p>(Oral report(s))</p> <p>(No Direct Ward Relevance)</p>
<p>12. Benefits Investigations - 1st January 2015 to 31st March 2015</p> <p>(Pages 57 - 68)</p> <p>Executive Director, Finance and Resources</p>	<p>To advise Members on the performance of Benefits Fraud Investigation and Housing Benefits Overpayment for the 4th quarter of 2014/15.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>13. General Fraud Monitoring and Reporting and Appointment of Lead Fraud Members on the Committee for 2015/16</p>	<p>To receive any Officer and/or Lead Fraud Member (Councillor Thain and former Councillor Braley) oral updates in relation to any fraud monitoring activity which has taken place since the last meeting of the Committee.</p> <p>The Committee is also asked to consider which two Lead Members it wishes to appoint as the Lead Fraud Members on the Committee for the 2015/16 Municipal Year.</p> <p>(Oral report(s))</p> <p>(No Direct Ward Relevance)</p>
<p>14. Internal Audit - Annual Report 2014/15</p> <p>(Pages 69 - 82)</p>	<p>To present to Members the Internal Audit Annual Report for 2014/15 and the 2014/15 Worcestershire Internal Audit Shared Services Manager's annual opinion on the overall adequacy of the Council's internal control environment.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>

Audit, Governance and Standards Committee

Thursday, 2nd July, 2015

15. Annual Governance Statement 2015/16 (Pages 83 - 90) Executive Director, Finance and Resources	To seek approval of the draft Annual Governance Statement for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2014/15. (Report attached) (No Direct Ward Relevance)
16. Portfolio Holder's Update - Quarterly Budget Monitoring	To receive an oral update from Councillor John Fisher, Portfolio Holder for Corporate Management, on the latest Finance Monitoring Report referred to the Executive Committee. (Oral report) (No Direct Ward Relevance)

17. 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'.



Audit, Governance and Standards

Committee

Thursday, 23 April 2015

MINUTES

Present:

Councillor Roger Bennett (Chair), Councillor David Thain (Vice-Chair) and Councillors Natalie Brookes, John Fisher, Andrew Fry, Jane Potter, John Witherspoon and Pat Witherspoon

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

Also Present:

Zoe Thomas (Grant Thornton – External Auditors)

Officers:

Andy Bromage, Shona Knight, Jayne Pickering and Sarah Sellers

Committee Services Officer:

Debbie Parker-Jones

47. CHAIR'S OPENING REMARKS

The Chair stated that as this was the last meeting of the Committee before the Elections he wished to express his thanks to all those who had served on the Committee over the preceding year, and to the Officers who had supported the Committee. He added that it was a worthwhile Committee which covered a wide range of matters and which was important to the Council.

48. APOLOGIES

Apologies for absence were received on behalf of Councillor Rachael Smith, who was substituted by Councillor Andy Fry.

Officers advised that Kevin White had stood down from Feckenham Parish Council and was therefore no longer the Parish Representative for standards matters on the Committee. Pat Dormer, Deputy Parish Representative, was continuing on the

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Chair

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

Parish Council but had advised that she was unable to attend the meeting that evening.

Megan Harrison, Independent Person under the Standards regime, was unable to observe the meeting and Phil Jones of Grant Thornton had also tendered his apologies.

49. DECLARATIONS OF INTEREST

There were no declarations of interest.

50. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 22nd January 2015 were submitted.

As detailed in the agenda listing, it was noted that the final paragraph of Minute No. 36 v) (Ref 5 – Audit Findings Report 2013/14 – Unfilled vacancies) was subject to an amendment. This should have read: “Action: item to remain on Action List for reporting at the April 2015 meeting of the Committee, unless all required information available for circulation to members of the Committee any sooner.”

RESOLVED that

subject to the amendment of Minute No. 36 v) as detailed in the preamble above, the minutes of the meeting of the Audit, Governance and Standards Committee held on 22nd January 2015 be confirmed as a correct record and signed by the Chair.

51. MONITORING OFFICER'S REPORT - STANDARDS REGIME

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

It was noted that one complaint had been received against a borough councillor since the last meeting of the Committee in January. The complaint related to a planning matter and had been resolved locally by the Monitoring Officer, with it having been found that there were no grounds for the complaint.

In relation to the mandatory elements of Member training detailed in the report, a Member queried whether any alternative training would be made available for councillors who were unable to attend on the dates specified. The Deputy Monitoring Officer confirmed that ‘mop-up’ sessions would normally be held in such circumstances,

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

which she anticipated would also apply this year. It was further noted that, where possible, joint training would be held for both Redditch and Bromsgrove councillors.

RESOLVED that

the report of the Monitoring Officer be noted.

**52. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT
- STANDARDS REGIME**

As noted earlier in the meeting under Apologies (Minute No. 48 refers), no Feckenham Parish Council Representative was present at the meeting and no update was therefore given.

RESOLVED that

the position be noted.

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

Action List

i) Ref 1 – Council's Income Figures

It was noted that Officers had emailed Members with the requested figures on 28th January 2015.

Action: remove item from Action List.

ii) Ref 2 – Audit Findings Report 2013/14 – Unfilled vacancies

Officers circulated a list of current staff vacancies and apologised for the delay in referring this information to Members.

Action: remove item from Action List.

iii) Ref 3 – Council's reserve for bad debts

Officers confirmed the following reserves for bad debts:

Council Tax £252k
Housing Revenue Account – £576k
Sundry Debts – £100k
Benefits – £206K

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

It was noted that the above totalled £1.134m, the figure for which had been validated by both internal and external audit as part of the accounts. Some assumptions had been made around the reserves, which again had been discussed with internal and external audit. Officers agreed to email the reserve figures to Members and it was noted that a separate reserve applied for Job Evaluation.

Action: Officers to email figures to Members and item to be removed from Action List.

iv) Ref 4 – Development of Key Performance Indicators

Officers advised that as the internal audit function formed part of the Worcestershire Internal Audit Shared Service, this issue would need to be taken back to the County Client Officer Group for discussion moving forward. Officers agreed to advise Members once this matter had been taken to the Group to update them as to any discussion in this regard. Both Members and Officers agreed that any key performance indicators needed to be of value.

Action: Officers to take issue to Worcestershire Internal Audit Shared Service Client Officer Group and to advise Members on any outcomes. Item to remain on Action List until action completed.

v) Ref 5 – Corporate dashboard of measures

Officers advised that management had now seen the corporate dashboard of measures, which was to be developed and taken to Members in the new municipal year. This would be routed via a report to the Executive Committee, Overview and Scrutiny Committee and then Audit, Governance and Standards Committee.

Action: item to remain on Action List with a further update to be provided at the 2nd July meeting.

vi) Ref 6 – Meeting start times

Action: item to continue to remain on Action List until any clear need for change in start time is established.

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

Work Programme

In view of the large number of agenda items for the 2nd July meeting, and as this would be the first meeting of the new municipal year at which new Members might be present, it was agreed that no Internal Audit – Progress Report would be referred to the July meeting.

The Internal Audit Annual Report 2014/15 would still be referred to the July meeting and Officers undertook to correspond with Members should anything urgent arise in relation to the Progress Report. A Member commented that the Committee needed to be made aware as soon as any issues arose in relation to benefits debts as a consequence of Universal Credit.

In relation to the Corporate Risk Register, Members queried whether this would be 'RAG Rated', which Officers confirmed it would and that it would also include actions and controls.

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 agreed.

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

Members were presented with Grant Thornton's Auditing Standards – Communication with the Audit & Governance Committee and Executive report for 2014/15.

The external auditor presented the report and highlighted the key elements of this. In planning and performing their audit of the Council's financial statements Grant Thornton needed to understand how the Committee, supported by the Council's management, met its responsibilities in the areas of Fraud, Law and regulation, Going concern, Accounting for estimates and Related Parties.

The report summarized the respective responsibilities of the Committee, Officers and external audit in each of the above areas, with Grant Thornton's primary responsibility being to consider the risk of material misstatement.

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

Officers responded to questions and in doing so confirmed the different financial plans which the Council produced. Based on the assumptions made by Officers the Council had produced a balanced/sustainable Medium Term Financial Plan, which was deemed to constitute financially viable budgets for 2015/16, 2016/17 and 2017/18. The Independent Member suggested that the word viable under Table 3 : Going Concern – Management response to Question 4 be replaced with the word balanced, which the external auditor agreed was probably a better word. It was also agreed that Officers would send the Independent Member a copy of the Council's Medium Term Financial Plan as he had not had sight of this.

In light of comments made by Officers at the previous meeting in relation to ascertaining the age of debts, which it had been confirmed was difficult to do, the Independent Member queried the Bad Debt Provision controls detailed at Appendix 1 Accounting Estimates. This advised that an aged debt listing was provided routinely with Finance calculating the provision. Officers (who had not been presented at the previous meeting) agreed to look into the position and to report back with the meaning/an explanation of this.

A Member queried the amount of the District Council's pension payment to County Council, together with the amount which was in turn paid out to former Borough Council employees. The external auditor advised that there was a specific disclosure contained within the Borough Council's accounts regarding pensions. Grant Thornton obtained assurances and an independent judgement was given on pension estimates and assumptions. As such there was a specific process in place around pension payments. Officers undertook to look into the figures in question and to highlight these within this year's accounts. Members could then ascertain whether there was a gap between what was paid into the pension and what was paid out.

RESOLVED that

the report and management responses be noted.

55. GRANT THORNTON AUDIT PLAN - 2014/15

Members considered the Audit Plan for 2014/15 from the Council's external auditors Grant Thornton.

The external auditor presented the report and highlighted that Grant Thornton would certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

Appointments Ltd. This company would take over the Audit Commission's responsibilities for housing benefit grant certification with effect from 1st April 2015.

No significant risks had been identified by the external auditors at this stage. Regarding other identified risks, Officers advised that the new Payroll Manager had started in post a few weeks previously and that the 3-month gap in filling the role had not given rise to any problems.

In relation to the issue highlighted by the external auditors of the delay in completing the bank reconciliation, Officers commented that there had been a slippage with this owing to a re-structure within the team and the change in Payroll Manager. Officers felt that a sufficient system had remained in place throughout and that they did not see this as having represented a serious risk. Data cleansing work had had to be carried out for the new ledger system. This was now complete and bank reconciliation work would therefore continue immediately. Managers also received monthly budget monitoring statements, which included base data for salaries, and which therefore allowed for further checks. Senior Officers also undertook creditor checks to ensure that payments were in order. The external auditor added that exceptions reports would highlight any significant changes and that the bank reconciliation issue had only been highlighted as reconciliations should have been completed monthly which they had not. Members would therefore need to decide whether this issue should be included in the Annual Governance Statement as a control weakness.

Regarding the minor control weaknesses identified which had been shared with the Council's IT manager, and which Officers were due to respond to the external auditors on, it was agreed that information would be emailed out to Members confirming what action had been taken in this regard and what action remained outstanding.

In relation to the value for money conclusion which the external auditor was required to give on whether the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the external auditor stated that this was currently looking positive from Grant Thornton's perspective.

RESOLVED that

the 2014/15 Audit Opinion Plan be noted and agreed.

Audit, Governance and Standards Committee

Thursday, 23 April 2015

56. GRANT THORNTON - PROGRESS UPDATE MARCH 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 report outlined that, as at March 2015, the 2014/15 Accounts Audit Plan would be completed in line with the agreed timetable. A number of visits had already been undertaken to review work which was progressing on the interim accounts audit. The initial risk assessment had been completed by Grant Thornton, with a further review to be completed after year end.

The external auditor stated that there were a significant number of new technical issues in this year's accounts. She proceeded to highlight the key emerging issues, including Grant Thornton's Local Government Governance Review 2015, a change to the rules relating to business rates appeals and the earlier closure and audit of local authority accounts from 2017/18 onwards.

Officers stated that the earlier closure and auditing of accounts would result in increased pressure on staff and the necessity for more judgements and acceptable estimates to be made as part of the accounts process.

RESOLVED that

Grant Thornton's update report be noted.

57. RISK MONITORING AND REPORTING

The Independent Member stated that he had attended a meeting with the Head of Environmental Services to look at the transformation and restructuring of the department.

Two risks had been considered with this; whether the new service would be able to deliver all that was required of it and any possible financial risks. The review had virtually eliminated the need for agency staff so there would be a periodic review in that regard.

The Independent Member added that he would be looking to hold similar risk management discussions with other relevant Council Officers. Officers stated that they would look to arrange a time to

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

meet with the Lead Risk Members to discuss risk monitoring arrangements moving forward.

RESOLVED that

the report be noted.

58. FRAUD MONITORING AND REPORTING

As set out in the agenda listing, it was noted that former Councillor Braley was one of the two Lead Fraud Members on the Committee. Members agreed that they would consider any reappointment to this role at the first meeting of the 2015/16 Municipal Year, when all Lead member positions on the Committee would be considered.

Officers advised that during the new municipal year the Council's Whistle Blowing Policy and Fraud Strategy would be looked at, which the Lead Fraud Members in particular could be involved with.

RESOLVED that

- 1) the update be noted; and**
- 2) the Lead Fraud Member vacancy on the Committee be appointed to at the first meeting of the new municipal year on 2nd July 2015.**

59. BENEFITS INVESTIGATIONS AND HOUSING BENEFITS OVERPAYMENTS - 1ST OCTOBER 2014 TO 31ST DECEMBER 2014

The Committee received a report which advised on the performance of the Benefits Services Fraud Investigation Service and Housing Benefits Overpayment for the 3rd quarter of 2014/15.

Officers highlighted the key elements of the report and responded to Member questions.

It was noted that a relatively high number of referrals received were not investigated. This was for a variety of reasons including duplicate referrals often being received and where information in relation to an allegation had already been correctly declared by the claimant and where there would be no effect on the claim. Sometimes insufficient intelligence was received to further investigate and in some cases referrals were passed on to other agencies where it might be beneficial for them to investigate.

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

The Housing Benefit fraud investigation function would transfer to the Single Fraud Investigation Service in February 2016. Officers were asked to report to Members if and when they had any tangible concerns arising as a result of the changes.

RESOLVED that

the report be noted.

60. INTERNAL AUDIT - PROGRESS REPORT

The Committee considered the Internal Audit Progress Report.

The report updated Members on audit reports issued/completed since the previous progress report in January, and also set out Internal Audit's performance for the period 1st April 2014 to 31st March 2015 against the performance indicators agreed for the service.

Officers highlighted the Cash Receipting audit which had resulted in a high priority recommendation in relation to the Payment Card Industry (PCI) Certification. Whilst work had been completed towards this, current certification had yet to be awarded and non-compliance with the PCI standards could result in the Council incurring penalties. Software for telephone payments was the key issue and whilst new software for this would be available from July there was a cost implication with this. An action plan was in place to try to address the issues highlighted and Internal Audit was comfortable that management were working to obtain PCI Certification. The new Payroll Manager would be working on PCI Certification, with it being the Financial Services Manager's priority to ensure that all reconciliation work was completed. A Member queried whether the Council could have a PayPal account, which Officers agreed to take away and look at.

Regarding the Limited Assurance given following the Golf Course audit in November 2014, Officers confirmed that following the Action Plan which had been agreed with management, the Leisure Services Manager had confirmed that all areas of concern highlighted were now in hand. Formal follow-up in this regard would take place by the 30 April when internal audit would look to ensure that sufficient measures had been put in place to address the original issues raised.

The Independent Member queried the large amount of money, in excess of £600k, which was currently being held in the Council's Suspense Account. He commented that this should be a temporary

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

controlled risk holding account, subject to the posting of funds to the correct accounts. Officers agreed that this was not an acceptable level and that they would prefer to see much smaller unallocated funds. Ideally balances should be viewable on a monthly basis, with Officers monitoring the levels, which the Independent Member agreed would assist in controlling any associated risks. Officers undertook to look into the position and to email Members in this regard.

RESOLVED that

the update report be noted.

61. INTERNAL AUDIT - ANNUAL AUDIT PLAN 2015/16

Members received the final Internal Audit Operational Plan for the Council for 2015/16, together with the key performance indicators for the Worcestershire Internal Audit Shared Service for the same period.

The draft Plan had been presented to Members at the previous meeting in January. Officers had not received any feedback from Members on the Plan and no requests for amendments to this had been made. As such the Plan was now being presented to Members for final approval.

Members were pleased to see the reduction of 84 chargeable audit days against the previous year's Plan. This had been possible as a result of increased shared and joint working arrangements between Redditch Borough Council and Bromsgrove District Council, together with efficiencies as a result of a better coordinated approach to audit delivery.

A Member queried whether the reduction would have any implications on staff which Officers confirmed it would as this was directly proportionate with staff allocations. Staffing issues would be considered as part of the changes and the Portfolio Holder stated that regular meetings would take place to monitor all outcomes over the next couple of years.

RESOLVED that

the report be noted and the Internal Audit Operational Plan for 2015/16 be approved.

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

62. ACCOUNTING STANDARDS

Officers advised Members that they would receive the Accounting Standards as part of the Statement of Accounts in September.

By way of an advance update, and as it was best practice to flag up anything which Officers were suggesting be changed under the Standards, Officers stated that for the 2014/15 financial year there would be a minimum reserve level of £500, with exception if required by the Heads of Service. This would help close the 2014/15 accounts, would be picked up as best practice from 2015/16 and was in advance of the 2017/18 changes to bring forward the completion and audit of accounts. From the 2015/16 financial year levels of acceptable estimates would also be looked at to assist in closing the accounts earlier.

Members were asked to note the upcoming changes which would be formally agreed in September as part of the Statement of Accounts.

RESOLVED that

the update be noted.

63. PORTFOLIO HOLDER'S UPDATE - QUARTERLY BUDGET MONITORING

The Portfolio Holder for Corporate Management advised that a report on the consolidated revenue and capital outturn and the Council's financial position for the period April to December 2014 had been presented to the Executive Committee on 10th March 2015.

A number of points had been considered as part of the report including:

- significant progress had been made during the year in achieving budget savings;
- the Council had exceeded the unidentified savings anticipated at the start of the year with budget savings of £697k having been achieved;
- significant savings had been achieved by Environmental Services, arising from the findings of a business case, and by the Customer Access and Financial Support team;
- there was a projected underspend in capital expenditure which was mainly due to a delay in the procurement of vehicles and plant for Environmental Services;

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

- a loss of income was being forecast for the CCTV and Lifeline services due to Worcestershire County Council withdrawing Supporting People funding;
- there had been a significant overspend on Leisure Services mainly due to a reduction in income arising from local competition and the closure of some services for essential maintenance; and
- the Council had attracted less income through sponsorship (i.e. advertising on the roundabouts) than had been anticipated at the beginning of the year.

Overall this was a very encouraging picture and so far as the Portfolio Holder was aware the Council was due to meet its predicted outturns.

Council systems and services were continually being reviewed as the Council was moving through extraordinarily difficult financial times with significantly reduced funding. The Council had an accomplished way of dealing with the financial pressures which did not involve huge cuts in service areas.

RESOLVED that

the update be noted.

64. ANNUAL REVIEW OF THE OPERATION OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE AND THE COMMITTEE'S PROCEDURE RULES

The Committee was invited to review the operation of the Committee during the 2014/15 Municipal Year and the Committee's Procedure Rules.

No comments were made by Members in either regard.

65. CALENDAR OF MEETINGS 2015/16

Members were presented with the meeting dates of the Committee for the 2015/16 Municipal Year. It was also noted that there would be an Officer briefing for all members of the Committee at 7.00pm on Thursday 10th September 2015 on the Statement of Accounts.

RESOLVED that

the Calendar of Meetings 2015/16 be noted.

Audit, Governance and Standards

Committee

Thursday, 23 April 2015

The Meeting commenced at 7.00 pm
and closed at 8.43 pm

.....
Chair

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

2nd July 2015

MONITORING OFFICER'S REPORT – STANDARDS REGIME

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder consulted	Yes
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 23rd April 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 at the meeting.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

- 1) 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; and**
- 2) the membership of the Hearings Sub-Committees, as detailed at paragraph 3.10 of this report, be agreed.**

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

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**2nd July 2015

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 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 ImplicationsMember 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 relates to declarations of interest and is currently on-going.

Member Training

- 3.4 Since the elections, training events have been held introducing Members to the work of the Planning Committee. The training was hosted by Bromsgrove District Council as they had “all out” elections this year. Trevor Roberts Associates delivered two evenings of training, which included setting out the policy background to planning and the role that councillors have in development control generally and the Planning Committee specifically. Whilst the first meeting of the Licensing Committee isn’t due to take place until later in July, quasi-judicial training has been held prior to the first meeting of the Licensing Sub-Committees to support Members in their role.
- 3.5 Code of Conduct training was held at the Town Hall on 3rd June 2015. Borough Councillors were also offered the opportunity to attend the training aimed at parish councillors on 24th June in Bromsgrove; similarly parish councillors were invited to attend the Borough Council event if the 24th June date was not convenient for them.
- 3.6 General (non-mandatory) training on the Audit, Governance and Standards Committee will take place immediately prior to this evening’s meeting. The training is aimed to support members of the Committee and any Members who may wish to sit as substitutes on the Committee. The training will outline the role of the Committee and what types of reports the Committee will consider from a Standards, Finance and Internal Audit perspective. Separate training from the Council’s External Auditors, Grant Thornton, will take place later in the year and there will also be an Officer Briefing on the Statement of Accounts taking place on 10th September 2015. Separate quasi-judicial

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**2nd July 2015

training is required for the conduct of any Standards Hearing, which would be arranged if required.

- 3.7 The next tranche of training for Borough Councillors, including safeguarding and equal opportunities, is currently being planned.

Hearings Sub-Committees

- 3.8 As part of the Council's Arrangements for Managing Standards Complaints under the Localism Act 2011 Hearings Sub-Committees exist, the membership of which needs to be agreed annually should a complaint reach Hearing stage.
- 3.9 As set out in the Committee Memberships report to the Annual Meeting of the Council on 21st May 2015, the chairing of the Hearings Sub-Committees will vary according to the circumstances of the Hearing (Labour Chair for a hearing about a Conservative Member and Conservative Chair for a hearing about a Labour Member).
- 3.10 The parent Committee of the Hearings Sub-Committees – previously the Standards Committee and now the Audit, Governance and Standards Committee – establishes membership of the Sub-Committees. Based on the same formula which was previously applied to the Sub-Committee memberships proposed memberships are set out below, which Members are asked to consider.

Hearings Sub-Committee 1

Cllr Thain (Chair), Cllr Brookes and Cllr Fisher.

Hearings Sub-Committee 2

Cllr Witherspoon (Chair), Cllr Chalk and Cllr Prosser.

Hearings Sub-Committee 3

Cllr Potter (Chair), Cllr R Smith and Cllr Fry.

Feckenham Parish Council Representative on the Committee

- 3.11 The Audit, Governance and Standards Committee comprises 9 elected Members (Redditch Borough Councillors), 1 Independent Member (non-voting co-opted) for the purpose of Audit and Governance and 1 Feckenham Parish Council Representative (also non-voting co-opted) for the purpose of

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

2nd July 2015

Standards. The Parish Council also seeks to appoint a Deputy Parish Representative to substitute for the Parish Representative should they be unable to attend a meeting.

- 3.12 As advised by Officers at the April meeting, Mr Kevin White who was the Parish Council Representative on the Committee stood down as a Parish Councillor at this year's Elections. Mrs Pat Dormer, Deputy Parish Representative, remains a Parish Councillor as has been sent the papers for this evening's meetings. Officers will liaise with the Parish Council Clerk regarding future Parish representation on the Committee and will report back to Members on this as appropriate.

Customer / Equalities and Diversity Implications

- 3.13 Any process for managing standards of behaviour for elected and co-opted councillors must be accessible to the public.
- 3.14 A copy of the arrangements for handling complaints against councillors are available via the Monitoring Officer and Officers will work to ensure that members of the public are made aware of the process for making a complaint through any relevant community engagement events.

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.

Complaint papers and various reports to/minutes of meetings of the Standards Committee, Audit, Governance and Standards Committee and Full Council, as detailed in the report.

AUTHOR OF REPORT

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AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

2nd July 2015

LOCALISM ACT 2011 – STANDARDS REGIME – GENERAL DISPENSATIONS

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

1. SUMMARY OF PROPOSALS

To consider the re-granting of general dispensations previously granted by the former Standards Committee and, since July 2014, the Audit, Governance and Standards Committee.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

- 1) subject to the caveat set out in paragraph 3.14 of this report in relation to setting the Budget, the Audit, Governance and Standards Committee grants dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and committee meetings when considering the setting of:
 - a) the Budget;
 - b) Council Tax;
 - c) Members' Allowances; and
 - d) Council Rents;
- 2) the Audit, Governance and Standards Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and committees in circumstances where a member of the public may elect to speak;
- 3) the Audit, Governance and Standards Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to participate in and vote at Council and committee meetings when considering the adoption of any new/updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the Borough;

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

2nd July 2015

- 4) the dispensations referred to at 1), 2) and 3) above take effect on receipt of a written request from Members for a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and
- 5) the dispensations referred to at 1), 2) and 3) above be valid until the first meeting of the Audit, Governance and Standards Committee after the Borough Council Elections in 2016.

3. KEY ISSUES**Financial Implications**

- 3.1 None.

Legal Implications

- 3.2 Section 33 of the Localism Act 2011 provides that Dispensations can be granted in respect of Disclosable Pecuniary Interests ("DPIs").
- 3.3 Section 33 (1) requires that a Member must make a written request for a dispensation.
- 3.4 Section 33 (3) provides that a dispensation must specify the period for which it has effect and that period may not exceed 4 years.

Service / Operational Implications

- 3.5 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.
- 3.6 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted "only if, after having regard to all relevant circumstances" the Committee considers that one of those situations applies.
- 3.7 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –
 - “(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****2nd July 2015**

- (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
 - (c) considers that granting the dispensation is in the interests of persons living in the authority's area,
 - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without them dispensation each member of the authority's executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive, or
 - (e) considers that it is otherwise appropriate to grant a dispensation."
- 3.8 The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee. This function has now transferred to the newly established (in 2014) Audit, Governance and Standards Committee.
- 3.9 On 12th December 2012 the Standards Committee resolved to grant, subject to receipt of the required written request from Members, general dispensations for the setting of the Council Tax, Council Rents and Members' Allowances, and also for Members' speaking rights (i.e. to those Members with a DPI who would otherwise be prevented from addressing Council and committees in circumstances where a Member of the public may elect to speak).
- 3.10 On 24th October 2013 the Standards Committee granted an additional general dispensation for when Members considered setting the Budget.
- 3.11 On 3rd July 2014 the newly established Audit, Governance and Standards Committee re-granted the dispensations referred to at 3.9 and 3.10 above, and also granted an additional dispensation in relation to the consideration of the Non-Domestic Rates –Discretionary Rate Relief Policy and Guidance.
- 3.12 All of the dispensations referred to at paragraphs 3.9, 3.10 and 3.11 are subject to receipt of the required written request from Members and remain valid until the first meeting of the Audit, Governance and Standards Committee after the Borough Council Elections which took place on 7th May 2015.
- 3.13 As this is the first meeting of the Committee since the Elections Members are asked to consider re-granting all of the previously approved dispensations for the year ahead; until the first meeting of the Audit, Governance and Standards after the Borough Council elections in 2016. The dispensation in relation to the Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance is being requested in the event the Policy and Guidance requires any future consideration by Members.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****2nd July 2015**

- 3.14 It should be noted that under Section 106 of the Local Government Finance Act 1992 there is a caveat that any Member who is 2 months (or more) in arrears with their Council Tax payments cannot participate in any Council meeting concerning the budget. In the event that any Members were affected by the provisions of section 106, the statutory rule that they be barred from taking part in the budget decisions would prevail and any dispensation granted under this report would not apply.
- 3.15 In accordance with the general dispensations previously granted by the Standards Committee, and in order to satisfy the requirement for Members to apply for a dispensation in writing, the Monitoring Officer will circulate to all Members a request form seeking a dispensation for Members to sign prior to any relevant considerations at Council and/or committee meetings. The dispensations will then take effect upon receipt of the appropriate signed written requests from Members.

Customer / Equalities and Diversity Implications

- 3.16 None.

4. RISK MANAGEMENT

The granting of general dispensations by the Committee will, subject to receipt of a written request from Members for such a dispensation, clarify, for the avoidance of any doubt, Members' ability to participate in and vote at Council and committee meetings on certain matters as part of the Council's decision-making process.

5. APPENDICES

None.

6. BACKGROUND PAPERS

Section 33 of the Localism Act 2011.

Section 106 of the Local Government Finance Act 1992.

Reports to Standards Committee on 12th December 2012 and 24th October 2013 and Audit, Governance and Standards Committee on 3rd July 2014.

AUTHOR OF REPORT

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AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 2ND JULY 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	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.'s 42 of 22.01.15 and 53 of 23.04.15 meetings refer	Andy Bromage & Jayne Pickering	Update to 02.07.15 meeting	Officers advised at 23.04.15 meeting that they would take this issue to the County Client Officer Group for discussion and would advise Members of the outcome in this regard. The next meeting of the County Client Officer Group is due to take place at the end of June 2015.
2	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.'s 37 of 22.01.15 and 53 of 23.04.15 meetings refer	Jayne Pickering	Update to 02.07.15 meeting	Officers to provide oral update at 02.07.15 meeting.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 2ND JULY 2015 MEETING

3	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, 36 of 22.01.15 and 53 of 23.04.15 meetings refer	Debbie Parker-Jones		It was agreed at the 23.04.15 meeting that the issue of meeting start times be re-visited if and when any clear need for change in start time is established. It is proposed that this issue be removed from the Action List and that Officers raise this again in future if necessary.
4	Grant Thornton Audit Plan 2014/15 – minor IT control weaknesses Regarding the minor control weaknesses identified which had been shared with the Council's IT manager, and which Officers were due to respond to the external auditors on, it was agreed that Officers would advise Members as to what action had been taken in this regard and what action remained outstanding.	Minute No. 55 of 23.04.15 meeting refers	Jayne Pickering & Deb Poole	Update to 02.07.15 meeting	Officers to provide update at 02.07.15 meeting.
5	Finance/Debt related updates During the course of the 23.04.15 meeting Officers undertook to provide Members with various finance/debt-related updates, details of which are set out at below.	Various Minutes of the 23.04.16 meetings refer	Jayne Pickering	See below	See below

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 2ND JULY 2015 MEETING

PayPal account

The Council does have a PayPal account however the fees and costs associated with this were calculated as excessive and not appropriate to receive income for the Council due to the cost.

Reserves list

The current reserves List is being updated as part of the final accounts process and will be sent to Audit, Governance and Standards Committee Members when complete. This will be by 7th July when it is published for Executive.

Aged debt listing

The aged debt listing is being prepared as part of the final accounts and will be emailed to Members once completed.

Suspense accounts

Suspense accounts have been cleared as part of the final accounts and the £600k was due to the implementation of the new financial ledger system and an issue with postings to new codes. There is currently approximately £5k in suspense. The cashiers section review suspense daily and finance review on a monthly basis.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

2nd July 2015

WORK PROGRAMME

(Note: The Audit, Governance and Standards Committee's Terms of Reference are attached for reference.)

30th September 2015

- **Monitoring Officer's Report – Standards Regime**
- **Parish Council Representative's Report – Standards Regime**
- **Committee Action List & Work Programme**
- **Independent Member Attendance and Performance Report**
- **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**
- **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)**

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

2nd July 2015

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**
- **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**

July 2016 (date not yet set)

- **Monitoring Officer's Report – Standards Regime** (including Hearing Sub-Committee memberships)
- **Parish Council Representative's Report – Standards Regime**
- **General Dispensations – Standards Regime** (first meeting of the Committee following any local elections)
- **Committee Action List & Work Programme**
- **General Risk Monitoring** (including any oral updates from the Committee's Lead Risk Members)
- **Annual Governance Statement 2015/16**
- **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 2016/17**

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

2nd July 2015

- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Progress Report**
- **Internal Audit – Annual Report 2015/16 (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.]

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 TERMS OF REFERENCE

Number of members	9 Councillors
Number of Co-opted, non-voting members	1 Independent non-voting Member for the purpose of Audit and Governance; 1 Parish Representative, who may not also be a Borough Councillor, for the purpose of Standards.
Politically Balanced Y/N	Y
Quorum	4 (to include at least one member of the Majority Group)
Procedure Rules applicable	Council Procedure Rules (with the exception of Council Procedure Rules 1-4, 10, 14, 18.2, 20.1 and 22)
Chair	The Chair and Vice-Chair of the Committee and any of its Sub-Committees will be a Borough Councillor.
Special provisions as to the Chair	For the sake of independence, the Chair shall not be a member of the controlling political group.
Terms of Reference	<u>Audit and Governance</u> <u>Internal and External Audit</u> 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

	<p>ensuring that an adequate and effective system of internal financial controls is maintained, that financial procedures are regularly reviewed.</p> <p>d. To consider, monitor and review the Council's overall corporate governance arrangements.</p> <p>e. To enhance the profile, status and authority of the internal audit function which will demonstrate its independence.</p> <p>f. To focus audit resources by agreeing, and periodically reviewing, audit plans and monitoring delivery of the audit service.</p> <p>g. To receive and consider such internal audit reports that the Chair and/or Deputy Chief Executive considers necessary.</p> <p><u>Risk</u></p> <p>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.</p> <p><u>Finance and Value for Money</u></p> <p>i. To consider and approve the Council's Annual Statements of Accounts.</p> <p>j. To consider any report from the Internal Audit Manager in pursuance of Financial Regulations.</p> <p>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.</p> <p>l. To keep under review, and make recommendations on, proposed amendments to Financial Regulations.</p> <p>m. To consider and make recommendations if appropriate on, the Annual Governance Statement.</p>
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	<p><u>Standards</u></p> <ul style="list-style-type: none"> 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.
Special provisions as to membership	The Committee to comprise elected Members representing all interests of the Authority, preferably with relevant areas of expertise, where possible (such areas as accountancy, audit, business and commerce.)

	Can be members of the Executive Committee, but Party Group Leaders may not be, or act as substitutes for, members of the Committee.
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STANDARDS SUB-COMMITTEE**(Parent Committee – Audit, Governance and Standards Committee)**

Number of Members	3. The Audit, Governance and Standards Committee may from time to time determine procedures for membership of its sub-committees.
Politically Balanced Y/N	N
Quorum	3
Procedure Rules applicable	Council Procedure Rules (with the exception of Council Procedure Rules 1-4, 10, 14, 18.2, 20.1 and 22)
Terms of Reference	To carry out assessment of allegations that a Borough or parish councillor or co-opted councillor (or former councillor or co-opted councillor) may have failed to follow the Code of Conduct
Chair	A member of the Standards Committee. When assessing a complaint, the Chair will not be from the same political group as the Councillor who is the subject of the complaint.
Whipping arrangements	N/A
Substitutes	The Audit, Governance and Standards Committee may from time to time determine procedures for substitution at meetings of Standards Assessment Sub-Committees.
Special provisions as to membership	Only those Councillors who have undertaken *appropriate training may sit on the Standards Assessment Sub-Committees.

	<p>The Chief Executive, in consultation with the Member Development Steering Group will determine the criteria to be met will determine whether individual Councillors have met those criteria.</p> <p><i>* Specific Standards Hearing-related training.</i></p>
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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****2nd JULY 2015****GRANT THORNTON – AUDIT FEE LETTER 2015/16**

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

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Audit Fee letter for 2015/16 from the Councils External Auditors Grant Thornton and to approve the level of fee.

2. RECOMMENDATIONS

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

3. KEY ISSUES**Financial Implications**

- 3.1 The 2015/16 budget assumes the level of fee as set in the attached letter. This is a reduction of £20k on the fee for 2014/15 as a result of procurement exercises run by the Commission across both the Local Government and Health sectors.

Legal Implications

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

Service / Operational Implications

- 3.3 External Auditors have a duty to carry out all work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice.
- 3.4 The areas of work include
- Audit of Financial Statements
 - Value for Money Conclusion
 - Work on Whole Of Government Accounts

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****2nd JULY 2015**

- 3.5 In addition the fee for the review and validation of the grant claims has been reduced from £13k to £11k.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Grant Thornton Audit Fee Letter

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

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13 April 2015

Dear Kevin

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for Redditch Borough Council along with the scope and timing of our work and details of our team.

Scale fee

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

The Council's scale fee for 2015/16 has been set by the Audit Commission at £57,960, which compares to the audit fee of £77,280 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Chartered Accountants

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Scope of the audit fee

The scale fee covers:

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

Value for Money conclusion

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

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

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £10,529.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	14,490
December 2015	14,490
March 2016	14,490
June 2016	14,490
Grant Certification	
December 2016	10,529
Total	68,489

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to February 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in August 2016 and work on the whole of government accounts return in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015- February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	August to September 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to September 2016	Audit Findings (Report to those charged with governance)	As above
Financial resilience	January to September 2016	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Phil Jones	0121 232 5232	phil.w.jones@uk.gt.com
Engagement Manager	Zoe Thomas	0121 232 5277	zoe.thomas@uk.gt.com
In Charge Auditor	Kathryn Kenderdine	0121 232 5316	Kathryn.a.kenderdine@uk.gt.com

Additional work

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

Quality assurance

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

Yours sincerely

Phil Jones

Engagement Lead

For Grant Thornton UK LLP

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE 2nd July 2015

GRANT THORNTON UPDATE – JUNE 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 general issues and developments that may impact on the Council in the future.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note updates as included on Appendix 1.**

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications

Legal Implications

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

Service / Operational Implications

- 3.3 The report attached at Appendix 1 updates Member on the Emerging Issues and Developments that are relevant to the Council and may impact in the future.

- 3.4 These include

- Building a successful Local Authority Trading Company
- Welfare Reform Review
- Local Government New Burdens
- 2014/15 Accounts Hot Issues

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

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE 2nd July 2015

Customer / Equalities and Diversity Implications

3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – June 2015 Grant Thornton Report

6. BACKGROUND PAPERS

7. KEY

N/a

AUTHOR OF REPORT

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Audit Committee Update

Year ended 31 March 2015

June 2015

Phil Jones

Director

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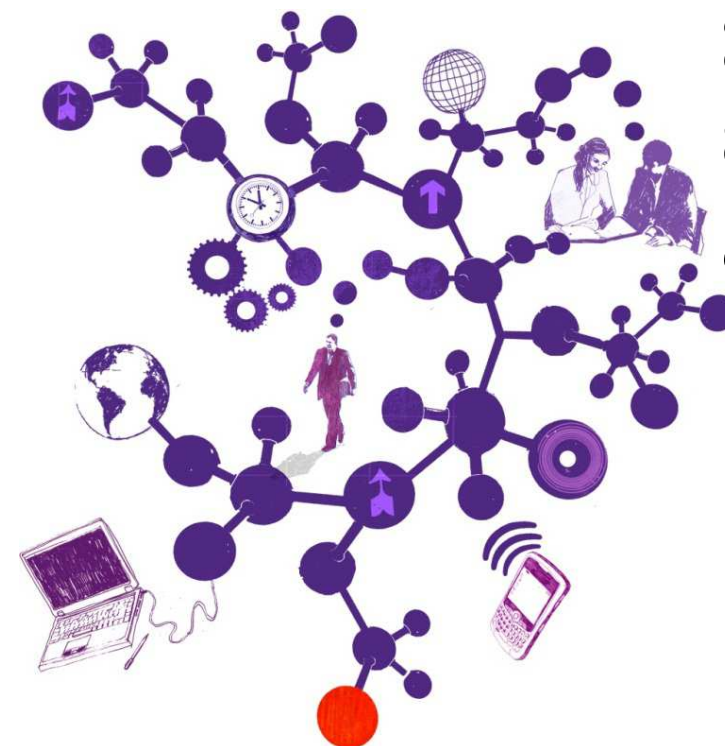
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Zoe Thomas

Audit Manager

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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.

Contents

Section	Page
Emerging issues and developments	
Grant Thornton	5
Local government issues	7
Accounting and audit issues	10

Introduction

This paper provides the Audit Committee with:

- 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:

- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- 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.

Spreading their wings: Building a successful local authority trading company

Grant Thornton

Our report, 'spreading your wings' focuses on how to set up a local authority trading company and, importantly, how to make it successful. It is available at <http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf>

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

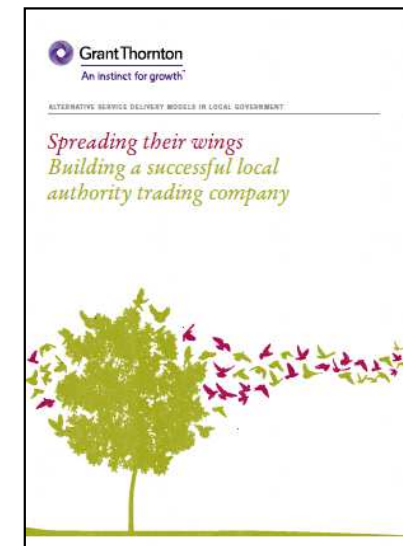
The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with.

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



Welfare Reform Review: Easing the burden

Grant Thornton

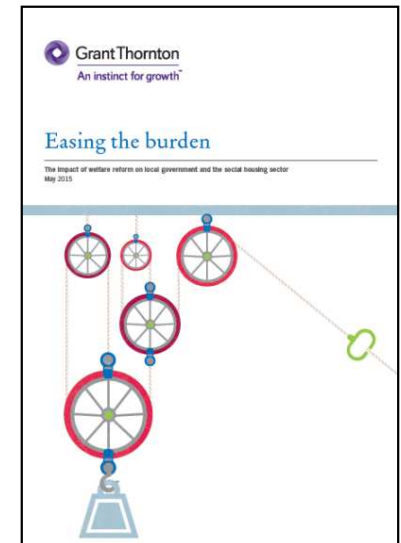
Our second welfare reform report, 'Easing the burden' provides insight into the impact of welfare reform on English local authority and social housing organisations over the past two years. It is available at <http://www.grant-thornton.co.uk/Global/Easing-the-burden-welfare-reform-report.pdf>

It focuses on the governance and management arrangements being put in place across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

The key messages include:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed have seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There has been limited movement to smaller properties as a result of the spare room subsidy and benefit cap reforms,
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay.
- Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP, hardship funding and general funding reductions inhibit the ability of local authorities and housing associations to pursue early intervention policies, preventing people falling into long-term benefit dependency. This has cost implications for the medium- to long-term.
- The cost of administering housing benefit is rising as a result of welfare reform. Around half of local authorities and housing associations surveyed said housing benefit is becoming significantly more costly to administer, partly due to the increased complexity of cases.

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



The Queen's Speech 2015 – what it means for local government

Local government issues

The Queen's Speech was presented to Parliament on 27th May 2015 and set out the new government's policies and proposed legislative programme for the next parliamentary session. There are a range of proposals impacting on local government, including:

- A Cities and Local Government Devolution Bill aimed at boosting growth and increasing local government productivity and efficiency. It will provide the legislative framework to deliver the Greater Manchester deal and other future deals. The provisions of the bill will be applied to specified combined authorities and their areas, led by an elected mayor.
- A Housing bill extending right to buy legislation to housing associations and requiring local authorities to dispose of high-value vacant council houses. This bill will also introduce measures to simplify and speed up the neighbourhood planning system other changes to housing and planning legislation to support housing growth.
- An Education and Adoption bill that aims to speed up intervention in failing schools and requires inadequate, and coasting schools to become academies. It is also planned to introduce regional adoption agencies, working across local authority boundaries to reduce delays in the adoption system.

Challenge question

Have members:

- been briefed by [your Chief Finance Officer] on the new government's proposed legislative programme and its likely impact on the Council?

Local Government New Burdens

Local government issues

The National Audit Office (NAO) published its review of new burdens on local government on 5th June 2015.

In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes.

The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments. It concludes that:

- government departments have embraced the new burdens Doctrine and the DCLG's guidance has promoted consistent assessment and encouraged consultation with local government on the impact of new requirements;
- however, the government is not sufficiently open about which new burdens are assessed or the outcomes of assessments; and
- the DCLG has not promoted post implementation reviews to ensure funding is adequate.

The NAO also concludes that the DCLG needs to use intelligence from new burdens regime better, to improve its understanding of the pressures affecting local authorities' financial sustainability.

Challenge question

Have members been briefed [by your Chief Finance Officer] on the key findings of the NAO's review of new burdens on local government?

English devolution – local solutions for a successful nation

Local government issues

The Local Government Association's (LGA) white paper on devolution includes a warning to the new government that the principle of cuts without reform could stifle growth and development and challenge the sustainability of vital local services. The paper sets out:

- Why devolution matters
- The principles to sustain devolution
- A road map to follow to help deliver reform
- Proposals that will strengthen accountability and governance in the new system

It states that:

Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.

Challenge question

Have members been briefed [by your Chief Executive/Chief Finance Officer] on the headline messages from the LGA's white paper on devolution?

Understanding your accounts – Member guidance

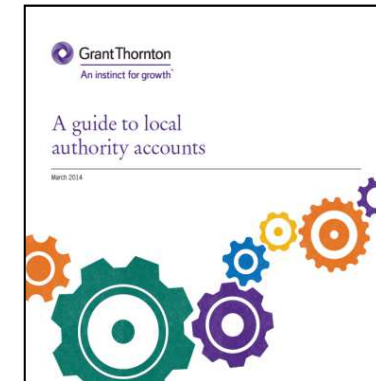
Accounting and audit issues

Local authority Audit Committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand.

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members to the Audit Committee may find this guide helpful.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in a surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at the year end; and
- other statements and additional disclosures



We have provided copies of the Guide to Local Authority accounts to the Council for distribution to the Audit Committee.

2014/15 Accounts hot issues

Accounting and audit issues

As part of our audit of local authorities 2014/15 accounts we will be considering the following issues

Accounting for schools – in particular the judgements made on whether to include non current assets for voluntary aided and voluntary controlled schools on the Council's balance sheet

Provisions for business rates appeals – as a result of a change in rules relating to business rates appeals we do not expect to see provisions for unlodged appeals in 2014/15 accounts

Early payment of pension contributions – we expect authorities that are spreading the impact of pension deficit contributions to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund and the accounting judgements and treatment in the 2014/15 accounts should reflect the advice received

Inclusion of overtime in the calculation of holiday pay – authorities that are likely to be affected in a material way by the Employment Appeal Tribunal judgement on the extent to which overtime pay should be included in the calculation of holiday pay should include an appropriate provision in their 2014/15 accounts

Challenge question

Has your review of the Council's 2014/15 accounts included consideration of these hot issues?



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AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

2nd July 2015

BENEFITS INVESTIGATIONS - 1 January 2015 – 31 March 2015

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

1. SUMMARY OF PROPOSALS

This report gives performance information in relation to Benefits Fraud Investigation and Housing Benefits Overpayment for the 4th 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 2014 to 31st March 2015 in relation to Housing Benefit and Council Tax Support amounted to almost £30.25m.
- 3.2 Successful investigation of fraud can impact upon areas of benefit administration, particularly in identifying overpayments. £70,519.11 in Housing Benefit and £10,998.75 in Council Tax Benefit/Support 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 across Redditch Borough Council and Bromsgrove District Council. Their purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity against the Authority with regard to Housing Benefit and Council Tax Support claims. All members of the team have completed the nationally

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

2nd July 2015

recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role

- 3.5 As at 31 March 2015 there were 6,030 live Housing Benefit claims and 7,043 Council Tax Support claims in payment. Approximately 58% of the caseload is made up of customers of working age meaning that there are a large number of changes on claims when people move into or out of work and claiming various benefits and tax credits.
- 3.6 Although measures have now been in place for some time, which benefit both the customer and the Authority, to make these transitions easier to manage, it remains an area of risk of fraud and error entering the system. Both Housing Benefit and Council Tax Reduction are means tested benefits meaning that there are potential financial incentives to under declare income and savings or not to report a partner who may be working or have other income.
- 3.7 During this quarter 179 fraud referrals were received by the team.
- 3.8 Fraud referrals come from a variety of sources and can relate to any aspect of a claim. Both the source of referral and the fraud types are grouped in order for analysis to be carried out and performance monitored.
- 3.9 Referral sources are grouped as follows –
- From members of the public
 - From data-matching
 - From official source
- Further information on all 3 of these sources can be found in the following paragraphs.
- 3.10 Fraud types are also grouped into 3 categories as follows
- Accommodation related which includes alleged contrived tenancies, landlord fraud, non-commercial tenancies which have been created to take advantage of the Housing Benefit scheme and non-residency.
 - Income related which includes undeclared capital or income such as wages, pensions, other benefits or from sub-letting.
 - Household composition related which includes undeclared partners or other residents in the property.
- 3.11 94 (52.5%) of the fraud referrals received in this quarter were received as a result of data-matching
- 3.12 70 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) where our live benefit

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

2nd July 2015

caseload is matched 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.

- 3.13 22 of data-match referrals came through the matching of real time information (RTI). This is another programme run by the DWP where Housing Benefit data is matched against the RTI information that employers and pension providers are now required to submit to HM Revenue and Customs (HMRC). Any discrepancies are sent to the authority in a data file which is processed by the administration team. The results are recorded and fed back to the DWP then fraud referrals are raised in appropriate cases following completion of the action on the claim.
- 3.14 The remaining 2 data-match referrals were raised as a result of the latest National Fraud Initiative (NFI) exercise which is a national scheme now run by the Cabinet Office every other year, for the purpose of identifying fraud and error within and between Local Authorities across a variety of data sets.
- 3.15 Although results show that data matching continues to be an excellent tool in detecting fraud and error, some of the data that ours has been matched against will have changed and the matches cannot be taken to be correct without further investigation. The NFI exercise is a very basic data match and therefore requires a high level of manual intervention in order to identify relevant cases. For example, all customers claiming Housing Benefit and/or Council Tax Support whilst also receiving a Local Government pension will be referred as a match even though the vast majority will have correctly declared their circumstances.
- 3.16 50 (28%) of the fraud referrals received during the period were from official sources. Of these
- 5 were received from the Department for Work and Pensions (DWP)
 - 39 from within Redditch Borough Council (RBC), mainly within the Benefit Team
 - 2 from staff within RBC Housing Department
 - 1 from another landlord/housing provider
 - 3 from the police
- 3.17 35 (19.5%) of the referrals came from members of the public, continuing to demonstrate the value of maintaining a high level of fraud awareness within the local community.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

2nd July 2015

- 3.18 28 of the referrals from the public were made by anonymous telephone call directly to the team, 1 through the DWP National Fraud Hotline and 6 by anonymous letter.
- 3.19 This indicates that the majority of members of the public reporting fraud still prefer to raise their suspicions of fraud anonymously by telephone, despite the on-line reporting form now being available on Benefits pages within the RBC website.
- 3.20 Where fraud referrals relate to benefits paid by both RBC and the DWP, wherever possible a joint approach is taken to ensure that the full extent of offending is uncovered and appropriate action taken by both bodies. This maximises staffing resources as depending on workloads either body can take the lead which also prevents duplicate investigation work .
- 3.21 65 investigations were closed as follows during this period and fraud or error was established in 64 of these cases:
- 1 customer was prosecuted. The offence related to undeclared capital and a summary of this case is given in Appendix 1.
 - 11 customers accepted a formal caution. The offences in all of these cases related to either undeclared earnings or other income.
 - 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.
 - 49 cases were closed as fraud/error proven following a change being identified to benefit entitlement and/or an overpayment established. 1 of these cases related to accommodation related referrals, 44 to income related referrals and the other 4 to household composition related referrals.
 - A further 3 cases were closed with a positive outcome recorded after the claims ceased to be paid within 4 weeks of contact with the customer as a result of the fraud referral. 1 of these cases related to the commerciality of the tenancy and the other 2 to undeclared partners. Background enquiries will have been carried out on the referrals in this category but there will have been insufficient evidence found to investigate fully and therefore the allegation has been discussed on an informal basis.
- 3.22 When an overpayment has been identified but a full investigation is not considered appropriate, customers are sent a letter reminding them of

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

2nd July 2015

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.

- 3.23 The numbers of referrals and sources of those referrals received since April 2011 are set out in Appendix 2.
- 3.24 82 referrals were not 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.
- 3.25 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. During this period 18 referrals were passed to the DWP and 4 to other official bodies.
- 3.26 In cases where the initial referral and background enquiries does not provide sufficient intelligence for there to be a reasonable likelihood of proving fraud, the customer will be interviewed informally to review the claim and discuss the allegation appropriately. 2 further cases were referred for intervention on the claim during this period.
- 3.27 Some of the investigations that are carried out will not establish fraud. The aim is to keep this number to a minimum to ensure that resources are concentrated on cases likely to result in a positive outcome. There was one case in this category for this period.
- 3.28 Wherever investigations could also have implications on other areas of the Council's services, such as Council tenancies, the Investigation Officer works closely with appropriate Officers in order for all aspects to be covered. Likewise, if the investigation identifies a potential impact for an external service area, the information will also be shared appropriately.
- 3.29 All aspects of a case are taken into consideration at each stage of an investigation from the referral stage through to the decision on whether prosecution or an alternative sanction is appropriate.
- 3.30 When deciding whether investigation is appropriate initially, the potential loss to public funds is the primary consideration which is balanced against resources available to investigate. This ensures that the cases most likely to result in a large overpayment and therefore most appropriate for prosecution are prioritised. If however it is decided that full investigation is not possible but there is still a risk that benefit is incorrectly in payment, the case will be referred back to the Benefit Team for the matter to be addressed and the claim corrected.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

2nd July 2015

- 3.31 The case is again reviewed completely when deciding whether prosecution or an alternative sanction is appropriate following investigation. In doing this the offence that has been committed will be looked at alongside the amount of benefit obtained. Any mitigation that the customer has given during interview will be taken into consideration along with their co-operation with the investigation and any previous investigations into their claim. The cases most likely to be recommended for prosecution are those with the longest period of offending. Any opportunities for the customer to have reported the true facts themselves or the Authorities ability to have possibly identified the offences sooner are also considered.
- 3.32 It is appropriate to consider alternative sanctions where the offences do not warrant the costs and consequences involved in prosecution as a first option. In doing this the customer's full circumstances will be considered including their financial situation. The main purpose of a caution or administrative penalty is to ensure that the customer understands the seriousness of their offending and to prevent any further fraud being committed.
- 3.33 The minimum administrative penalty payable is £350 and this is usually only considered when there is a realistic chance of recovering this amount within a reasonable period of time in addition to recovering the overpayment. This practice has been in place for some time and cautions are usually offered when an administrative penalty is not considered appropriate.
- 3.34 Very few repeat investigations are carried out on customers who have accepted either a caution or administrative penalty which demonstrates the value of each as an alternative sanction.
- 3.35 The investigation of Housing Benefit transfers to the DWP under the Single Fraud Investigation Service in February 2016. Responsibility for the investigation of Council Tax Support will remain within RBC as will processing data matches received from HBMS and NFI. Decisions have to be made over the next few months on the resources that RBC will need to retain from within the team in order to continue these functions.

Customer / Equalities and Diversity Implications

- 3.36 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

**AUDIT, GOVERNANCE AND STANDARDS
COMMITTEE**2nd July 2015

Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and incur additional costs. 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 64 year old man was prosecuted for offences of failure to declare the full amount of his capital and only declaring 2 of his 3 occupational pensions.

This investigation began as a result of a HBMS data-match referral indicating the undeclared capital. Further enquiries confirmed this and went on to identify the undeclared pension.

Overpayments of £4,078.96 Housing Benefit and £1,034.29 Council Tax Support were established, all being repaid in full prior to the prosecution.

The customer was sentenced to a 4 week curfew between the hours of 9 p.m. and 7 a.m. He was also ordered to pay a £60 victim surcharge and £85 costs.

Case 2

A 37 year old woman accepted a caution after admitting offences relating to failing to declare an increase in her earnings.

This investigation was started after overpayments of £951.54 Housing Benefit and £204.69 Council Tax Support were calculated following receipt of RTI information.

A caution was considered appropriate in this case due to the amount of overpaid benefit and period of offending.

During the interview under caution it came to light that the customer needed further support with regard to her financial situation and problems she was having with her employment. Arrangements were put in place by the Investigation Officer for the appropriate help to be given.

The customer has now left the area and recovery of the overpayment is in pursuit.

Case 3

The investigation into the claim of a 70 year old woman who had failed to declare an occupational pension was closed without sanction.

This investigation also began as a result of HBMS data-match suggesting that the customer was receiving a small pension from a previous employer. Because the claim had only been put into payment on 20 January and the data-match was received on 3 February the customer was contacted by telephone as these referrals are not always reliable because often small pensions have been paid out in a lump sum years before any benefit claim was made.

Unfortunately the customer was in hospital receiving treatment for a serious illness when the telephone call was made but she was able to confirm that she was receiving a pension that she had failed to declare when making her claim.

An overpayment of Housing Benefit amounting to £76.47 was calculated and has been recovered from on-going entitlement. A letter was issued to the customer reminding of her responsibility to correctly declare circumstances in future and any changes as they take place.

Appendix 2

Referrals by source

Quarter ending	Public	Data matching	Official source	Total
March 2015	35	94	50	179
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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2nd July 2015

INTERNAL AUDIT - ANNUAL REPORT 2014/15

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 to Members:

- the Internal Audit Annual Report for 2014/15; and,
- the 2014/15 Worcestershire Internal Audit Shared Services Manager's annual opinion on the overall adequacy of the Council's internal control environment (Appendix 3)

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

Service/Operational Implications

3.3 This report provides an overview of the utilisation of Internal Audit resources during 2014/15.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2nd July 2015

- 3.4 Appendix 1 shows during 2014/2015 there were 470 productive audit days used against a budget of 484. This equates to a delivery of 97% against an agreed target for the year of 90%.
- 3.5 Appendix 2 provides a breakdown of the audits completed and the overall assurance.
- 3.6 The Worcestershire Internal Audit Shared Service has achieved and delivered the full 2014/2015 audit plan.
- 3.7 For 2014/15 the Annual Audit Plan was approved by the Audit, Governance and Standards Committee on 24th April 2014. The Internal Audit Plan was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example, Forge Mill, Housing Repairs and Maintenance Golf Course, Rent Guarantees and Deposits were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 3.8 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment, process re-engineering and transformation are taken into consideration within the annual plan.
- 3.9 The purpose of the 2014/15 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
 - Audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit,
 - An opinion can be formed on the adequacy of the Authority's system of internal control (reported in Appendix 3), which feeds into the Annual Governance Statement which is presented with the statement of accounts.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2nd July 2015

- 3.10 2014/15 was a demanding year for the Internal Audit team with the loss of an Auditor mid way through the year but overall there has been more stability in the team. Internal Audit has carefully managed its resource and worked with partners to deliver the full audit programme (as revised) for Redditch Borough Council for 2014/15.

Quality Measures

- 3.11 Managers are asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product – see Appendix 2.
- 3.12 To further assist the Committee with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conforms to Public Sector Internal Audit Standards 2013.
- 3.13 During 2014/15 (and up to the drafting of this report) 23 final audit reports along with 6 draft reports have been issued along with an investigation. Summaries of these audit reports, plus the Auditors opinion on the effectiveness of the controls operating within those areas and an action plan containing recommendations to address the identified control weakness, have been reported to the Audit, Governance and Standards Committee on an on going basis throughout the year.
- 3.14 Based on the audits performed in accordance with the audit plan the Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2014/15 effectively managed the principal risks identified in the audit plan.
- 3.15 Worcestershire Internal Audit Shared Service Internal Audit activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and unrestricted access to senior management and the Audit, Governance and Standards Committee.
- 3.16 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. All staff work to a given methodology and have access to the internal audit manual and Charter which is reviewed regularly.
- 3.17 The Client Officer group meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan, and, promote continuous improvement.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2nd July 2015

- 3.18 Risk Management features as part of the audit programme for the year. Reports are brought before the Committee for consideration.
- 3.19 Work is continuing in respect of the NFI exercise. Appropriate action is being taken and work is progressing to identify any potential fraudulent activity for example overpayment for housing benefits, income support, etc. The amount of fraudulent activity identified by the 2012/13 exercise as at the 6th May 2015 for Redditch Borough Council was £49,860.40. This is a biennial exercise. The last significant data extract was during 2014/15 and is currently being worked on.
- 3.20 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 seek to place reliance on such work thus reducing the internal audit coverage as required

Annual Governance Statement ~ Assurance Checklist Statements 2014/15

- 3.21 It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.
- 3.22 In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist all Fourth Tier Managers were asked to complete an internal control checklist covering Strategic and Operational, Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management and Anti Fraud, Performance Management and Data Quality, Inventories and independent recommendations from outside bodies including audit.
- 3.23 Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise.
- 3.24 All of the Annual Governance Statement Assurance Checklist Statements have been returned, Review of the returned statements indicates that although work continues to strengthen some control requirements they did not identify any areas that present a significant and material risk.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2nd July 2015

Work of interest to the External Auditor

- 3.25 To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information. The results of the work that we perform on eight systems audits will be of direct interest to External Audit. Audit reports are passed to the external auditor on request for their information.

External Work

- 3.26 The work to deliver the Hereford and Worcester Fire and Rescue Service internal audit contract was predominantly completed during 2014/15 with only management responses awaited in order to finalise two audits. Threadneedle House in Redditch was also delivered during 2014/15 along with the Bus Operators Grant which was also audited during the year for grant claim purposes. Internal Audit was able to advise there were no material mis-statements contained in the Threadneedle House accounts or grant claims.

Anti-Fraud and Corruption Survey.

- 3.27 The Protection the Public Purse anti fraud and corruption survey was completed by Internal Audit and submitted on the 1st May 2015 in respect of financial year 2014/15. The survey examined several key anti fraud measures that exist within the Council. Further work was also completed as part of the audit programme in this area. There were some weaknesses found during the audit to which action will be taken to strengthen them.

Follow Up Work

- 3.28 An on going programme of 'follow up' in regard to the implementation of audit report recommendations continued during 2014/15. The outcome of the 'follow up' work is reported to the Committee on an exception basis as part of the progress reports. During 2014/15 there have been no exceptions to report in regard to follow up audit work. The 'follow up' audit work undertaken during 2014/15 has been reported in Appendix 2.

Customer / Equalities and Diversity Implications

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

**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE**2nd July 2015

4. RISK MANAGEMENT

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

- Non-compliance with statutory requirements

5. APPENDICES

Appendix 1 Delivery against plan 2014/15

Appendix 2 Audits completed with Assurance 2014/15

Appendix 3 Service Managers Audit Opinion and Commentary

6. BACKGROUND PAPERS

None

7. KEY

N/a

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**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE**

2nd July 2015

APPENDIX 1**Delivery against Internal Audit Plan for 2014/15**
1st April 2014 to 31st March 2015

Audit Area	2014/15 PLAN DAYS	DAYS USED TO 31/03/15
Core Financial Systems (Note 1)	112	111
Corporate Audits(Note 2)	160	143
Other Systems Audits	158	159
TOTAL	430	413
Audit Management Meetings	20	21
Corporate Meetings / Reading	9	9
Annual Plans and Reports	12	12
Audit Committee support	13	13
Other chargeable (Note 3)	0	2
TOTAL	54	57
GRAND TOTAL	484	470

Note 1

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

Note 2

'Other Systems Audits' include budgets which are used throughout the year as well as those budgets which are used for specific events (e.g. investigations) on a draw down basis therefore the amount of days used can fluctuate across the financial year quarters, or, remain unused at the year end

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

2nd July 2015

and are reflected in the reported figure. This did not compromise the overall audit plan delivery.

Note 3

2 days 'other chargeable' relate to audit time whereby there was considerable disruption in the delivery of the service due to technical issues at the Town Hall e.g. ICT system delivery interruption.

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 Year End Position	Frequenc y of Reporting
1	**No. of high priority 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 and 3 good)	4 (7 returns; 4 excellent and 3 good)	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered = 29 Reports	Target = 29 Delivered = 29 Reports	Target =24 (minimum) Delivered = 23 Final Reports 6 Draft Reports	Quarterly

Note:

** Although this indicator can be used as a year on year trend indicator it must be remembered that different audit areas are examined each year and depending on particular outcomes this figure can fluctuate.

*This figure only includes finalised audit report recommendations and reported assurances therefore is subject to change (i.e. increase) depending on the draft report outcomes.

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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2nd July 2015

Appendix 2

Audit Opinion Analysis ~

Audits completed during financial year 2014/2015:

Audit Report / Title 2014 - 2015	Final Report Issued	Assurance Level
Planning Enforcement	3rd September 2014	Significant
Rent Arrears	27th October 2014	Significant
Elections	27th October 2014	Significant
Rent Guarantee and Deposits	5th November 2014	Significant
DFGS and HRAs	12th November 2014	Significant
Asset Management	20th November 2014	Significant
Treasury Management	28th November 2014	Significant
Procurement	18th December 2014	Significant
Debtors	5th January 2015	Significant
Council Tax	6th February 2015	Significant
Benefits	11th February 2015	Significant
Creditors	15th May 2015	Significant
Payroll	15th May 2015	Significant
Corporate Governance - Appointments to Outside Bodies	20 th April 2015 (D)	Significant (D)
Land Charges 2014/15	18th July 2014	Moderate
Planning Fees	3rd September 2014	Moderate
Data, Security, Publication and Disposal	9th September 2014	Moderate
Housing Repairs and Maintenance	22nd January 2015	Moderate
Cash Receipting	29th January 2015	Moderate
Forge Mill	6th February 2015	Moderate
Reddicards	11th February 2015	Moderate
NNDR	6th February 2015	Moderate
Main Ledger	17 th June 2015 (D)	Moderate (D)
Golf Course	28th November 2014	Limited
Housing Repairs Special	5th February 2015	N/A Critical Friend
Risk Management	26 th May 2015 (D)	N/A Critical Friend (D)
Budget Setting	26 th May 2015 (D)	N/A Critical Friend (D)
Shared Service		
ICT	27th March 2015 (D)	N/A Critical Friend (D)
Worcestershire Regulatory Services	25 th March 2015 (D)	Limited (D)

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

2nd July 2015

Follow Up		
2012-13 / 2013-14 Leisure (incl. Kingsley, Sports Development)	25th February 2015	October 2014 follow up outcome further follow up arranged
2012-13 - Grants to Voluntary Bodies	23rd April 2014	Satisfied April 2014
2012-13 - Landscaping and Grounds Maintenance	7th May 2014	Satisfied January 2015
2012-13 - Street Scene	7th May 2014	April 2014 follow up outcome further follow up arranged
2012-13 – Stores, Depot & Small Plant	27 th March 2013	Satisfied January 2015
2012-13 Markets	18 th March 2013	Satisfied September 2014
2012-13 Crematorium & Cemeteries	26 th April 2013	Satisfied November 2014
2013-14 Dial A Ride	24 th June 2013	Satisfied July 2014
2013-14 Allotments	24 th October 2013	Satisfied May 2014
2013-14 Mutual Exchanges	12 th June 2014	Satisfied February 2015
2013-14 Woodland Management Income	1 st May 2014	Satisfied January 2015

Summary of 2014/15 Audit Assurance Levels.

2014/15	Number of Audits	Assurance	Overall %
From 29 audits	0	Full	0%
	14	Significant	48%
	9	Moderate	31%
	2	Limited	7%
	0	No	0%
	0	To be confirmed	0%
	4	N/a	14%

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2nd July 2015

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2014/15 financial year indicated that:

- The majority of auditees were more than happy with the process and format of the audits. This continues to be further developed.
- A Manager commented, "The Repairs & Maintenance audit was carried out in a professional manner" and, "Consideration was given to staffs current work load so that the audit process did not impact on their day to day duties".
- There is a high satisfaction rate with the audit product from the data received.

Of the 7 questionnaires received; 4 returned as 'excellent' and 3 as 'good'.

Overall Conclusions:

- 93% of the audits undertaken for 2014/15 which have received an assurance allocated returned an assurance of 'moderate' or above. This figure is inclusive of the critical friend audits i.e. 'N/A'.
- Clients are satisfied with the audit process and service from the data received.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2nd July 2015

Appendix 3

Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Redditch Borough Council (the Council) for the Year Ended 31st March 2015.

1. Audit Opinion

- 1.1 The internal audit of Redditch Borough Council's systems and operations during 2014/15 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit and Governance Committee on 24th April 2015.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City, for 5 district councils. The shared service operates within, and conforms to, the Institute of Internal Auditors Public Sector Internal Audit Standards and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2014/2015 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example, Land Charges, Planning Fees, Forge Mill, Reddicards and Data Security, Publication and Disposal were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 1.4 The required audit reports identified in the plan were delivered and have helped to provide sufficient coverage for the Service Manager to form an overall audit opinion.
- 1.5 In relation to the twenty nine reviews that have been undertaken, twenty three have been completed and six are nearing completion at draft report stage. Risk management was re-launched during 2012/13

**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****2nd July 2015**

with further development and embedding required in order to move towards a trustworthy system which can be relied upon. Further work is required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Group. An area which returned an assurance level of 'limited' was the Golf Course. A clear management action has been formulated to address the weaknesses and issues identified. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer. Worcester Regulatory Services (WRS) remains a risk area in regard to reconciliations of cash and licensing fees. However, it has been agreed by the WRS Management Board and by the S151 officers of the participating Councils that options will be explored whereby all income is collected and reconciled by WRS to enable a more streamlined process in relation to cash received.

- 1.6 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.
- 1.7 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change.
- 1.8 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved plan, the Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2014/15 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met. However, there remains a significant risk which could jeopardise

**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****2nd July 2015**

this in the future. With the austerity measures set to continue the need to reduce the overall Corporate budget, the transformation plan and 'unspecified' savings must continue to have and show greater clarity to ensure better transparency, expectation and accountability in order to ensure the Borough can continue to work towards a sound financial footing.

Andy Bromage**Worcestershire Internal Audit Shared Services Manager**

June 2015

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****ANNUAL GOVERNANCE STATEMENT – 2014/15**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Resources
Wards Affected	None.

1. SUMMARY OF PROPOSALS

To seek Members' approval of the draft Annual Governance Statement (AGS) for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2014/15.

2. RECOMMENDATIONS**2.1 The Committee is asked to RESOLVE that**

Subject to any member comments the Annual Governance Statement be recommended for inclusion in the Statement of Accounts.

3. KEY ISSUES

3.1 Authorities are expected to publish the Annual Governance Statement (AGS) for 2014/15 with their Statement of Accounts.

3.2 The CIPFA/SOLACE framework for the Annual Governance Statement requires the AGS to be signed by the most senior Officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent).

3.3 There is an expectation in the guidance that the Head of Internal Audit, or equivalent, will provide a written annual report to those charged with governance timed to support the Annual Governance Statement

3.4 The AGS should be as up to date as practicable at the time of publication which will follow the completion of the final accounts audit in August.

Financial Implications

3.5 There are no specific financial implications.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****Legal Implications**

- 3.6 The preparation and publication of an annual governance statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment)(England) Regulations 2006 to prepare a Statement on Internal Control (SIC) in accordance with 'proper practices'.

Service/Operational Implications

- 3.7 The Annual Governance Statement (AGS) is a statutory document, which provides an overview of the governance arrangements within the Council.
- 3.8. The purpose of the annual governance statement is not just to be 'compliant' but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.

Customer / Equalities and Diversity Implications

- 3.13 There are no customer/equalities and diversity implications.

4. RISK MANAGEMENT

- 4.1 The Council will not meet the requirements of Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 if it fails to produce an Annual Governance Statement for publication with the Statement of Accounts.

5. APPENDICES

Appendix 1 - Annual Governance Statement, 2014/15

6. BACKGROUND PAPERS

- 6.1 'Delivering Good Governance in Local Government' – CIPFA/SOLACE (Framework and Guidance Note)
- 6.2. The Annual Governance Statement – Rough Guide for Practitioners – The CIPFA Finance Advisory Network

AUTHOR OF REPORT

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Draft Annual Governance Statement **2014/15**

1. Scope and responsibility

Redditch Borough Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is also responsible for maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

The Council's Executive Director of Finance and Resources is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

2. The purpose of the governance framework

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

Redditch Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members, Executive Directors, Heads of Service and other managers of the Council, who have responsibility for the development and maintenance of the Governance environment, and the Internal Audit Manager's annual report, and, by the external auditors and other review agencies and inspectorates.

3. The governance framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles of corporate governance that underpin the effective governance of all local authorities. Redditch Borough Council has used these principles when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are listed below:

Core Principle 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

- A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Medium Term Financial Plan for the three financial years 2015-16 to 2017-18.
- For each priority there are clear outcomes for residents and service users, together with identified actions that will deliver the vision.
- The residents magazine "Redditch Matters" is available online 3 times per year
- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council

- The Council's budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place monthly and is reported on a quarterly basis to Executive, Overview and Scrutiny and Full Council
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

Core Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles

- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Boards operated by the Council
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are agreed by the Executive Director of Finance and Resources
- Appropriate segregation of duties and management supervision.
- A clear scheme of Councillor/Officers delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training.
- Overarching legal agreement between Redditch Borough Council and Bromsgrove District Council clearly defines the roles and responsibilities and the support from officers to deliver the joint services.

Core Principle 3: promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's priorities and aims clearly demonstrate its vision and values
- A Member/ Officer protocol is set out within the Constitution
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- There is an established and effective Standards Committees

Core Principle 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk

- There is an established and effective Overview and Scrutiny Committee
- There is an established and effective, Audit Governance and Standards Committee to advise Council on the effectiveness of Internal Control arrangements
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to Members in making informed decisions.
- The Executive forward plan is rolled forward and reviewed regularly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Executive decisions. During 2014/15 Overview and Scrutiny undertook pre-scrutiny of :
 - Medium Term Financial Plan 2015/16-2017/18
 - Review of Fees and Charges Proposed 2015/16
- Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2014/15:
 - Abbey Stadium Task Group (completed June 2014).
 - Joint WRS Scrutiny Task Group (completed June 2014).
 - Football Provision Task Group (completed September 2014).

- Proposals for Change by Tudor Grange Academy Short, Sharp Review (completed November 2014).
 - Tackling Obesity Task Group (completed March 2015).
 - Provision of support Networks for the LGBT Community Task Group (launched December 2014 and due to be completed July 2015).
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- Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of shared services and the benefits realised from the transformational activities being undertaken by the Council.
 - Consideration of risk implications in committee reports and the decision making process
 - Audit and Governance Committee have a workplan that is reviewed at each meeting for completeness
 - Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
 - Regular Trade Union liaison meetings with Senior Management Team
 - Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
 - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
 - formal quarterly budgetary monitoring reports to the Executive and Overview and Scrutiny Committee
 - A whistle blowing policy is in place and available on the Council's website, and the Fraud Strategy will be updated during 2015-16
 - Freedom of Information requests are dealt with in accordance with established protocols
 - All committee reports include reference where relevant to the potential impact on the Council's services

Core Principle 5: developing the capacity and capability of members and officers to be effective

- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils.
- Portfolio Holders meet on a monthly basis with Directors and Heads of Service to ensure they are aware of all issues within their service
- The shared services have continued to develop across Redditch Borough Council and Bromsgrove District Council to improve resilience and capacity to deliver services
- There have been numerous opportunities for staff to take part in transformation sessions to include an understanding of systems thinking methods and to review current systems to enable an awareness of how improvements could be made.
- All staff have the opportunity to attend training courses, provided through the staff training directory. Each member of staff receives a monthly one to one with their manager, at which training is also discussed.
- An induction programme is in place for Members
- A managers conference takes place every 2 years to develop managers understanding of new initiatives (transformation)
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is available
- Development of roles and responsibilities for staff managing the transformation of services.

Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability

- The Council has an Inclusive Equalities Scheme, operates an Equalities and Diversity Forum and Disabled Users' Forum, holds an annual equalities conference and supports the community events that are funded via the forum budget considerations
- The Council has a service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to support the Compact

- Surveys are conducted on the Council's website, at the Customer Service Centre and resident feedback is obtained at Council events (e.g. summer events at local parks)
- Committee, Executive and Council meetings are open to the public, with papers available on the internet
- Clear and colourful publications e.g. Annual Report, residents' magazine.
- Customer complaints are tracked and monitored and actions reported to residents via the website.

4. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by senior and fourth tier managers, with the s151 officer informing the Executive of any significant matters warranting their attention.

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectorates.

Internal Audit

Redditch has a responsibility for maintaining an effective internal audit function which is set out in Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Executive Director Finance and Resources.

The Worcester City Internal Audit Services Team has been in place since June 2010 and operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the manager of the service, the appropriate Director and the Chief Executive. The Audit and Governance Committee receives a quarterly report of internal audit activity and approve the annual audit plan for the forthcoming year.

Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations. This checklist is reviewed by the Executive Director Finance and Resources.

External auditors and other review agencies/inspectorates

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter.

Other external reviews during the year included:

- External Auditor work, for example subsidy claim audits and annual audit

5. Significant governance and internal control issues

During 2014/15a total of 4 complaints made to the Audit Governance and Standards Committee of alleged breaches of the Code of Conduct.

The review of Redditch's system of governance and internal control has identified the following weaknesses. There have been a number of issues following the implementation of an upgrade to the Financial Management System that has caused a delay in reconciliations being completed. These have now been completed upto date and will be maintained on a monthly/quarterly basis. During the financial year 2 Audit Reports received Limited Assurance, These reports were regarding the Golf Course and Worcestershire Regulatory Services (Draft). Additional work is being carried out with the managers of these areas to implement an action plan of improvements.

The External Audit Annual Governance Statement and internal reviews have identified a number of actions to be undertaken to improve the governance arrangements these include (with current actions on each issue):-

- The Council does not have a reliable Medium Term Financial Plan. A Three Year Financial Plan has been developed with Heads of Service and Members for the years 2015/16, 2016/17, 2017/18. This will be updated annually and progress monitored quarterly by Members.

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Cllr. David Thain
Chair of Audit & Governance Committee

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Kevin Dicks
Chief Executive

