



Audit, Governance and Standards Committee

Thu 21 Apr
2016
7.00 pm

Committee Room 2
Town Hall
Redditch

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Audit, Governance and Standards Committee

Thursday, 21st April, 2016

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:

Alan Smith (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 - 18)	To confirm as a correct record the minutes of the meeting of the Audit, Governance and Standards Committee held on 28th January 2016. (Minutes attached)
4. Monitoring Officer's Report - Standards Regime (Pages 19 - 22) 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)

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<p>5. Feckenham Parish Council Representative's Report - Standards Regime</p>	<p>To receive a report from the Feckenham Parish Council Representative on any matters of relevance to the Committee.</p> <p>(Oral report)</p> <p>(Astwood Bank & Feckenham Ward)</p>
<p>6. Grant Thornton - Progress Report and Update 2015-16 (Pages 23 - 38)</p>	<p>To update Members on Grant Thornton's progress in delivering their responsibilities as the Council's external auditors, on relevant information relating to Local Government Accounting and other issues, and on Grant Thornton publications.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>7. Grant Thornton - Audit Plan 2015/16 (Pages 39 - 60)</p>	<p>To present to Members the Grant Thornton Audit Plan 2015/16.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>8. Grant Thornton - Audit Fee Letter 2016/17 (Pages 61 - 66)</p>	<p>To present Members with the Audit Fee letter for 2016/17 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 - Auditing Standards 2015/16 - Communication with the Audit, Governance and Standards Committee (Pages 67 - 96)</p>	<p>To present Members with the Auditing Standards – Communication with the Audit, Governance and Standards Committee report for 2015/16 from the Council's External Auditors Grant Thornton.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>10. Accounting Policies 2015/16 (Pages 97 - 110) Executive Director, Finance and Resources</p>	<p>To present to Members the draft Accounting Policies for 2015/16.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>

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<p>11. Internal Audit - Progress Report (Pages 111 - 136)</p>	<p>To present a progress report of internal audit work for 2015/16.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>12. Internal Audit - Audit Plan 2016/17 (Pages 137 - 146)</p>	<p>To present to Members the Council's final Internal Audit Operation Plan for 2016/17, and to confirm the key performance indicators for the Worcestershire Internal Audit Shared Service for 2016/17.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>13. Section 11 Recommendations Update (Pages 147 - 162) Executive Director, Finance and Resources</p>	<p>To present Members with an update on progress following the Section 11 recommendations noted by the Committee on 28th January 2016.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>14. Corporate Governance and Risk (Pages 163 - 176) Executive Director, Finance and Resources</p>	<p>To consider the draft Corporate Risk Register for 2016/17 and to update Members on the Annual Governance Statement for 2015/16 and other current governance issues.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>15. Portfolio Holder Update - Quarterly Budget Monitoring</p>	<p>To receive an oral update from Councillor John Fisher, Portfolio Holder for Corporate Management, on the latest Finance Monitoring Report referred to the Executive Committee.</p> <p>(Oral report)</p> <p>(No Direct Ward Relevance)</p>
<p>16. Proposed Savings Report 2016/17 (Pages 177 - 180) Executive Director, Finance and Resources</p>	<p>To propose a format of a report to the Committee for the monitoring of the approved financial savings for 2016/17.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>

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17. Committee Action List and Work Programme (Pages 181 - 194)	<p>To consider the Audit, Governance and Standards Committee's Action List and Work Programme.</p> <p>(Action List, Action List Update Sheet and Work Programme attached)</p> <p>(No Direct Ward Relevance)</p>
18. Annual Review of the Operation of the Committee and the Committee's Terms of Reference and Procedure Rules (Pages 195 - 204) Chief Executive	<p>To review the operation of the Audit, Governance and Standards Committee during the 2015/16 Municipal Year to date, together with the Committee's Terms of Reference and Procedure Rules.</p> <p>(Chair's oral report)</p> <p>(A copy of the Committee's Terms of Reference and Procedure Rules are attached for reference)</p> <p>(No Direct Ward Relevance)</p>
19. Calendar of Meetings 2016/17	<p>Members are asked to note the following meeting dates of the Committee for the 2016/17 Municipal Year:</p> <ul style="list-style-type: none">• Thursday 7th July 2016;• Thursday 22nd September 2016;• Thursday 2nd February 2017; and• Thursday 27th April 2017. <p>All meetings are due to commence at 7.00pm at the Town Hall.</p> <p>Note: There will also be an Officer-led briefing for all members of the Committee at 7.00pm on Thursday 8th September 2016 on the Statement of Accounts; prior to the Committee's formal consideration of the Statement at the 22nd September 2016 meeting.</p> <p>(No Direct Ward Relevance)</p>

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20. Exclusion of the Public

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

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

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

The paragraphs under Part 1 of Schedule 12A to the Act are as follows:

Subject to the "public interest" test, information relating to:

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

may need to be considered as 'exempt'.



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MINUTES

Present:

Councillor David Thain (Chair), Councillor Jane Potter (Vice-Chair) and Councillors Natalie Brookes, Michael Chalk, John Fisher, Andrew Fry, Gareth Prosser (during Minute No.'s 29 to 41), Rachael Smith and Yvonne Smith

Parish Councillors Alan Smith and Slade Arthur – Feckenham Parish Councillor Representative & Deputy Representative for Standards (non-voting co-opted members of the Committee)

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

Also Present:

Zoe Thomas and Richard Percival (Grant Thornton – External Auditors)

Officers:

Andy Bromage, Claire Felton, Lisa Gallagher, Jayne Pickering, Amanda Singleton and Paul Stephenson

Committee Services Officer:

Debbie Parker-Jones

29. CHAIR'S OPENING REMARKS

The Chair welcomed Mr Richard Percival, Grant Thornton's new Engagement lead for the Council, together with the Feckenham Parish Council representatives, to the meeting.

30. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillor Pat Witherspoon, who was substituted by Councillor Yvonne Smith.

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Chair

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Megan Harrison, Independent Person for Standards and informal observer to the Committee, also tendered her apologies.

31. DECLARATIONS OF INTEREST

There were no declarations of interest.

32. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 24th September 2015 were submitted.

In relation to Minute No. 23 – Statement of Accounts 2014/15 – Mr Jones asked whether, in light of the general response which had been given at the meeting regarding the £27k Inventories (which also represented a 10% increase over the previous year's figure), there could be further scrutiny of this. Officers agreed to look into the position and to report back to Members on this.

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 24th September 2015 be confirmed as a correct record and signed by the Chair.

33. 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 no complaints against Members had been received since the previous meeting of the Committee in September 2015.

RESOLVED that

the report be noted.

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

Parish Councillor Slade Arthur, Deputy Feckenham Parish Council Representative, stated that there was nothing of relevance to update the Committee on in relation to the Parish Council. However, he wished to express thanks on both his and Parish Councillor Alan Smith's behalf for the support which they had

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received from Claire Felton and her team on relevant Parish Council legal issues.

RESOLVED that

the position be noted.

35. GRANT THORNTON - PROGRESS UPDATE

Members received an update report from Grant Thornton on progress they had made in delivering their responsibilities as the Council's external auditors. The report also provided an insight into emerging national issues and developments which might be of relevance to the Council in the future.

Richard Percival stated that this would be the last meeting which Zoe Thomas, Grant Thornton Audit Manager, would be attending. Suzanne Joberns was due to take over the Audit Manager role and would be attending Committee meetings from April onwards.

Zoe Thomas presented the update report and advised that Grant Thornton's opinion on the 2014/15 accounts had been issued on 16th December 2015; some time after the statutory 30th September deadline. The Annual Audit Letter which appeared later in the agenda provided further detail on the reasons for the delay. An updated Audit Findings Report had been presented to the Chair of the Committee prior to the accounts being approved by him under the delegated arrangements agreed at the 24th September 2015 Committee meeting. Statutory s11 recommendations had been issued reflecting Grant Thornton's concerns, to which the Council was required to publish a response, and progress against which should routinely be reported to the Committee and to the Chair of the Committee between meetings. Grant Thornton's Value for Money conclusion had also been issued on 16th December, the opinion for which had been qualified due to the Council being deemed as not having adequate arrangements in place to demonstrate financial resilience.

Grant Thornton had certified the Council's housing subsidy claim on 18th December, after the departmental deadline of 30th November, further details of which appeared in the Certification Report later in the agenda. A number of errors had been identified as part of this work, the impact of which had been reported to the Department of Work and Pensions (DWP) in the qualification letter. It was likely that the DWP might request further information from the Council as a result of this and could possibly require additional external audit work for this. Some subsidy might be withheld as a result of the

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qualification letter and due to the amount of additional work undertaken Grant Thornton would be requesting additional fees, the level of which had still to be agreed but which it was reported would be significant.

For the 2015/16 Accounts Audit Plan, the scale fee had been set at £57,960, which compared to a fee of £77,280 in 2014/15, with an anticipated grant fee of £10,529 for audit of the Council's housing subsidy claim. The fees assumed that the accounts would be prepared on time, supported by a good standard of working papers and with staff availability as agreed. In response to a Member's question regarding the problems encountered with the 2014/15 audit, and the position in relation to the 2015/16 audit, Officers stated that they had formulated a very clear action plan to address the issues raised, with a view to minimising any possible problems with the 2015/16 audit.

Officers had in place an action plan to address the 2014/15 concerns raised by Grant Thornton, and Grant Thornton would consider progress against the action plan as part of their interim audit work in Spring 2016. Officers would be reporting throughout the year on the Council's progress against the s11 recommendations, which Grant Thornton would also consider as part of their ongoing reporting to the Committee.

Grant Thornton planned to undertake their interim audit in January and February 2016 and to start work on the final accounts audit in July 2016, with the Audit Findings report due to be presented at the September meeting. The scope for the Value for Money conclusion had changed this year and Grant Thornton would be undertaking a risk assessment on this shortly.

In relation to the emerging national issues and developments section of the report, Mr Jones commented that some of the links in the report did not appear to be working. Zoe Thomas therefore agreed to send the reports referred to at agenda pages 28 and 29 to Mr Jones.

RESOLVED that

the report be noted.

36. GRANT THORNTON - CERTIFICATION WORK REPORT 2014/15

Members were presented with the Grant Certification Letter 2014/15.

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The external auditors advised that they had certified the Housing Benefit Claim for 2014/15 and that the claim had been qualified due to a number of issues and recommendations made for improvement. The housing subsidy audit had been protracted due to a large number of errors having been found in both the claims and the cases tested as part of the audit. Where errors had indicated an overpayment of subsidy the errors, together with the extrapolated impact of the errors, had been included in the qualification letter issued to the Department for Work and Pensions (DWP). Some of the errors also indicated underpayment of benefit to claimants, however those were not reported to the Department as there was no over-claim of subsidy. Grant Thornton's Grant Certification Letter had been issued to the DWP on 18th December 2015.

Grant Thornton responded to Member questions on the approach they had undertaken to complete the certification work. The external auditors were planning to meet with Officers in the near future to agree a detailed action plan for future audits, which would cover:

- weaknesses in benefits processing identified as part of case testing;
- improvements to subsidy claim preparation; and
- arrangements to streamline the audit.

As most of the current financial year had already passed it was likely that some of the weaknesses identified would be present in the 2015/16 benefits and subsidy claim.

Owing to the problems encountered with the 2014/15 audit both Officers and the external auditors had had to undertake a considerable amount of work in order for the claim to be certified. This would result in a significant variation to the audit fee, the figure for which had still to be agreed with Officers and Public Sector Appointments Ltd.

RESOLVED that

the Grant Certification Letter for 2014/15 be noted.

37. GRANT THORNTON - ANNUAL AUDIT LETTER 2014/15 AND ACTION PLAN

Mr Percival presented the Annual Audit Letter 2014/15. This summarised the external auditor's key findings and

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recommendations from the work carried out as part of the final accounts for the year ended 31st March 2015.

Grant Thornton had reported their findings arising from the audit of the financial statements in their Audit Findings Report to the 24th September 2015 meeting of the Committee. However, due to the delay in completion of the audit they issued a revised Audit Findings Report on 16th December 2015 to Officers and the Chair of the Committee. The key messages arising from the audit were that Grant Thornton had issued:

- an unqualified opinion on the accounts, albeit after the statutory deadline of 30th September;
- a qualified Value for Money conclusion; and
- four recommendations under s11 (3) of the Audit Commission Act 1998.

The s11 recommendations required a formal response from Officers to ensure that the Council was taking appropriate action to address the significant issues identified, details of which were set out in the Officer Action Plan appended to the report. Mr Percival spoke on the s11 recommendations and the reasons for these. The recommendations focused on:

- the need for the Council to put in place robust arrangements for the production of the 2015/16 financial statements;
- the development of a comprehensive project plan for the preparation of the accounts;
- the establishment of robust arrangements to ensure that the budget preparation processes were based on sound assumptions to enable an accurate forecast to be made of budget outturn, including realistic assessments of demand factors, service and demographic changes and sound assumptions around turnover and vacancy rates; and
- the need for timely budget monitoring processes to enable an accurate in-year forecast of likely year-end outturn and any action to be taken to address budget variances.

Members noted the management responses to the recommendations and the separate Officer Action Plan appended to the report. Mr Percival explained that it was the Committee's role to ensure that robust arrangements were in place for production of the 2015/16 accounts, and that Grant Thornton expected the Action Plan to be referred to all meetings of the Committee to monitor progress against this. Given the nature of Mr Percival's comments the Chair requested a written summary of the comments, which Mr

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Percival agreed to provide for both the Chair and members of the Executive.

In response to Members' questions Mr Percival stated that he was happy with the Action Plan drawn up by Officers, however the implementation of this and a clear demonstration that things were progressing with this was key. Not only was it a question of Officers needing to catch up on the issues highlighted following the 2014/15 audit, but of also needing to move a step ahead in anticipation of the requirement to submit accounts earlier in future years.

Officers responded that this was the first year the accounts had been submitted late and that there had been a number of reasons leading to this. Officers had spoken with both Grant Thornton and Members on the reasons for this. All of the deadlines detailed in the Officer Action Plan to date had been met and there had been full and frank discussions with members of the finance team on the problems which had arisen. There would be a 'soft close' of the accounts at the end of February and Suzanne Joberns, Grant Thornton's new Audit Manager for the Council, would be asked to look at the position from a quarterly perspective. Professional support had been procured and two qualified accountants would be working on the final accounts. Officers provided clarification on questions raised by Members and highlighted some of the issues which had led to the accounting problems and the actions taken to address these. It was also noted that, notwithstanding the issues highlighted, the Council had adequate levels of reserves and had a forward financial plan, which were the key reasons why Grant Thornton had assessed the Council as being financially resilient in the medium-term.

Mr Percival stressed the need for the Council to be on top of budget control and management, and for the issues surrounding this to be addressed. Regarding regular monitoring of the s11 Action Plan, Officers welcomed a monthly meeting between themselves, Grant Thornton, the Chair and Vice-Chair of the Committee, Mr Jones (Independent Member for Audit and Governance and Lead Risk Member for the Committee) and Councillor Fisher, Portfolio Holder for Corporate Management, which the Committee supported. In light of this the Committee agreed an addition to the second report recommendation to show that the s11 Action Plan be approved and regularly monitored (by the abovementioned group).

RESOLVED that

- 1) the Annual Audit Letter at Appendix 1 to the report be noted; and**

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- 2) the s11 Action Plan at Appendix 2 to the report be approved and regularly monitored.

38. SINGLE FRAUD INVESTIGATION SERVICE - PRESENTATION

Officers gave a detailed presentation on the Single Fraud Investigation Service (SFIS) and Local Authorities and the Future of Fraud Investigation.

Members heard that the date of transfer to the SFIS for the Council was 1st February 2016. Whilst Housing Benefit Fraud would move to the SFIS, local authorities would continue to be responsible for Council Tax Support Scheme investigations and the administration of housing benefit and council tax support, including the recovery of overpayments. The authority would also still continue to deal with National Fraud Initiative data matching work and Police requests for information. The SFIS would need to liaise with the Council on relevant issues and a resource would need to remain for this, meaning that a large amount of work overall would continue to be undertaken by the Council.

The Council was therefore retaining all of the existing fraud investigation staff, who in addition to the above work would also be looking at income-generation within the Council, for example, Council Tax Discounts, Council Tax Reduction Scheme investigation and sanction, Business Rates avoidance and evasion and Council Tax penalties and premium.

The main potential impact of the SFIS changes on the Council would be:

- reduction in identified Housing Benefit overpayments;
- increase in undetected fraud;
- loss of subsidy;
- increase in written-off Housing Benefit overpayments;
- reduction in identified fraud and error related subsidy;
- reduction in Housing Benefit Administration Grant; and
- no resource to protect Council Tax Support Scheme if all investigation staff transferred to DWP.

There was understood to be a huge amount of potential fraud across the country, with what was believed to be only 5% of fraud nationally being identified. There were a number of examples of local authorities needing to put staff back in place following transfer to the SFIS. Therefore it was intended to retain the Council's existing fraud staff (which equated to 3.3 full-time equivalent

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members of staff shared with Bromsgrove District Council) in the Council's employ. This would assist with retaining local expertise for the work which the Council still had to carry out and the staff in question were already looking at areas of work to maximise income. An unavoidable pressure had been built into the budget given the reduction in Department of Work and Pensions (DWP) funding, and as only a small amount of funding would in future come from the DWP the Council's efforts on that work would be adjusted accordingly.

Officers would firstly look to any 'quicks wins' in terms of income generation, for example, long-term empty properties which also affected the New Homes Bonus. Officers would in future be taking to Members reports which focussed on the Fraud Investigation Team's new areas of work, with it no longer being the responsibility of Officers to report on Housing Benefit fraud.

RESOLVED that

the presentation be noted.

39. TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/17 TO 2018/19

The Committee received, for recommendation to full Council, the Treasury Management Strategy Statement and Investment Strategy 2016/17, the Prudential Indicators 2016/17-2018/19 and the Treasury Management Policy Statement. Subsequent to the draft report which appeared in the main agenda papers, and following finalisation of the budget figures, a final updated version of the report had been published in advance of the meeting.

Officers presented the report and in doing so highlighted the treasury management risks as detailed in paragraph 3.3 of the report. The Council took a relatively low risk approach to its investments and Officers explained the rationale behind the Approved Investment Counterparties set out in the report. The Council purchased advice from Arlingclose Limited, an independent treasury advisory company, whom a member of staff had daily dealings with.

A new development for monitoring and reporting of the Treasury Outturn and Prudential Indicators was that Officers would report to the Executive on treasury management activity and performance, and on the following Performance Indicators:

- quarterly against the Strategy approved for the year;

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- the Authority's production of an outturn report on its treasury activity by no later than 30th September after the financial year end; and
- the Executive to be responsible for the scrutiny of treasury management activity and practices.

Officers advised that they would also report to the Committee on the above.

Mr Jones made the following requests for Officers to take away and consider:

- liquidity risk (paragraph 3.3 of the report) – a request for the Committee to be provided with both a cash flow forecast and cash flow output; and
- Borrowing Strategy (paragraph 4.2 of the Strategy) – a request for confirmation of the percentage amount which the Council was borrowing at.

In relation to the Investment Objectives Strategy at paragraph 5 of the Strategy and the objective to seek the highest yield on investments, Mr Jones queried how the Council would measure this and whether Officers had considered any other strategies in this regard, for example, long-term borrowing. Officers advised that the Council had adopted a local authority approach, in conjunction with advice obtained from Arlingclose Limited. A benchmark could be provided against other clients, which if being presented to Committee might need to be a confidential item, or Officers could email Members separately on this.

Members queried whether the appendices to the report were complete as some elements which had appeared in the original draft report did not appear in the updated version. Officers stated that they would double-check the position with this but that the final updated version of the report and appendices, which had been circulated to Members as Additional Papers, were the correct versions.

RECOMMENDED that

- 1) **the Strategy and Prudential Indicators at Appendix 1 to the updated report be approved; and**
- 2) **the Treasury Management Policy at Appendix 2 to the updated report be approved.**

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40. CORPORATE DASHBOARD OF MEASURES - PRESENTATION

Officers advised that, as reported to Members in advance of the meeting, the Corporate Dashboard of Measures presentation had unfortunately had to be withdrawn from the agenda owing to difficulties with Officer attendance.

Officers advised that a request had been made by Councillor Potter, Vice-Chair of the Audit, Governance and Standards Committee and Chair of the Overview and Scrutiny (O&S) Committee, for the same presentation to be given at the 12th April O&S Committee, which Officers had confirmed they would be in a position to attend and to which an open invitation would be extended to all Members. As such, and in order to avoid Officer duplication, Members were asked whether they would be in agreement to the presentation being removed from the Audit, Governance and Standards Committee's Work Programme. Members could instead then attend the presentation which was due to be given at the 12th April O&S Committee if so minded.

RESOLVED that

the Corporate Dashboard of Measures presentation be removed from the Audit, Governance and Standards Committee's Work Programme and Members of the Committee, including Mr Jones, be invited to attend the same presentation at the 12th April 2016 meeting of the Overview and Scrutiny Committee.

41. INTERNAL AUDIT - PROGRESS REPORT

The Committee considered the Internal Audit Progress Report. The report presented Members with progress on internal audit work for 2015/16.

Officers presented the report and highlighted the audit reports which had been issued/completed since the previous progress report on 24th September 2015, together with audit work which was currently ongoing. Summary reports for ongoing audits would be referred to future meetings of the Committee in the usual manner, and Officers advised that there were no exceptions to report to Members. Appendix 4 to the report set out the medium and high risk priorities and recommendations which had arisen in relation to completed audits, with there being no high risk recommendations on this occasion.

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Mr Jones queried the addition of two Key Performance Indicators (KPIs) for the period 1st April to 31st December 2015 at Appendix 2 to the report, which he noted had not been approved by the Committee and had not appeared in the previous progress report. Officers explained that the additional KPIs had recently been requested at, and agreed by, the Client Officer Group of the Worcestershire Internal Audit Shared Service (WIASS). Officers attended the Client Officer Group, along with representatives of the other local authorities and organisations covered by the WIASS, and it had been agreed that the additional KPIs would be taken to all relevant Committees/reporting bodies as a matter of course.

Mr Jones queried the monitoring and control processes for the additional KPIs and whether there was a percentage figure, which if performance fell below would represent a significant drop. If such a figure did not exist Mr Jones queried whether the Client Officer Group could agree a figure for this for monitoring purposes. Officers agreed to discuss this issue with Mr Jones outside of the meeting, and commented that Members needed to be mindful of the partnership that existed with the WIASS under the wider shared service arrangements.

A question was raised by the external auditor as to the relevance of the 'Critical Review' based audits as no assurance level was given to these and they did not form part of the audit plan. Officers responded that there was not a set percentage of the plan which was Critical Review based, and that owing to the internal audit environment it was necessary to constantly review the work which was being undertaken and to make a judgement on that work to ensure that value was being added as a result of this, which sometimes meant that Critical Review work was more appropriate than formal audit work. Officers advised that a relatively small amount of time was spent on Critical Review audits. In order for Members to ascertain the levels of formal audit and Critical Review work which was being undertaken, Officers agreed to include the percentage amounts of each (i.e. where assurance levels were and were not being given) in future reports.

A Member queried what appeared to be lack of action on two high priority recommendations in relation to fees and charges and income reconciliation for Land Charges under the Planned Follow Ups at Appendix 3 of the report. Officers agreed to check with the relevant Head of Service in this regard and to report back to Members on this. Under the same section, a Member queried the reason for the delay in relation to the separation of duties in the cashing-up process at Forge Mill Museum, which Officers also

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agreed to check with the relevant Head of Service and report back to Members on.

RESOLVED that

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

42. INTERNAL AUDIT - DRAFT AUDIT PLAN 2016/17

Members received the draft Internal Audit Operational Plan for 2016/17, together with the Key Performance Indicators (KPIs) for the Worcestershire Internal Audit Shared Service for the same period.

Officers introduced the report and advised that the final Plan would be presented to the next meeting of the Committee. The Plan aimed to provide the best possible coverage of audits, including any high risk areas, and the Senior Management Team had been consulted on this. There was no proposed reduction in the number of audit days for 2016/17, as had been the case over the previous couple of years. Officers wished to assure Members that 400 audit days was deemed to be the appropriate amount in order to provide sufficient coverage for the authority, with some other districts factoring in only 200 days of coverage. Officers added that they would re-think the KPIs for 2016/17 in light of the comments raised earlier in the meeting by Mr Jones.

Officers responded to general questions raised by Members in relation to the Plan, including the Main Ledger, Budgetary Control and Bank Reconciliation element of this. In relation to the budget, Officers stated that managers would in future need to have better ownership of budgets.

The external auditors commented that it was the role of the Committee to ensure that internal audit were addressing the issues and concerns that Members wanted them to, and that in light of the s11 recommendations discussed under the Annual Audit Letter 2014/15 and Action Plan earlier in the evening, Members might want to consider adding time into the Plan on progress against the s11 recommendations. Officers stated that this was why the draft Plan was brought to Members; to allow for any such inclusions should Members so wish. As agreed earlier in the meeting, the Committee had already supported the establishment of the s11 recommendations/budget monitoring group comprising the s151 Officer, Grant Thornton, Chair and Vice-Chair of the Committee, Mr Jones and Councillor Fisher. Councillor Fisher added that any

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other Members who wished to have input into the meetings were welcome to do so. Officers agreed that additional audit time linked to the s11 recommendations would be built into the final Plan, which would be referred to the April meeting of the Committee for approval.

RESOLVED that

subject to the Officer follow-up action as set out in the preamble above, the report be noted.

43. DEBT RECOVERY UPDATE - QUARTERS 1 AND 2 2015/16

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

Officers stated that they were unable to provide some of the debt recovery data previously requested by Members as there had been problems with the new finance system which had impacted on the work of the income team, meaning there was an issue with reporting mechanisms. Officers had focussed on billing and debt recovery as their key priorities and had managed to produce the same debt recovery data as had previously been referred to the Committee.

Former tenancy arrears, the debt process recovery for which was extremely labour intensive and which recovered only a relatively small amount of cash, had increased for 2015/16 as the Council had not been able to commit the same level of resources to these as previously. The Council's migration in March 2015 to the new financial services system had created a huge amount of additional work and put considerable strain on available resources in respect of invoicing and debt recovery. Recovery action had now resumed and any outstanding debts would be pursued in the normal manner. Officers were working on a number of debts which had been thrown up as a consequence of migration to the new system, to ensure that debts were being recovered where possible.

The new system had improved the invoicing and recovery process, with the majority of debts payable within 28 days and with standardised recovery paths in place for all debts. The vast majority of customers were paying the money that they owed to the Council within the expected terms, with the number of outstanding invoices being low. It was hoped that greater details on the reporting of debts outstanding against credit terms would be possible in the future, however it had not yet proven possible to

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extrapolate this data in a useable format from the new system, with the work necessary to provide this being considerable.

Mr Jones queried whether the age of debts from a due by date was falling. Officers stated that they wanted to have this information as soon as possible and Members stated that they hoped to see a mechanism for the reporting of this in the future. A Member queried what levels of debt had been written off for 2014/15, which Officers agreed to check the position on and report back to Members on outside of the meeting.

RESOLVED that

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

44. COMMITTEE ACTION LIST AND WORK PROGRAMME

Action List

Corporate Dashboard of Measures

It was noted that this had been dealt with earlier in the meeting under the separate agenda item for this (Minute No. 40 refers).

As Members of the Committee would be invited to see a presentation on the Dashboard at the 12th April 2016 Overview and Scrutiny Committee meeting, it was agreed that this could be removed from the Committee's Work Programme.

Action: remove from the Committee's Work Programme and Action List.

A number of additional Officer actions had arisen during the course of the meeting, which would be recorded in the minutes and added to the Action List.

Work Programme

Audit Findings Action Plan

Mr Percival wished to make clear that the Audit Findings Action Plan, which was programmed in for each meeting of the Committee, would be an Officer-led report and not a Grant Thornton report.

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Annual Governance Statement and Statement of Accounts

Mr Percival commented on matters relating the Annual Governance Statement (AGS) 2015/16, which was scheduled for the July meeting, together with the audited accounts which were due to go to the September meeting, following which it was agreed that a draft of the AGS would also be referred to the April meeting of the Committee.

Officers highlighted the section of the Work Programme which advised that a copy of the draft accounts would be sent to all members of the Committee at the same time these were issued to the external auditors. This allowed Members time to scrutinise the draft accounts and to raise any questions with Officers on these in advance of the mid-September Statement of Accounts Briefing, and late-September Committee meeting when Members would be asked to formally approve the Statement of Accounts

Corporate Risk Register and Corporate Governance including Risk

Ms Thomas commented on what appeared to be the lack of inclusion in the Work Programme of the Corporate Risk Register. Officers advised that the 'Corporate Governance including Risk' item, which featured as a standing item for all meetings of the Committee, included relevant Corporate Risk Register referrals/updates.

Member-Member and Member-Officer Protocols

The Committee agreed to the removal of the review of the relevant Protocol(s) for the reasons detailed in the Work Programme report.

RESOLVED that

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

45. PORTFOLIO HOLDER UPDATE - QUARTERLY BUDGET MONITORING

The Portfolio Holder for Corporate Management advised that the Quarter 3 report was currently being worked on. The September Executive had received the Quarter 1 report and the December Executive the Quarter 2 report.

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Whilst the Quarter 2 report had shown a £150k underspend on the Revenue Budget, there had been a very difficult provisional Local Government Finance Settlement issued by government in December 2015. This had included far greater cuts than expected and urgent action had been taken by both Members and Officers since the settlement announcement to try and address some of the issues raised. The £150k underspend to date would enable some return to balances to help with the situation and there would be further financial reporting on the 2016/17 budget to the Executive and Overview and Scrutiny Committee in March.

Services would continue to be looked at and whilst some difficulties had been encountered with the new finance system, some excellent work had been carried out which had resulted in over £2m of savings in the previous year. There were however significant challenges which lay ahead in light of the Settlement, with the Council now being in a more serious situation than ever before owing to the additional cuts.

The dedication of Officers in working to address the financial situation in recent years was highlighted.

RESOLVED that

the update be noted.

The Meeting commenced at 7.00 pm
and closed at 9.15 pm

.....
Chair

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

21st April 2016

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 28th January 2016.
- 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 standards matters.
- 1.3 Any further updates arising after publication of this report will be reported on orally by Officers at the meeting.

2. RECOMMENDATIONS

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

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 ('the Act') introduced a new standards regime effective from 1st July 2012. The Act places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be

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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 2012.

Service / Operational Implications

Member Complaints

- 3.3 At the time of drafting this report no complaints had been received by the Monitoring Officer since the last meeting of the Committee in January 2016.

Member Training

- 3.4 Dates have been arranged for a number of induction and training events after the local elections in May. These include planning training, data protection and safeguarding.
- 3.5 Members of the Democratic Services team will attend the candidates' briefing evening in April to display details of events and the Calendar of Meetings for 2016/17. Any new councillors will then have the opportunity to be aware of what is expected of them in the early days of office.

Customer / Equalities and Diversity Implications

- 3.6 There are no direct implications arising out of this report. Any process for managing standards of behaviour for elected and co-opted councillors must be accessible to the public. Details of the process for Member complaints are available from the Monitoring Officer on request.

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.
Confidential complaint papers.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

21st April 2016

Various reports to, and minutes of, Council and Committee meetings, as detailed in the report.

AUTHOR OF REPORT

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AUDIT, GOVERNANCE & STANDARDS, COMMITTEE 21st April 2016

GRANT THORNTON PROGRESS UPDATE - APRIL 2016

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
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 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 Members on the progress work undertaken by Grant Thornton since the last Committee meeting. The majority of the progress update refers to work that is report in other items included in the agenda and set out the plans that Audit have in place to address concerns previously raised and how the Audit will be progressed for 2015/16. In addition the appendix includes updates on the Emerging Developments and Grant Thornton Publications in relation to issues that are relevant to the Council and may impact in future.

- 3.4 These include

- Fai Value

AUDIT, GOVERNANCE & STANDARDS, COMMITTEE 21st April 2016

- Highway Network
- Business Rate Appeals

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

Customer / Equalities and Diversity Implications

3.6 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Progress Report Grant Thornton Report

AUTHOR OF REPORT

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Audit, Governance and Standards Committee Progress Report and Update Year ended 31 March 2016

March 2016

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Manager

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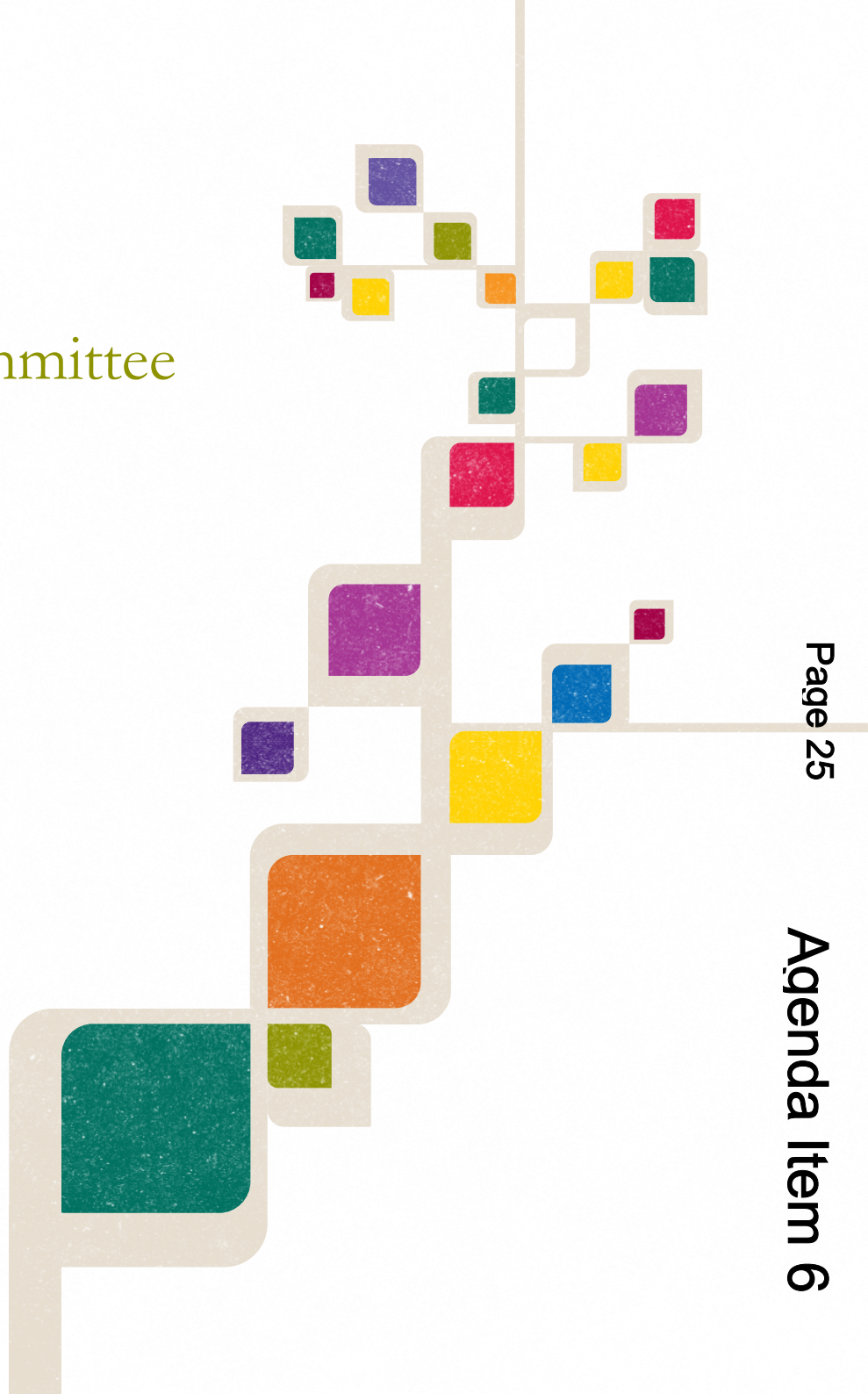
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Introduction

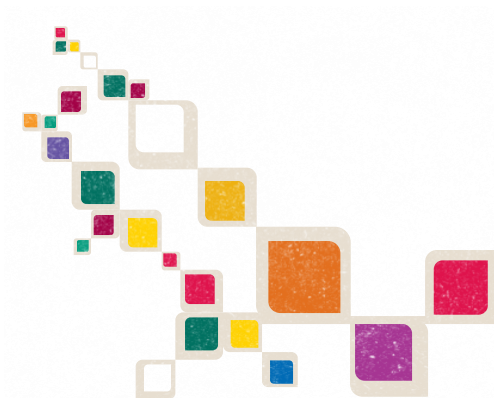
This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Assurance 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. Here you can download copies of our publications:

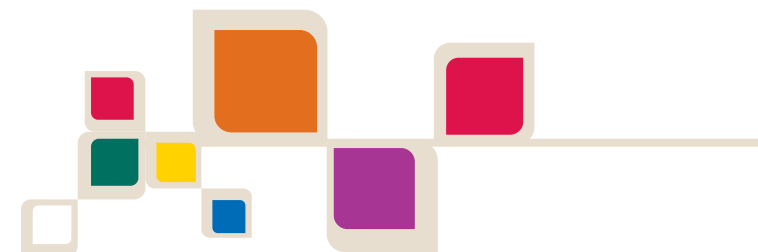
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

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 Richard Percival or Suzanne Joberns.

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.

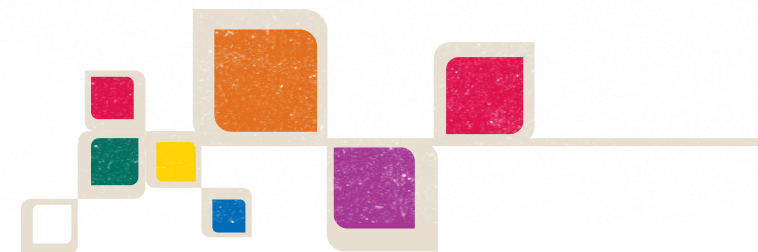


Progress at 9th March 2016



2015/16 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015		Yes	The 2015/16 fee letter was issued in April 2015. The 2016/17 fee letter was issued in April 2016.
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	March	Yes	Our audit plan is included as a separate agenda item for the Audit and Governance Committee to consider.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February – March	In progress	Our interim audit work is in progress. This includes early audit testing where practical to support a more efficient final accounts audit. We also have regular meetings with the finance team to ensure that we are briefed on emerging accounting issues and that the team is aware of the progress we are making. We are also reviewing progress with the improvement plan following our s11 recommendations.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	July - August	Not started	We are planning to complete our audit fieldwork by 31 st August. We are working with the Financial Accounts Team to support improvements in accounts production efficiency and the project management of the audit visit.

Progress at 9th March 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	March - July	In progress	We have complete the risk assessment and this is included within the audit plan.
<p>Other areas of work</p> <p>Meetings with Members, Officers and others</p> <p>Additional fee. Due to the additional work required on the 2014/15 audit we have submitted a fee variation to PSAA.</p>	On-going		We are continuing to hold regular meetings with key members and officers.

Local Government Accounting and other issues



IFRS 13 'Fair value measurement

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local Authorities need to:

- review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.



Highways Network Asset

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset form 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA's expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which is available from your Engagement Lead and Engagement Manager and will provide further briefings as further details become available requirements.

Unlodged non-domestic rate appeals

Last year, there were primarily no provisions for unlodged non-domestic rates appeals as appeals received on or after 1 April 2015 were only backdated to 1 April 2015. The effect of last years announcement was supposed to put authorities in the position as if the revaluation had been done in 2015 as initially intended before the extension to 2017. This was only a one year reprieve and so any unlodged appeals at 31 March 2016 will only be backdated to 1 April 2015 and therefore may not be material.

However, this year, local authorities will need to estimate a provision for unlodged appeals but as above it may not be material.

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the Code it is in only extremely rare cases that a reliable estimate cannot be made. Therefore, if your local authority does have such an instance, the rationale needs backing up: both in terms of disclosures (as a contingent liability) and in providing evidence to those charged with governance as to why a reliable estimate for the provision cannot be made.

Grant Thornton Publications



CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.



We are happy to organise a demonstration of the tool if you want to know more.

Innovation in public financial management

In December 2015 we issued a report, which drew on a survey of almost 300 practitioners worldwide, also includes insights from experts at the International Consortium on Governmental Financial Management (ICGFM) and the Massachusetts Institute of Technology's Centre for Finance and Policy.

The report is the latest in a decade-long series jointly published by Grant Thornton and the ICGFM and it covers four major topics that, globally, will impact on the future of public financial management:

Changing practices. Our research showed that the biggest issue ahead will be finding the political commitment to support more difficult innovations on the agenda – such as increasing public engagement.

The right PPP formula. 90% of respondents felt that substantial investment in infrastructure was required to drive economic growth. In this age of austerity, most governments are also seeking ways to attract outside investment – with the majority using some form of public-private partnership (PPP). Many countries remain inexperienced with such arrangements and the results of

their application have been mixed. There has been little improvement since our 2011 survey, which shows that it takes a long time to develop the requisite skills and experience to make PPPs work.

Transparency with technology. Public financial managers are convinced of the importance of enhancing transparency and most are trying to be innovative in this area. However, most are using outdated digital tools. Fewer than half use social media to enhance openness. Even among the best, most transparency efforts are focussed on releasing data sets than data insights.

The new normal. Public financial management remains weighed down by the effects of the global financial crisis, but respondents also focussed on important developments since 2008, such as the Eurozone problems and the collapse of commodity prices. This suggests that public financial management is having to come to terms with not just the lessons one major financial crisis, but with how governments can live with less over the long term.

Our report, Innovation in public financial management, can be downloaded from our website:

<http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/>

Grant Thornton reports



2016 Transparency Report

Grant Thornton's commitment to quality underpins all that we do and this is reflected in our 2016 Transparency Report.

We have more than 42,000 people in over 130 countries and this report is a public statement of our commitment to provide high-quality services to businesses and organisations operating throughout the world.

It is designed to help clients, audit committees, regulators and the public, who make up our many stakeholders, understand us better.

The report covers the three key aspects of our business, namely:

- Audit and assurance;
- Taxation; and
- Advisory services.

The report provides information on our audit methodology and sets out how we monitor the quality of our work and engage with external regulators.

It also covers our arrangements for governance and management and sets our most recent financial information.

The report can be downloaded from our website:

www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-global-transparency-report-2016.pdf

Alternatively, hard copies can be provided by your Engagement Lead or Audit Manager.

Grant Thornton reports



Transparency report 2016
Our commitment to brighter futures





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AUDIT, GOVERNANCE & STANDARDS COMMITTEE 21ST APRIL 2016

GRANT THORNTON AUDIT PLAN 2015/16

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	N/A
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To present to members the Grant Thornton Audit Plan 2015/16. A copy of this document is attached to this report as Appendix A..

2. RECOMMENDATIONS

- 2.1 **Members are asked to note and agree the Grant Thornton 2015/16 Audit Plan**

3. KEY ISSUES

Financial Implications

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £68k. This includes £11k in relation to the audit of the Housing Benefit Grant Claim.

Legal Implications

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

Service / Operational Implications

- 3.3 Attached at Appendix A is the 2015/16 Audit Plan . The Plan sets out work that the Grant Thornton propose to undertake in relation to the Audit of the financial accounts for 2015/16 and any risks that have will require additional review and consideration.
- 3.4 The Audit will include an understanding of the organisational operations together with issues that may impact on the Council in the

AUDIT, GOVERNANCE & STANDARDS COMMITTEE 21ST APRIL 2016

future. This assessment results in the External Audit consideration of the risks associated with the accounts and the Appendix details the level of risk allocated to the services we provide.

- 3.5 The work by the Grant Thornton will enable a robust opinion to be made across all the internal control and accounting arrangements that the Council has in place.
- 3.6 There are a number of specific areas that will be analysed in greater detail when the accounts are being audited these include:
- Valuations of Council Assets
 - Monitoring of the S11 recommendations
 - Potential impact of Devolution
- 3.7 The Auditors will also make an assessment of the Councils arrangements to secure value for money to include systems and processes to manage financial risks and improving efficiency. For 2015/16 this is particularly important in light of the S11 recommendations around the budget projections and monitoring.

Customer / Equalities and Diversity Implications

- 3.8 None as a direct result of this report

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Annual Audit Plan 2015/16

AUTHOR OF REPORT

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Tel: 01527-881400

The Audit Plan for Redditch Borough Council

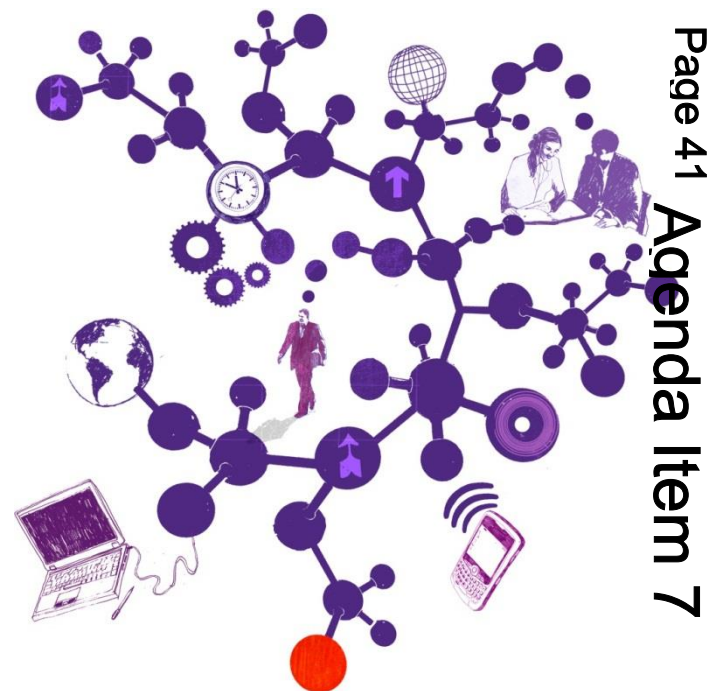
Year ending 31 March 2016

21 April 2016

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

Redditch Borough Council
Council House
Walter Stranz Square
Redditch
B98 8AH

21 April 2016

Dear Members of the Audit, Governance & Standards Committee

Audit Plan for Redditch Borough Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Redditch Borough Council, the Audit, Governance & Standards Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

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A. Action plan

Understanding your business

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

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.

2. Shortfall in the MTFS

- The MTFS presented at the February Cabinet meeting showed that despite substantial savings plan there was a reliance on the use of reserves and a financial shortfall from 2017/18 onwards.

3. Devolution

- The devolution proposal for West Midlands Combined Authority has been agreed and the new organisation is in the process of being set up.
- Redditch is a member of the Birmingham and Solihull LEP and a non constituent member of the Combined Authority

4. Housing

- The Autumn Statement also included a number of announcements intended to increase the availability and affordability of housing.
- In particular, the reduction in council housing rents and changes to right to buy will have a significant impact on Councils' Housing Revenue Account (HRA) business plans.

5. Section 11 Recommendations

- We made four formal recommendations to the Council under our statutory powers on completion of our 2014/15 audit.
- These related to accounts production and budget setting and monitoring.

Our response

- We will consider the impact of the changes in funding and the Council's plans for addressing its financial challenges as part of our work on the VFM conclusion.

- We will consider how savings delivery is being monitored and reported as part of our work to reach our value for money conclusion.
- Our regular meetings with the Executive Director of Finance include briefings on progress with delivering the MTFS, including additional actions to close the gap from 2017/18 onwards.

- We will review the Council's arrangements for working with its Combined Authority partners as part of our VFM conclusion work.
- We will also maintain a watching brief on the implementation of the Combined Authority and how it impacts on the Council.

- We will consider how the Council has reflected government announcements in its HRA business planning process.

- We will review your responses to the Section 11 recommendations
- We will support the Executive Director of Finance and her team in improving the accounts production process.
- We will review progress made with the implementation of all four of our recommendations as part of this year's audit.

Developments and other requirements relevant to your audit

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

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Report, which reports on your financial performance and use of resources in the year. This replaces the explanatory foreword in the financial statements.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. VFM conclusion

- We are required to satisfy ourselves that you have achieved economy, effectiveness and efficiency in your use of resources
- The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015
- There are three revised criteria (see page 11 for details)

Housing Benefits

- The Council completes the Housing Benefit grant claim on which audit certification is required.
- With the deadline for the publication and the audit opinion being bought forward to July for the year 2017/2018 the work on the claim will not be completed in time.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

Our response

- We are discussing the impact of IFRS 13 and the planned approach to valuation of these assets with the Executive Director of Finance and her team.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

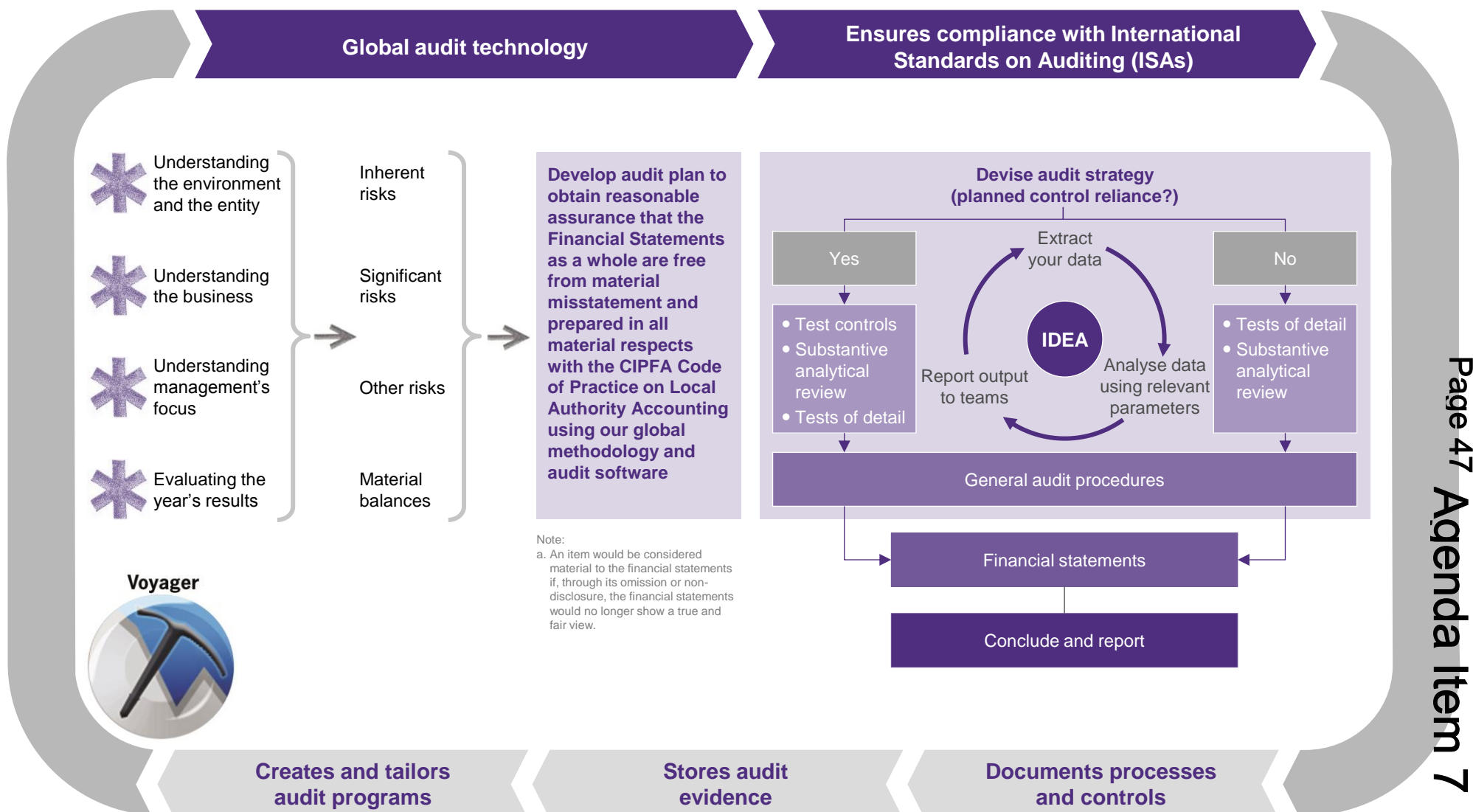
- We will review your Narrative Report to ensure it reflects the requirements of the CIPFA Code of Practice
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will complete a risk assessment and review the Council's arrangements for securing economy, efficiency and effectiveness for these risks.

- We will complete the certification work in line with HB COUNT as prescribed by the DWP.
- For the accounts we are working with the Council on obtaining our assurance by reviewing payments.

- As part of your improvement planning we are working with the Executive Director of Finance and her team to identify areas of your accounts production that can be undertaken earlier
- We aim to complete all substantive work in our audit of your financial statements by the end of August 2016 as part of a two year process.

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £983,000 (being 1.5 per cent of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £49,000.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where we are not setting a separate materiality threshold, but where we are undertaking more extensive testing:

Balance/transaction/disclosure	Explanation
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Redditch Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Redditch Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management. • Determining our journal testing strategy <p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions
Production of the 2015/16 financial statements	The issues with accounts production in 2014/15 resulted in material inaccuracies in the draft accounts. We have therefore concluded that there is a potential risk of material misstatement in the 2015/16 accounts if the improvements are not effectively implemented.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will examine the accounts closedown process and the controls in place to ensure materially accurate accounts are produced • Regular and early discussions with the finance team on the key accounting issues • Review of the detailed closedown plan

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Accounting for recharged income and expenditure	During the 2014/15 financial statement audit we identified material amendments to the CIES and Segmental Reporting note in relation to the Councils treatment of recharged. We have concluded that there is a potential risk of material misstatement in the 2015/16 accounts if similar errors are made.	<p>Work planned:</p> <ul style="list-style-type: none">• Early discussion with finance team on their proposed treatment of recharges• Detailed review of the recharges included in the financial statements including the controls in place to ensure that they are materially correct and comply with the accounting treatment required by the CIPFA Accounting Code.

Other risks identified

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

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

Other risks	Description	Audit approach
Operating expenses	Creditors related to core activities understated or not recorded in the correct period	<p>Work completed to date:</p> <ul style="list-style-type: none"> • We have conducted a walkthrough of the key controls for this system <p>Further work planned:</p> <ul style="list-style-type: none"> • We will search for unrecorded liabilities by reviewing payments after the year end • We will review the Council's accruals process and test according (including goods receipted) • Where GRNI's are over tolerable error testing will be undertaken to identify unaccrued items.
Employee remuneration	Employee remuneration and benefits obligations and expenses understated	<p>Work completed to date:</p> <ul style="list-style-type: none"> • We have conducted a walkthrough of the key controls for this system. • We have completed a trend analysis on employee remuneration covering the period to January 2016 and queries have been raised with the Council. • We have tested a sample of employees remuneration covering the period up to January 2016 and queries have been raised with the Council <p>Further work planned:</p> <ul style="list-style-type: none"> • We will review the reconciliation of the payroll system to the general ledger • We will complete our trend analysis and testing of individual employees for the 2015/2016 year.

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Property, Plant and Equipment
- Investment Properties (if material)
- Assets held for sale
- Short and Long Term Debtors
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015 [here](#).

The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of good governance• Understanding and using appropriate cost and performance information to support informed decision making and performance management• Reliable and timely financial reporting that supports the delivery of strategic priorities• Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions• Managing assets effectively to support the delivery of strategic priorities• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities• Commissioning services effectively to support the delivery of strategic priorities• Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Homes and Communities Agency.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

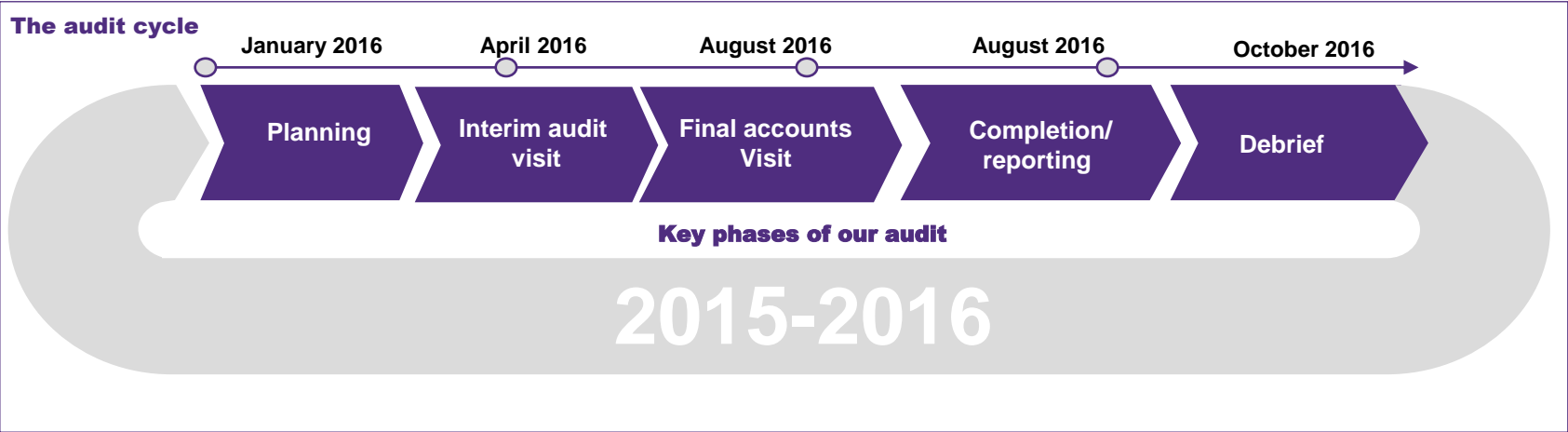
Significant risk	Link to sub-criteria	Work proposed to address
Financial Outturn The Council added over £800,000 to General Fund balances at the end of 2014/15. This variance from budget could not be adequately explained and we concluded that the Council does not have an understanding what has been achieved from service reviews and how this reconciles to the budget. The key risk is that budget monitoring arrangements continue to be ineffective.	Reliable and timely financial reporting that supports the delivery of strategic priorities	Review the budget monitoring arrangements in place during 2015/16 and the reconciliation to the final outturn position.
MTFS and budget setting Our review of the MTFS in the prior year identified that unreliable assumptions were made as part of the budgetary process in relation to certain cost heads, including the level of vacancies, interest rates and superannuation. We concluded that the arrangements for production of the annual budget and MTFS were not robust. The key risk is that there continue to be weaknesses in the MTFS.	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions	Review the arrangements for the production MTFS and the annual budget, in particular the key assumptions made. Review the progress the Council has made in its costing of demand led services that will be used to inform decision making for 17/18 budget setting.
Corporate plan and monitoring of service performance The corporate plan was last updated in July 2013. There is currently no monitoring of the service performance reported corporately.	Understanding and using appropriate cost and performance information to support informed decision making and performance management Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions	Review the Councils arrangements for updating its corporate plan and implementing arrangements to track and report progress using appropriate metrics..
Regulatory Notice The Homes and Communities Agency (the regulator of social housing) issued as regulatory notice in November 2015. This related to the regulatory requirement to 'meet all applicable statutory requirements that provide for the health and safety of the occupants in their homes'.	Managing risks effectively and maintaining a sound system of internal control Procuring supplies and services effectively to support the delivery of strategic priorities	Review the actions the Council has taken to strengthen its arrangements and address the issues identified. Consider whether appropriate risk management arrangements are in place.

Results of interim audit work

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

	Work performed	Conclusion
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements
Review of information technology controls	We are carrying out a high level review of the general IT control environment, as part of the overall review of the internal control system.	Our specialists will complete this testing in March 2016 and we will report any matters in our Audit Findings Report.
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	We have not identified any concerns surrounding journals from our documentation of journal controls

Key dates



Date	Activity
January 2016	Planning
April 2016	Interim site visit
21 April 2016	Presentation of audit plan to Audit, Governance and Standards Committee
25 th July – 29 th August 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Director of Finance
September 2016	Report audit findings to those charged with governance (Audit, Governance and Standards Committee)
September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit 2015/16	57,960
Additional fee for 2014/15 audit work *	TBC
Grant certification	10,529
Total audit fees (excluding VAT)	68,489

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

*Due to the additional work required on the 2014/15 accounts audit we have submitted a fee variation to PSAA of £25,770. There is also a fee variation request to PSAA of £12,000 for the additional work required to certify the 2014/15 Housing Benefit claim.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Any fees for other services will be reported in our Audit Findings Report and Annual Audit Letter

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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



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AUDIT GOVERNANCE & STANDARDS COMMITTEE 21st APRIL 2016

GRANT THORNTON – AUDIT FEE LETTER 2016/17

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 2016/17 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 2016/17 budget assumes the level of fee as set in the attached letter.

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.

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

Customer / Equalities and Diversity Implications

AUDIT GOVERNANCE & STANDARDS COMMITTEE 21St APRIL 2016

3.5 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

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4th April 2016

Dear Jayne

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset. PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Fees for non-highway authorities with material highways infrastructure assets should be below £5,000 where the same conditions apply'.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £57,960.

The audit planning process for 2016/17, including the risk assessment, will continue during

the year and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

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 (if applicable).

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

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

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set not yet been set by PSAA. This is because the fee is based on final 2014/15 certification fees which have not yet been agreed by PSAA.

Any indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	14,490
December 2016	14,490
March 2017	14,490
June 2017	14,490
Total	57,960
Grant Certification	
March 2017	TBC

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December to April . 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 July and work on the whole of government accounts return in July.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December – April.	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	July	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	July	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Grant certification	December	Grant certification report	A report summarising the findings of our grant certification work
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Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Richard Percival	0121 232 5434	Richard.d.percival@uk.gt.com
Engagement Manager	Suzanne Joberns	0121 232 5320	Suzanne.joberns@uk.gt.com
In Charge Auditor	Katheryn Kenderdine	0121 232 5316	kaythryn.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 Mark Stocks, our Public Sector Assurance regional lead partner, via marck.c.stocks@uk.gt.com.

Yours sincerely



Richard Percival
Engagement Lead
For Grant Thornton UK LLP

AUDIT STANDARDS & GOVERNANCE COMMITTEE 21st APRIL 2016

GRANT THORNTON – AUDITING STANDARDS 2015/16

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

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Auditing Standards report for 2015/16 from the Councils External Auditors Grant Thornton.

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

Service / Operational Implications

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

AUDIT STANDARDS & GOVERNANCE COMMITTEE 21st APRIL 2016

The report attached at Appendix 1 details the management response in relation to the controls that are in place within Redditch Borough Council to ensure that arrangements are in place to support the financial and operational management of the organisation

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Grant Thornton Auditing Standards Report 2015/16

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

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Auditing Standards – Communication with the Audit, Governance and Standards Committee

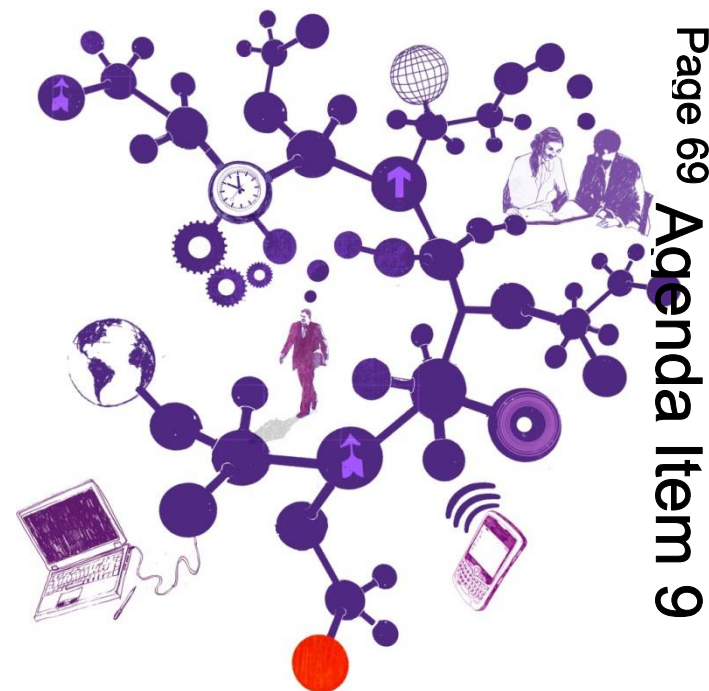
Redditch Borough Council

Audit year 2015/2016

April 2016

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

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Introduction

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

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

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

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

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

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

Fraud Risk Assessment

The ISAs define fraud as:

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

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

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

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

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

Fraud Risk Assessment cont..

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

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

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

Table 1 Fraud Risk Assessment

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

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>2 Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2015? If so how does the Audit, Governance and Standards Committee respond to these?</p>	<p>There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> ▪ Council Tax ▪ Benefit Fraud ▪ Single person discount <p>However, there is a dedicated benefits investigation team which investigates any fraud and have undertaken a number of successful reviews and prosecutions during 2015/16. The benefits investigations transferred to the DWP in February 2016 but the Council has retained the team to enable other compliance work and Council Tax fraud to be investigated.</p> <p>The Audit, Governance and Standards Committee receives any adhoc fraud reports. With the changes to the provision of benefit fraud the adhoc reports will relate to other compliance issues from April 2016.</p> <p>There are no material instances of fraud that have been identified during the year.</p> <p>The Audit, Governance and Standards Committee would consider the fraud and the actions put forward by officers to ensure fraud is mitigated in the future.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>3 Do you suspect fraud may be occurring, either within the Council or within specific departments ?</p> <ul style="list-style-type: none"> ▪ Have you identified any specific fraud risks? ▪ Do you have any concerns there are areas that are at risk of fraud? ▪ Are there particular locations within the Council where fraud is more likely to occur? 	<p>Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Authority.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However management does not consider these to be significant risks.</p>
<p>4 Are you satisfied that the overall control environment, including:</p> <ul style="list-style-type: none"> ▪ The process for reviewing the system of internal control; ▪ Internal controls, including segregation of duties; <p>exist and work effectively?</p> <p>If not where are the risk areas? What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets?)</p>	<p>Yes – Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud.</p> <p>Sound systems of internal control with roles and responsibilities are defined in various places such as constitution.</p> <p>The role of internal audit, provides assurance that the Council's internal controls are in place. An annual report is produced and is available prior to the annual accounts being signed and approved.</p> <p>The regular monitoring of budgets and the allocation of financial professional support to budget holders provides control and mitigation against such overrides.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>5 How do you encourage, and communicate to, employees about your views on business practices and ethical behaviour? How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> What concerns are staff expected to report about fraud? 	<p>There is a Fraud Strategy and Whistleblowing procedure in place which explain the procedures to follow. The Fraud Strategy is currently being updated and will be ready during 2016/17.</p> <p>Employees are aware of the anti-fraud and corruption strategy, details are available on the website.</p>
<p>6 From a fraud and corruption perspective, what are considered to be high-risk posts:</p> <ul style="list-style-type: none"> How are the risks relating to these posts identified, assessed and managed? 	<p>There are not any significantly high-risk posts identified.</p>
<p>7 Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>2014/15 financial statements disclosure of related party transactions does not identify potential fraud risk. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>
<p>8 What arrangements are in place to report fraud issues to the Audit Governance and Standards Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>Internal Audit provide the Audit, Governance and Standards committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken. Any adhoc investigations are reported to the Audit, Governance and Standards committee.</p> <p>The Corporate risk register is reviewed by the Committee and the Member risk champion reports to the Committee at each meeting on updates from managers in relation to departmental registers.</p>

Table 1 Fraud Risk Assessment cont.

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

Law and Regulation

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

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

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

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

Table 2 : Law and Regulation

Question	Management response
<p>1 How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The Monitoring Officer will advise the Council's Management team and Councillors as appropriate.</p> <p>The reporting arrangements include sections for both financial and legal implications to ensure managers have considered compliance with laws and regulations. In addition staff have professional training and conduct in place to support compliance.</p>
2 How is the Audit, Governance and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?	Assurance of complying with the Council's Constitution is provided through the Annual Governance Statement which is reported to Executive.
3 Have there been any instances of non-compliance with law and regulation since 1 April 2015 with any on-going impact on the 2015/16 financial statements	No
4 Is there any actual or potential litigation or claims that would affect the 2015/16 financial statements?	None
5 What arrangements does the Council have in place to identify, evaluate and account for litigation and claims?	The legal and finance team liaise on a regular basis to identify and evaluate any potential claims.
6 Have there been any reports from other regulatory bodies, such as HM Revenue and Customs which indicate non-compliance?	No

Going Concern

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

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

Table 3 : Going Concern

Question	Management response
1 Has a report been received from management forming a view on going concern?	The Director of Finance and Corporate Resources (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.
2 Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan is based on delivering the key priorities of the Council and all income and expenditure is set on the basis of ensuring the purposes are met.
3 Are the implication of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The Financial Plan considered the government changes in terms of grants. The plan sets out the likely implications of the Governments Resources Review and other changes to local government finance including Business Rate reforms.
4 Have there been any significant issues raised with the Audit Governance and Standards committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control)	The recent S11 report identified areas of improvements within the Councils budgeting processes. A clear action plan is in place to ensure that future assumptions on estimates and monitoring reports are robust.
5 Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No

Table 3 : Going Concern cont...

Question	Management response
6 Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills	Yes
7 Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	Yes – regular financial monitoring reports to officers and members
8 Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern.	No – the S11 recommendations identified a number of financial issues that are being addressed by officers.
9 Are arrangements in place to report the going concern assessment to the Audit Committee? How has the Audit Governance and Standards Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	Regular financial monitoring is presented to the Committee. In addition it is proposed that the savings plans are monitored on a regular basis at the Audit, Governance and Standards Committee.

Accounting Estimates

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

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

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

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

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

Table 4: Accounting Estimates

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

Related Parties

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

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

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

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

Table 5: Related Parties

Question	Management response
1 Who are the Council's related parties?	<p>The Council discloses its related parties under the following headings:</p> <ol style="list-style-type: none">1. Government – Central Government has control influence over the Council as the Council needs to act in accordance with its statutory responsibilities.2. Pension Fund – this party is subject to common control by Central Government.3. Precepts & Levies – these parties are subject to common control by Central Government and thus might be empowered to transact on non-commercial terms. The Council is bound to pay the amount demanded from these parties through precept or levy.4. Assisted Organisations – the provision of financial assistance by the Council to such parties or voluntary organisations may give the Council influence on how the funds are to be administered and applied.5. Members and Officers – certain Members and Officers may have controlling influence or related interests with other of the Council's related party organisations, such that they may be in a position to significantly influence the policies of the Council

Table 5: Related Parties cont....

Question	Management response
2 What are the controls in place to identify, account for, and disclose, related party transactions and relationship?	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none">▪ Maintenance of a register of interests for Members a register for pecuniary interests in contracts for Officers and Senior Mangers requiring disclosure of related party transactions.▪ Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests.▪ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.▪ Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation.▪ Review of year end debtor and creditor positions in relation to the related parties identified.▪ Review of minutes of decision making meetings to identify any member declarations and therefore related parties.

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant and equipment valuations	The Council has a contract with Place Partnership Ltd to manage its asset base, including undertaking annual valuations. The Valuer is a RICS/CIB Member) and reviews are made inline with RICS guidance on the basis of 5 year valuations with interim reviews.	Technical Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation	Yes, the Place Partnership valuer	Valuations are made in line with RICS guidance – reliance on expert.	No
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: <ul style="list-style-type: none"> ▪Buildings 50 years ▪Equipment/vehicles 5 years ▪Plant 12 years ▪Infrastructure 40 years 	Consistent asset lives applied to each asset category.	Yes, the Place Partnership valuer	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction material used. This life would be recorded in accordance with the local qualified RICS or CIB Member.	

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation & Amortisation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets	No	<p>The length of the life is determined at the point of acquisition or revaluation according to:</p> <ul style="list-style-type: none"> ▪ Assets acquired in the first half of a financial year and depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year. ▪ Assets that are not fully constructed are not depreciated until they are brought into use. 	No
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable	Assets are assessed at each year end as to whether there is any indication that an asset may be impaired	Place Partnership Valuer	Valuations are made in line with RICS guidance – reliance on expert	No

Appendix 1 Accounting Estimates

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

Appendix 1 Accounting Estimates

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

Appendix 1 Accounting Estimates

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

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a Change in accounting method in year?
Accruals	Financial Services collate accruals of Expenditure and Income in conjunction with the service managers. Activity is accounted for in the financial year it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No

AUDIT GOVERNANCE AND STANDARDS

21ST APRIL 2016

ACCOUNTING POLICIES 2015/16

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	No
Ward(s) Affected	All
Ward Councillor(s) Consulted	None Specific

1. SUMMARY OF PROPOSALS

- 1.1 To present to members the draft accounting policies for 2015/16.

2. RECOMMENDATIONS

- 2.1 Members are asked to **APPROVE** the Accounting Policies attached in Appendix 1.

3. KEY ISSUES

Financial Implications

- 3.1 None Specific.

Legal Implications

- 3.2 None Specific

Service / Operational Implications

- 3.3 The financial statements for 2015/16 will be prepared in accordance with these policies. The policies are draft and will be subject to change. The final policies will be presented to members with the Statement of Accounts during the September meeting.

Customer / Equalities and Diversity Implications

- 3.4 None Specific

4. RISK MANAGEMENT

- 4.1 It is essential to produce Accounting Policies prior to the financial statements being completed to ensure officer have a clear framework to follow, to prevent delays in the preparation of the accounts.

AUDIT GOVERNANCE AND STANDARDS

21ST APRIL 2016

5. APPENDICES

Appendix 1 - Accounting Policies

AUTHOR OF REPORT

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Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

Appendix 1

1 Accounting Policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* and the *Service Reporting Code of Practice 2015/16*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will follow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals will be made for items of income and expenditure in excess of £500, lower amounts will only be actioned if an automated accrual can be made or at the request of the relevant budget holder.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Authority's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is an Authority's precept or demand for the year, plus or minus the Authority's share of the surplus /deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to council tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non-Domestic Rates (NDR)

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the Government. The amount credited to the General Fund under statute is the Authority's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors (excluding police bodies) and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

1.5 Employee benefits**Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Worcestershire County Council. The scheme provides defined benefits to members (retirement lump sum and pensions), earned as employees working for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Worcestershire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.32% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors)

- The assets of Worcestershire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities –current bid price
- Unquoted securities –professional estimate
- Unitised securities- current bid price

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any such amounts payable but unpaid at the year end. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.6 Events after the reporting period

Events arising after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.7 Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.8 Financial instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council has the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial Assets are classified into two types:

Loans and receivables –assets that have fixed or determinable payments but are not quoted in an active market

Available for sale assets –assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as a difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for sale assets

The Council has no available for sale financial assets.

1.9 Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with conditions attached and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits must be returned to the transferor.

Monies advanced as grants are contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.10 Heritage assets

Heritage Assets are those with cultural, environmental or historical significance that make their preservation for future generations important. These should now be included on the balance sheet although a number of these can not be included due to the fact of their diverse nature, cost or valuation information is not available.

1.11 Intangible assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected to generate future economic benefits to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and so they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sales over £10,000) the Capital Receipts Reserve.

The useful life applied to this classification of assets is between 3-10 years.

1.12 Inventories and long term contracts

Inventories are included in the Balance Sheet at the latest price paid. Some minor inventories are not valued and are charged to services in the year of purchase. This is not in accordance with recommended practice, which states that inventories should be included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.13 Investment property

An Investment policy is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rental or for capital appreciation does not meet the definition.

The Council has no Investment properties at 31 March 2016.

1.14 Jointly controlled assets/operations

The Council is a partner in the Worcestershire Regulatory Shared Services Joint Committee together with Bromsgrove District Council (the host), Wyre Forest District Council, Worcester City Council, Wychavon District Council, Malvern Hills District Council and Worcestershire County Council. This partnership is a jointly controlled operation that uses the assets and resources of the partner authorities without the establishment of a separate entity. Under this arrangement each participant accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows.

A Joint Operation exists when parties that have joint control of the arrangement and have rights to the assets, and obligation for the liabilities relating to that arrangement. The Council is part of Place Partnership; a Teckel company set up to manage Property Services across 6 partners. Redditch Borough Council has a shareholding of 2/12th, thus sharing joint control. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

1.15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Council as lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down a lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as a cost to the services benefiting from the use of the lease property, plant or equipment. Charges are made on a straight line basis over the life of the lease.

The Council as lessor

Finance leases

Where the Council grants a finance lease over a property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund/balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement,

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating leases

Where the Council grants an operating lease over property, plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and expenditure Statement.

1.16 **Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. A materiality level of £250K has been set by the Authority and notes below this amount have been removed where they are not considered to add value to the statements.

1.17 **Overheads and support services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure.

1.18 **Prior period adjustments, changes in accounting policies and estimates & errors**

Prior period adjustments may arise as a result of change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in current and future years affected by the change. Changes in accounting estimates do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or if the change provides more reliable or relevant information about the Council's financial position or performance. Changes are applied retrospectively (unless stated otherwise) with an additional Balance Sheet presented at the beginning of the earliest comparative period.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.19 **Property, plant and equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating for its intended use

The Council does not capitalise borrowing cost incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets and community assets and assets under construction – depreciated historical cost.

- Dwellings – fair value, determined using the basis of existing use value for social housing(EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value –EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:-

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset has been impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their Depreciation is calculated on the following bases:-

- Dwellings – the s151 Officer has reviewed the use of the Major Repairs Allowance as depreciation for Housing Revenue Account properties, and considers this to be a reasonable estimate for depreciation cost. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets.
- Other buildings- straight line allocation over the useful life of the property as estimated by the valuer and is between 5-50 years.
- Vehicles, plant and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer and is between 2-15 years.
- Infrastructure – straight line allocation up to 40 years.

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £1 million for determining whether an asset needs to be componentised and a component value of more than 20% of the total asset value to determine if part of an asset is considered as a component.

Revaluation

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified as non-current assets and valued at the lower of their carrying amount (before they were classified as held for sale) adjusted for depreciation, amortisation or revaluations and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statements.

Residual values

Where assets are held past their estimated useful life their residual values are usually immaterial or below the £10,000 de minimus level for inclusion on the Balance Sheet. Where an asset has reached the end of its estimated life and is still used, its value is reviewed to confirm that its value is immaterial. This is done annually at the end of the accounting year.

De minimus capital expenditure

Purchases of assets or enhancement work with a value of £10,000 or lower are not recorded in the asset register. De minimus assets financed from capital resources are written off to the service in the year that expenditure is incurred. Credits are made from the Capital Adjustment Account to ensure the written down assets do not have an impact on Council Tax.

1.20 Provisions, contingent liabilities and contingent assets**Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made for the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking account of the risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that the transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from a third party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council makes a provision for third party insurance claims that could eventually result in the making of a settlement or the payment of compensation. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, employee and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.22 Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year has been written off as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where the Council has determined to meet the cost of the Revenue expenditure funded from capital under statute from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Comprehensive Income and Expenditure Account via the Movement in Reserves Statement so there is no impact on the level of council tax.

1.23 Shared services

Redditch Borough Council provides the hosting for a number of shared service arrangements with Bromsgrove District and Wyre Forest District Council. A number of other shared services are hosted by Bromsgrove District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of Redditch Borough Council with a monitoring report prepared for the partner authority on a monthly basis for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of Redditch Borough Council. There is a responsibility for each partner Council to account for their share of the arrangement within their statement of accounts.

When entering into shared services with Bromsgrove District Council, all capital assets that are purchased are financed by each authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the authority that purchased the asset only.

The Management team is shared across both authorities as well as other services. Cross-charging occurs where a resource is used by the other authority where there is not a formal shared service in place.

Each authority pays a fair share of services which are shared, in line with the Business Case; all direct expenditure is shared on this basis, with income staying with the home authority. Where a cost is only in relation to one authority, this falls outside the Business Case and the authority that gains the benefit for this is fully charged.

Where support services are fully recharged across direct services a review of these has been undertaken. On doing this, it has been established that currently no internal recharges are to be charged to/from Redditch Borough Council with the exception of accommodation in one area. The work has shown that as Services become shared each authority is already paying its full share of internal recharges within the splits of the live shared services. Services that were not shared during this period have been looked at by each authority and Redditch Borough Council is already paying its share of all support services.

1.24 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

1.25 Local taxation**Accounting for Council Tax**

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

As the collection of Council Tax for preceptors (Worcestershire County Council, West Mercia Police and Crime Commissioner, and Hereford and Worcester Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Redditch Borough Council as the billing authority and to the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

Accounting for Collection of National Non-Domestic Rates (NNDR)

From 1st April 2013, the treatment of NNDR changed as Government legislation localised a proportion (40%) to the Council. In accounting terms from 1st April 2013, Redditch Borough Council collects NNDR partly as an agent of central government, Worcestershire County Council and of the Fire and Rescue Authority, and partly on its own account. As with council tax, the cash collected belongs proportionately to Redditch Borough Council as the billing authority and to Worcestershire County Council, central government and the Fire and Rescue Service as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

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THE INTERNAL AUDIT PROGRESS REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

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

1. SUMMARY OF PROPOSALS

1.1 To present:

- The progress report of internal audit work with regard to the 2015/16 audit work.

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

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Service / Operational Implications

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

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2015 to 29th February 2016 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (28th JANUARY 2016):

Stores Intervention

This critical review documented, assessed and evaluated the procedures in place and any changes that management may be proposing in relation to:

- Material stocks
- Administrative arrangements
- Purchasing
- Van stock
- Carpenters workshop

The review concentrated on but was not limited to the above areas of the stores at Crossgates Depot and covered controls in place and proposals for change, at the time of the audit.

The outcome of the review confirmed some initiatives have already been taken and/or are planned and these include:

- Reviewing non stock purchases and adding 'frequent' purchases to the stock catalogue
- Implementing min/max/ stock levels and auto generating electronic orders when re order levels are reached
- Identified bulky items that cannot be held in store (e.g. garage doors, kitchen units)
- Identified items where it is more efficient to purchase externally and have delivered to site (e.g. bags of sand, quantities of slabs)
- Regular liaison between Stores and Supplies and Housing Staff
Delivery driver introduced by Housing to minimise the level of unproductive time amongst tradesmen returning to stores to collect stock
- Implementation of additional stores imprest vans

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Information is reported to budget holders monthly and quarterly by the Finance Department to enable the budget to be monitored on a regular basis. The Accountants are also available should the budget holders require any assistance and provide on going support throughout the year. Many initiatives have already been taken or planned to improve the Service.

Audit Type: Critical Review
Final Report Issued: 18th January 2016
Assurance: N/a

Safeguarding

The review found a generally sound system of internal control in place.

The review found the following areas of the system were working well:

- Overall management and embedding of legislation for the protection of vulnerable children and adults, including suitable policies and procedures that are readily available to staff;
- The nomination of suitable individuals for managing safeguarding cases within both authorities;
- Appropriate and proactive training sessions provided for essential staff who engage with vulnerable people;
- Engaging with other local organisations to ensure a robust safeguarding process across both districts and county.

and, the following areas of the system where controls could be strengthened:

- The monitoring of full completion of training courses by all necessary staff, and the challenging of responsible managers to ensure full completion by necessary staff.
- The implementation of a policy which identifies good practice for the routine and periodic vetting of staff that engage with vulnerable people.

There were no 'high' priority recommendations reported.

Audit Type: Full System Review
Final Report Issued: 4th February 2016
Assurance: Significant

Leisure Consumables

The review was conducted as a critical appraisal of the processes in regard to the Leisure Consumables, Equipment and Goods for Resale system operated

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to ensure consumables, equipment and goods for resale are procured and controlled and stored in a secure manner.

The audit reviewed and critically appraised the systems and processes in place.

Systems and procedures were documented and compared with best practice and adherence to any relevant approved policies and procedures including the council's procurement rules.

A number of areas are in the process of being strengthened including stock control, procurement awareness, inventory maintenance and the updating of policy to ensure it remains fit for purpose.

Audit Type: Critical Review
Final Report Issued: 4th January 2016
Assurance: N/a

Corporate Governance ~ AGS

The review found some of the expected controls are not in place and are not operating effectively.

The review found the following areas of the system were working well:

- The CIPFA guidance has been observed when producing the Annual Governance Statement;
- The Authority has published annually the Annual Governance Statement as part of the Final Accounts and complies with the statutory requirements; and
- The Annual Governance Statement document has explicitly highlighted how it demonstrates its commitment to achieve good governance against each core principle;

and, the following areas of the system where controls could be strengthened:

- The Section 151 Officer is predominantly responsible for the production of the Annual Governance Statement, however, this does not promote awareness of the shared responsibility of the governance framework.
- Terminology used in the Annual Governance Statement is out of date.
- There is a lack of member involvement; and
- Governance issues identified are not being included in an action plan and the progress against each issue is not being monitored.

Audit Type: Limited Scope Review
Final Report Issued: 22nd February 2016
Assurance: Moderate

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Benefits

The review found a generally sound system of control in place.

The review found the following areas of the system were working well:

- Processing of all new benefit claims and event changes;
- Classification and recovery of overpayments;
- Processing of discretionary housing payments;
- Subsidy monitoring

and, areas of the system where controls could be strengthened:

- Software faults to be remedied in order that auto generated recovery reports are directed to work trays and overpayment recovery is carried out with the minimum of delay
- Consistent completion of backdated award schedules to confirm that good cause was demonstrated
- Retention of all write off records in Information@Work

During the last 12 months there has been a steady improvement in the processing times for both new claims and event changes as a result of steps that were put in place.

For next year it is planned to use authority averages (2015/16) to measure performance during 2016/17 in addition to the national average.

There were no 'high' priority recommendations reported.

Audit Type: Full System audit

Final Report Issued: 21st March 2016

Assurance: Significant

Leisure – Banking

The review found some of the expected controls were not in place or were not operating effectively.

The review found the following areas of the system were working well:

- Daily cash balancing/reconciliation arrangements revealed an improving trend with better levels of internal control evident on this occasion than on previous audits.
- Banking arrangements were generally in accordance with procedures and Financial Regulations although one delayed banking in a sample of thirty was identified.

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and, the following areas of the system where controls could be strengthened:

- Terms and conditions for customers using the advanced payment scheme need to be reviewed to ensure that payment due dates are made clear.
- Where advance payment invoices are not paid by the due date, the invoice must be cancelled and a revised one issued to include the discount originally applied (i.e. VAT). This will ensure that VAT regulations are observed.
- The process for invoicing for club and school use needs to be reviewed to ensure that income due is promptly identified and invoices are promptly raised.

Audit Type: Full System audit
Final Report Issued: 9th February 2016
Assurance: Moderate

Summary of assurance levels:

2015/16	
Safeguarding	Significant
Benefits	Significant
Leisure - Banking	Moderate

Critical review audits that are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made in regard to the audit approach. Where there is significant change taking place due to transformation, restructuring or legislative updates a critical review approach will be used. In order to assist the service area to move forwards a number of challenge areas will be identified using audit review techniques. The percentage of critical reviews will be confirmed as part of the overall outturn figure for the audit programme. To report this percentage during the year based on outturn will cause the figure to fluctuate throughout the year, however, a final percentage figure will be reported in the annual report. The outturn from the reviews will be reported in summary format as part of the regular reporting as indicated at 3.3 above.

In regard to the eight finalised reviews to date 37% have been critical reviews.

Follow up reviews are an integral part of the audit process and there is a rolling programme of review that is undertaken to ensure that there is progress with to the implementation of the agreed action plans. The outcome of the follow up reviews is reported on an exception basis taking into consideration the risk exposure. During the last committee there was a request that additional follow ups took place in regard to Land Charges and

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Forge Mill. The results of the work is reported in Appendix 3 but in summary there has been clear progress made with a number of points satisfied and any remaining points progressing towards a conclusion. It is considered that neither of these areas is posing any unacceptable risk and there are no exceptions to report.

2015/16 AUDIT WORK WHICH IS ONGOING

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

Section 106s
CCTV
Website Security
Consultancy and Agency
Reconciliation process
ICT ~ System Administration

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

Council Tax
Non Domestic Rates (NNDR)
Performance Management Framework
Debtors
Creditors
Payroll
Housing

The outcomes of these audits will be reported in summary to the next available Committee after finalisation.

3.4 AUDIT DAYS

The table in Appendix 1 shows the progress made towards delivering the 2015/16 Internal Audit Plan and achieving the targets set for the year. As at 29th February 2016 a total of 375 days had been delivered against an overall target of 400 days for 2015/16. The target days to the end of the quarter are in line with the target figure for the year as part of the key performance indicators for the service.

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Appendix 2 shows the performance indicators for the service. Performance and management Indicators were agreed by the Committee on the 23rd April 2015 for 2015/16 with an additional two indicators introduced part way through the year.

Appendix 3 shows the tracking of completed audits.

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

3.5 OTHER KEY AUDIT WORK

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

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a 'critical appraisal'
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

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

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

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

Customer / Equalities and Diversity Implications

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

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4. RISK MANAGEMENT

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

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

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

5. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2015/16

Appendix 2 ~ Performance indicators 2015/16

Appendix 3 ~ Tracking analysis of previous audits

Appendix 4 ~ 'High' and 'Medium' priority recommendations

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2015/16
1st April 2015 to 29th February 2016

Audit Area	DAYS USED TO 29/02/16	Forecasted days to the 31 st March 2016	2015/16 PLAN DAYS
Core Financial Systems (see note 1)	71	94	94
Corporate Audits(see note 2)	66	60	60
Other Systems Audits	201	192	192
TOTAL	338	346	346
Audit Management Meetings	17	20	20
Corporate Meetings / Reading	5	9	9
Annual Plans and Reports	10	12	12
Audit Committee support	5	13	13
Other chargeable	0	0	0
TOTAL	37	54	54
GRAND TOTAL	375	400	400

Note 1

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts.

Note 2

A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters. There has been a particularly heavy demand on the investigatory budget with the Gas Investigation. The time for this lengthy review was split between both Corporate and Other Systems audits (i.e. Housing) leading to a small overspend on each of the budgets.

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APPENDIX 2

Performance Indicators (KPIs) for 01st April 2015 to 29th February 2016

The success or otherwise of the Internal Audit Shared Service can be measured against some of the following performance indicators for 2015/16 i.e. KPI 3 to 6. Other key performance indicators link to overall governance requirements of Redditch Borough Council i.e. 1 and 2.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Year End Position	2014/15 Year End Position	2015/16 Position (as at February 2016)	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	12	21	3	1	Quarterly
2	No. of 'moderate' or below assurances	Downward	10	12	9	2	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	5 (8 returns; 5 excellent & 3 good)	4 (7 returns; 4 excellent & 3 good)	1 (2 returns; 1 excellent & 1 good)	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered = 29	Target = 29 Delivered = 29	Target = 24 Delivered = 24	Target = 16 (minimum) Delivered = 8 (6 are at draft stage)	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	N/A	N/A	N/A	94%	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	N/A	N/A	N/A	73%	Quarterly

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

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Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action that is planned going forward in regard to the more recent audits providing assurance that a programme of follow up is operating.

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

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

Follow up in connection with the core financials was undertaken as part of the routine audits that were performed during quarter 3/4.

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
Land Charges	18th July 2014	Head of Legal, Democratic and Equality Services	Moderate	2 "high" priority recommendations in relation to fees and charges and income reconciliation	Due to preparation of final accounts and training required on main ledger this has been delayed. 06/07/2015	Followed up 22nd September 2015. Still awaiting training but this is not considered to be a material risk to the Council	Further follow up March 2016 with confirmation that all points have been satisfied apart from the reconciliation of income taken by LLC staff with the ledgers maintained by Finance. The Council has had significantly more urgent financial processes to address in the interim, however, due to changes which will come into play on 4 July this year it should resolve the issue. VAT is to be introduced on a number of the charges which has meant that a request for assistance from Finance to set up a system to record payments, including VAT elements, both for our own corporate records and for HMRC is now in hand and will provide the business resilience required.
DFGs and HRA grants	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendations re the need to ensure documents are stored correctly	Followed up in September 2015. Implementation of the 1 medium priority recommendation is still in progress, whereby an electronic HIA filing system has been integrated, and paper files are being transferred to a single location for managing more effectively, completion expected end of October 2015 as part of the move	Followed up in March 16. There is one recommendation that is partially implemented, this relates to the cleansing of the DFG files. The files are in the process of being cleansed and it is hoped that this will be completed by September 2016.	

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
					to the new Parkside office.		
Rent Arrears	27th October 2014	Head of Housing Services	Significant	1 "medium" priority to ensure procedure manual is updated to reflect change in procedures.	Followed up in June 15. The 1 medium recommendation is on-going, due to significant developments in working arrangements within the service. These are expected to be completed early 2016, with procedural guidance updated to cover the new working arrangements by March 16.	Follow up in April 16. 1 recommendation is in progress. The recommendation relates to the updating of the procedural guidance however this will not be done until the restructuring has taken place. A further follow up will be undertaken in December 2016, at which point the Service are aiming to complete the restructuring of the Service.	
Procurement	18th November 2014	Financial Services Manager	Significant	3 "medium" priority recommendations made in relation to ensuring value for money is obtained, contracts are relate at the appropriate times and that there is a clear procurement protocol in relation to procurement rules.	Followed up in June/ July 15. 1 medium priority recommendation concerning the updating of the contracts register has been implemented. 2 medium priority recommendations concerning the updating of the procurement guidance and the provision of training to staff on good procurement practice have not yet been implemented. Expected implementation of recommendations will be December 15.	Follow up 15/03/16 ~ 2 medium priority recommendations remain outstanding. Training to be delivered w/c 7th April and the new procurement strategy to be written by no later than September 2016. Delay attributed to a lack of resource. Overall risk has reduced due to other training and support from the procurement officer being delivered to staff. Further follow up October 2016	
Reddicard	11th	Leisure Services	Moderate	2 "medium" priority	Followed up in Jan 16. 1	April 16	

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
concessions	February 2015	Manager		recommendations made to ensure there is effective stock control of all concession cards and that independent checks are carried out when fees are updated at the start of each financial year.	'medium' priority recommendation in relation to stock control has been implemented. 1 'medium' priority recommendation in relation to independent checks of fees and charges up loaded to the system is still to be actioned. This will be followed up in April 16 when the new fees and charges will be uploaded.		
Forge Mill	6th February 2015	Leisure Services Manager	Moderate	7 "medium" priority recommendations made re the need to ensure that stock is controlled, inventories are up to date, there are sufficient controls and separation of duties around receipting of income and access to safes are restricted.	Follow up undertaken 6 th August. 3 Recommendations implemented, 3 recommendations in progress in relation to stock reconciliation, inventory and fees & charges. One recommendation is not currently actioned; this is in relation to separation of duties in cashing up process. A second follow up to be undertaken in 3 months	Follow up undertaken on Nov 24th, report issued 19th of Jan. 1 recommendation implemented re. fees and charges, 3 recommendations are in progress and therefore these will be followed up in 3 months time on the anniversary of the final implementation date which is April 2016.	April 2016
Cash Receipting	29th January 2015	Head of Customer Access and Financial support	Moderate	1 "high" and 1 "medium" priority recommendations re the need to ensure a PCIDSS certificate is obtained and that the suspense account is reviewed and cleared.	Follow up undertaken in December 2015. The medium priority recommendation in relation to suspense accounts has been implemented. The recommendation in relation to PCIDSS certification is	Follow up under consideration Mar 2016	

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					still to be actioned as this will need to be revisited.		
Corporate Governance - appointments to outside Bodies	16th July 2015	Head of legal Equalities and Democratic Services and Democratic Services Manager	Significant	1 "medium" priority recommendation re reporting of Members Appointment to Outside Bodies via the Members Annual Report.	Follow up currently being undertaken March 2016		
Budget Setting	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Further action is required to satisfy the action plans however priority on resource has been to satisfy the S11 requirements and to ensure there is no repeat of last years year end. The Executive Director remains committed to identified action plans.		
ICT	16th July 2015	Head of Transformation and Organisational Development , ICT Transformation Manager, ICT Operations Manager	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Follow up undertaken on the 24 th March 2016. On going progress re. implementation.		
Members Allowances	2nd October 2015	Head of Legal Equalities and Democratic Services and Democratic Services Manager	Significant	2 "medium" priority recommendations were made in relation to Broadband/Data Allowances and Change control process for Members Data	Apr-16		

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Treasury Mngt	4th December 2015	Financial Services Manager	Significant	2' medium' & 1 'low' priority recommendations were made in regard to coding errors, formal regular reconciliation and forms filled in for transactions	To be followed up with core financials Q2/3 2016/17		
Safeguarding	4 th February 2016	Human Resources Manager	Significant	3 'medium' priority recommendations; training course monitoring, staff vetting and case records.	Aug 2016		
Benefits	21 st March 2016	Revenues Services Manager	Significant	3 'medium' priority recommendations; recovery reports, write offs and back dated award decisions.	Sept 2016		
Leisure – Banking	9 th February 2016	Sports Services Manager	Moderate	1 'high' and 3 'medium' priority recommendations; advance payments, manual operations, bankings and invoices.	Aug 2016		

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Leisure Consumables -	4/01/16	Leisure Services Manager	N/A Critical Friend	Challenge points and good practice	July 2016		
Corporate Governance AGS –	22/02/16	Financial Services Manager	Moderate	1 'high' priority and 3 'medium' priority recommendations; No action plan, compilation of AGS, review of terminology and circulation of document	Aug 2016		
Stores Intervention	18/01/16	Environmental Services Manager	N/a Critical Friend	Challenge points and good practice	July 2016		

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APPENDIX 4

Definition of Audit Opinion Levels of Assurance

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

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

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Safeguarding					
Assurance: Significant					
Summary: The review was a full system audit that concentrated on the safeguarding system.					
1	Medium	<p><u>Training Course Monitoring</u></p> <p>The Human Resources team are monitoring the completion of a training exercise concerning a presentation on safeguarding for the two authorities originally issued in November 2014. Returns were required from Service Managers identifying when the training presentation was viewed.</p>	<p>Lack of current training and knowledge by staff which could result in incorrect procedure being followed, resulting in vulnerable people not being given the correct and necessary help, leading to reputational damage for the authority.</p>	<p>Human Resources and Community Services staff to issue reminders to Services Managers regarding completion of the e-learning training exercise, and also to confirm the review by staff of the safeguarding presentation.</p> <p>Failure to achieve full compliance of these training programmes to be raised with relevant Head of Service.</p>	<p>Management Response: Agreed. Reminders will be issued to Service Managers.</p> <p>Responsible Manager: Human Resources Manager</p> <p>Implementation date: April 2016</p>
2	Medium	<p><u>Staff Vetting</u></p> <p>Staff vetting is only conducted on new starters, once the need for such vetting has been assessed and determined in accordance with DBS requirements. There is no process or corporate policy for periodic DBS reviews to ensure on-going staff suitability with further periodic checks.</p>	<p>Current staff may have undisclosed convictions which may put vulnerable individuals at risk, leading to potential reputational damage.</p>	<p>The vetting process to be reviewed, to require that all staff which regularly engage with vulnerable people are asked in periodic status meetings if there have been any changes in DBS status.</p>	<p>Management Response: Agreed. Vetting process to be reviewed.</p> <p>Responsible Manager: Human Resources Manager</p> <p>Implementation date: January 2016</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Benefits					
Assurance: Significant					
Summary: The review was a full system audit that concentrated on the Housing Benefit & Council Tax Support system					
1	Medium	<p><u>Reports</u></p> <p>Auto generated recovery reports e.g. (No Recovery Action) are produced but are not auto filed in Information@Work (i.e. the document handling system) and as a result are not actioned promptly by staff</p>	Overpayments are not promptly recovered leading to reputational damage and may adversely affect subsidy claims	Software issues need to be resolved to ensure that once produced, reports are filed in Information@Work for action by recovery staff or as a minimum auto emailed to appropriate staff for monitoring and actioning	<p>Management Response: Work is already underway to review and improve all Overpayment processes. Software issues will be resolved as part of the move to a single system.</p> <p>Responsible Manager: Assistant Financial & Support Services Manager</p> <p>Implementation date: 31st Dec 2016</p>
2	Medium	<p><u>Write Offs</u></p> <p>Of three overpayment write offs reviewed (in excess of £2.5k) only one case displayed supporting evidence (i.e. write off schedule) in Information@Work.</p> <p>Whilst information was available in other locations, a single point of record retention would be a more pragmatic solution.</p>	Write offs procedures not observed potentially leading to unauthorised transactions, financial loss, and, reputational damage	Full supporting evidence must be retained on Information@Work to confirm the write off requests and to maintain an effective management trail to provide justification of action if/when challenged.	<p>Management Response: Procedures in respect of write off and the evidence retention requirements are currently being written.</p> <p>Responsible Manager: Assistant Financial & Support Services Manager</p> <p>Implementation date: 1st April 2016</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	Medium	<p><u>Award Decisions</u></p> <p>Back dated Award Decision schedules are not consistently completed by Assessors</p>	<p>Management trail not maintained leading to inconsistent approach in making awards which could lead to challenge and reputation damage</p>	<p>The Back dated Award decision schedule must be completed to confirm 'good cause' is demonstrated and a consistent approach is applied.</p>	<p>Management Response: Full notes to be maintained on the system to ensure an auditable trail of the decision making.</p> <p>Responsible Manager: Assistant Financial & Support Services Manager</p> <p>Implementation date: 1st April 2016.</p>
Audit: Leisure ~ Banking					
Assurance: Moderate					
Summary: The review was a systems audit concentrating on the Leisure/Sports Centres – Cash Receipting & Banking Arrangements					
1	High	<p><u>Advance Payments</u></p> <p>The advance payment scheme allows the hirer to make block bookings at a discounted rate providing that payment of the invoice is made in accordance with conditions.</p>	<p>There is the potential of loss of revenue/breach of VAT regulations which could result in financial implications and reputational damage</p>	<p>The scheme must be administered in accordance with the terms and conditions and where appropriate, any discount awarded must be recovered.</p> <p>Review the terms and conditions of the scheme to ensure that they:</p> <ul style="list-style-type: none"> • Are fit for purposes 	<p>Agreed Action:</p> <p>All Ex Vat Bookings to be written to and reminded of the Customs and Excise regulations, to include timescales met on a quarterly basis. Management Monitoring to ensure compliance- All bookings to be tested during February to ensure that bookings have paid within the specified timescales. Any bookings that haven't met the timescale to be sent a revised invoice with the VAT built back in to the</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				<ul style="list-style-type: none"> • Include the consequences of non payment within the prescribed timeframe i.e. VAT becoming payable. • Are clear as to when payment must be made 	<p>cost. The responsible Manager will test the process to ensure compliance is met on a quarterly basis. We are also in the process of procuring some management monitoring software which will hopefully pick up any invoices that haven't been sent out by the specified target date.</p> <p>Responsible Manager:</p> <p>Operations Manager</p> <p>Implementation date:</p> <p>February 2016</p>
2	Medium	<p><u>Manual Operations</u></p> <p>During the review period it was noted that the HAVEN system was unavailable due to technical issues. During this period there was an inconsistent approach to the use of manual receipts. At one centre, manual receipts were not consistently used and this resulted in appreciable effort to reconcile receipts and amend usage data.</p>	<p>Although a breach of Financial Regulations if internal operating procedures are not followed or applied inconsistently there is the potential for poorly controlled or unaccounted income and enhanced risk of theft and fraud</p>	<p>In cases where manual operations are required manual receipts must be issued to comply with Financial Regulations and to provide a sound basis to update both usage and financial records.</p>	<p>Agreed Action:</p> <p>All staff to be re-issued with NOP. All sites to confirm they have a stock of manual receipt pads. Management to check that these are used during occasions when the Haven system is not available.</p> <p>Responsible Manager:</p> <p>Operations Manager</p> <p>Implementation date:</p> <p>February 2016</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	Medium	<p><u>Bankings</u></p> <p>Audit testing confirmed that at one site Kingsley a banking was made covering a three week period.</p> <p>It was also noted that the banking summary sheets for Abbey Stadium were not signed off by the officer preparing the banking.</p>	<p>Although a breach of Financial Regulations there is the potential for uninsured loss to take place and unnecessary exposure to fraud/loss. Lack of audit trail and accountability</p>	<p>Bankings must be made weekly to comply with Financial Regulations.</p> <p>Banking summary sheets must be signed off by the officer preparing the banking.</p>	<p>Agreed Action:</p> <p>All staff to be re-issued with the NOP. Management to test that the NOP is being complied with during quarterly audits.</p> <p>Management Monitoring to ensure compliance. We are in the process of procuring some management monitoring software which will hopefully pick up any bankings that haven't been made by the specified target date.</p> <p>Responsible Manager:</p> <p>Operations Manager</p> <p>Implementation date:</p> <p>February 2016</p>
4	Medium	<p><u>Invoices</u></p> <p>At the time of the audit, invoices for school hire at Abbey Stadium for the period April – July 2015 (circa £5k) had not been raised although audit were informed that invoice requests (Usage Reports) had been raised & sent to the Town Hall although possibly to the</p>	<p>Although a breach of Financial Regulations there is the potential of overall poor financial management leading to delay / loss of income and reputational damage.</p>	<p>Invoices must be promptly raised and invoice requests directed to the correct service/officer.</p>	<p>Agreed Action:</p> <p>Invoices will eventually be raised directly at site using the E-Fin system. All invoices to any clubs that do not pay through the Haven System will be raised through this system. This will negate the need to send any invoices</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>incorrect service/officer.</p> <p>Replacement Usage Reports were issued and invoices were raised on the 15th October 2015.</p>			<p>to payments thus eliminating the error caused during this audit inspection.</p> <p>All schools/clubs to be written to ensure that they receive an invoice in advance of the period. This will mean they pay during the period rather than in arrears.</p> <p>Management Monitoring to ensure compliance- We are in the process of procuring some management monitoring software which will hopefully pick up any invoices that haven't been sent out by the specified target date.</p> <p>Responsible Manager:</p> <p>Operations Manager</p> <p>Implementation date:</p> <p>From April 2016</p>
end					

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THE 2016/17 INTERNAL AUDIT PLAN REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

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

1. SUMMARY OF PROPOSALS

1.1 To present:

- the Redditch Borough Council Internal Audit Operational Plan for 2016/17;
- to confirm the performance indicators for the Worcestershire Internal Audit Shared Service for 2016/17

2. RECOMMENDATIONS

2.1 **The Committee is asked to approve the 2016/17 Annual Audit Plan.**

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 the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

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Service / Operational Implications

Internal Audit Aims and Objectives

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

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

Formulation of Annual Plan

The Internal Audit Plan for 2016/17, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has considered the corporate strategic purposes, risk priorities per discussions with the s151 Officer and the results of an independent risk assessment of the audit universe by Internal Audit. Dialogue will continue with and Heads of Service in regard to the audit plan and the risk exposure in their areas. The internal audit plan for 2016/17 has been considered by the council's section 151 officer and has been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes. The draft plan was brought before the Committee on the 28th January 2016 for consideration and to provide an opportunity for Member engagement. This resulted in an amendment to the plan in regard to an increased number of days allocated to 'budgetary control'.

With the increasing amount of closer working arrangements with Redditch Borough Council and Bromsgrove District Council the benefits this brings with joint working has been reflected in the plan with closely aligned plans and reduced/shared budgets to deliver the work. By taking this approach it will ensure that both Councils benefit from the efficiencies that can be derived from an even

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better coordinated approach of audit delivery in regard to joint systems and shared services. By bringing a provisional plan of work to Members it allowed time for a positive input into the audit work programme for 2016/17 and provided an opportunity to make suggestions as to where audit resources could be deployed under the direction of the s151 Officer. As with all plans it may be subject to review and change as the year progresses in consultation with the s151 Officer.

Resource Allocation

To reflect the changing environment in regard to joint working and shared services the internal audit plan for 2016/17 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The coverage remains unchanged from 2015/16 figures due to the difficulties encountered in certain areas e.g. Finance and Housing. There would have been a proposal to reduce the days if the issues had not been encountered in the last municipal year. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts.

The Internal Audit Plan for 2016/17 is set out at **Appendix 1**.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2016/17 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the s151 officers from client organisations, on a quarterly basis and to the Audit Committee on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the outturn against performance indicators which have been developed for the service and management. These have been agreed with the council's s151 officer and are included at **Appendix 2**.

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Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

4. RISK MANAGEMENT

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

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

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

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

5. APPENDICES

Appendix 1 ~ Internal Audit Plan 2016/17

Appendix 2 ~ Performance indicators 2016/17

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUTHOR OF REPORT

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APPENDIX 1

DETAILED PROVISIONAL PLAN FOR 2016/2017 AUDIT PROGRAMME

Audit Area	Source (Max =45)	Planned Days 2015/16	Planned Days 2016/17	Difference = + or -	Justification
CHARGEABLE AND PRODUCTIVE					
Core Financial Systems					
Council Tax	Risk assessment score 34	12	12	0	
Benefits	Risk assessment score 34	15	15	0	
NNDR	Risk assessment score 32	12	12	0	
Payroll (inc allowances, starters, leavers)	Risk assessment score 33	15	17	2	increased due to circumstances with key staff turnover
Creditors	Risk assessment score 31	10	8	0	decreased due to joint working
Cash Collection	Risk assessment score 30	0	10	10	increased as per cyclical review
Debtors	Risk assessment score 29	10	7	0	decreased due to joint working
Treasury Management	Risk assessment score 28	7	7	0	
Main Ledger inc Budgetary Control & Bank Reconciliation	Risk assessment score 28	13	16	3	increased due to circumstances and settling down of new system
TOTAL		94	104	10	
Corporate					
Risk Management	Risk assessment score 26	7	5	-2	decreased due to joint working
Fraud, Special Investigations incl. NFI	n/a	15	19	4	increased due to additional demands on 2015/16 budget
Advisory and Consultancy / Contingency	n/a	12	14	2	increased due to additional demands on 2015/16 budget
Previous Year Work completion	n/a	8	10	2	due to the investigations indications are there will be some reports which will require

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					final sign off after year end
Statement of Internal Control	n/a	3	3	0	
Follow Up on recommendations	n/a	15	15	0	
TOTAL		60	66	6	
Other Systems Audits					
2016/17					
Service Area: Planning and Regeneration	Risk assessment Score 30	25	20	-5	decreased as planned work is more regulated
Planning enforcement					
Development Control					
Service Area: Housing	Risk assessment Score 29	28	35	7	increased due to recent circumstances but to include broader coverage
Post contract appraisals (cross cutting)					
Rent Verification Statements					
Service Area: Community Services	Risk assessment Score 27	14	14	0	
Grants to Voluntary Bodies					
Community Transport incl. Shopmobility					
Service Area: Environmental	Risk assessment Score 34	20	22	2	increased due to include broader coverage in regard to procurement
Cemetery and Crematorium					
Stores incl. procurement processes(cross cutting)					
Service Area: Leisure and Culture	Risk assessment Score 31	30	24	-6	decreased as significant amount of work completed in this area over past three years
Community Centres					
Allotments					
Service Area: (Corporate) Including Legal and Democratic	Risk assessment Score 31	40	20	-20	decreased as links to corporate work and coverage during 2015/16 comprehensive

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Charity Fund Accounts					
Procurement see Environmental					
Service Area: IT	Risk assessment Score 31	27	16	-11	decreased as significant amount of work completed in this area over past three years and joint working
Transformation assistance					
Freedom of Information requests					
Service Area: Customer Services	Risk assessment Score 34	0	12	12	increased as per cyclical review
One Stop Shops/reception Services					
Sub Total (Service Areas)		184	163	-21	
Bus Operators Grant		8	8	0	
Insurance		0	5	5	
TOTAL		192	176	-16	
CHARGEABLE AND NON PRODUCTIVE					
Audit Management Meetings	n/a	20	20	0	
Corporate Meetings / Reading	n/a	9	9	0	
Annual Plans and Reports	n/a	12	12	0	
Audit Committee support	n/a	13	13	0	
TOTAL		54	54	0	
TOTAL AUDIT DAYS 2016/2017		400	400	0	No overall change

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Explanatory Notes:

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

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

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

Summary of Days per Overall Audit Group for 2016/17.

Planned Days for 2016/17	2015/16	2016/17
Core Financial Systems	94	104
Corporate Work	60	66
Other Systems Audits	192	176
Sub Total	346	346
Audit management meetings	20	20
Corporate meetings / reading	9	9
Annual plans and reports	12	12
Audit Committee support	13	13
	54	54
TOTAL Audit Days	400	400

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Appendix 2

PERFORMANCE INDICATORS 2016/17

The success or otherwise of the Internal Audit Shared Service will be measured against the following performance indicators for 2016/17 in regard to Partner organisations however, discussions are on going in regard to Redditch Borough Council and the performance indicators to be reported.

	PI	Trend / Target requirement	2015/16 Year End Position	2016/17 Position (as at DD/MM/YY)	Frequency of Reporting
1	No. of customers who assess the service as 'excellent'.	Target = >85% of returns	XX		Quarterly
2	No. of audits achieved during the year	Per identified target	Target = (minimum) Delivered =	Target = 17 (minimum) Delivered =	Quarterly
3	Percentage of Plan Delivery	>90% of agreed annual plan	XX %	XX %	Quarterly
4	Service Productivity	Annual target >70%	XX %	XX %	Quarterly

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

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SECTION 11 UPDATE

Relevant Portfolio Holder	Cllr. John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To present to with an update of the progress following the Section 11 recommendations noted by this committee on 28th January 2016.

2. RECOMMENDATIONS

The Committee is asked to NOTE the Action Plan as included on Appendix 1.

3. KEY ISSUES

Financial Implications

- 3.1 There are no specific implications to this report.

Legal Implications

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

Service/Operational Implications

- 3.4 Unqualified opinions were given for the accounts and the Value for Money Judgement on 30th September 2015 for the financial year 2014/15.
- 3.5 The Council was required by s11 Audit Commission Act 1998 to report the recommendations contained in the Annual Audit letter at a formal council meeting, to ensure that the Council takes appropriate action to address the significant issues identified. The purpose of this report is to update Members further on the progress of these recommendations.
- 3.6 Appendix 1 details the action plan as at 12th April 2016, this shows that there are 2 areas of concern where the deadline has not been met by

AUDIT GOVERNANCE & STANDARDS COMMITTEE

21st April 2016

the due date. These relate to a full set of template working papers being prepared and agreed with by the Auditors.

- 3.7 A meeting has been held with the Auditors to discuss requirements but no formal documents has been received to enable the Technical Accountant to prepare these documents, once this has been received the Technical Accountant will work to ensure we are able to meet all requirements.
- 3.8 As part of the Final Accounts process, a full detailed timetable has been prepared and agreed with the team, giving strict deadlines for tasks to be completed to ensure that the Accounts meet the required quality and the statutory date of 31st March 2016, for the 2015/16 accounts. This is being managed with weekly meetings with all team members to allow them to raise any concerns and ensure they are meeting all deadlines.
- 3.9 A Memorandum including key dates has also been prepared for all Council Officers showing clearly the dates when information is received by Finance and the importance of this, this was emailed to Heads of service and managers and a copy was available for all staff on the council intranet; this is included at Appendix 2.
- 3.10 A risk log is also being held in finance showing all areas of concern that may affect the ability for Officers to meet the timetable, this is being updated on a daily basis and risks are being mitigated where possible. A current copy of this is included at Appendix 3.
- 3.11 Officers will continue to work with both Internal and External Audit to ensure the recommendations are implemented as reported.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

As part of all audit work, 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 - | S11 Action Plan |
| Appendix 2 - | Officer Memorandum |
| Appendix 3 - | Finance Risk Log |

AUDIT GOVERNANCE & STANDARDS COMMITTEE

21st April 2016

AUTHOR OF REPORT

Name: Sam Morgan - Financial Services Manager
E Mail: sam.morgan@bromsgroveandredditchbc.gov.uk
Tel: (01527) 64252 ext. 3790

Redditch Borough Council

As part of the audit of our Final Accounts 2014/15, our auditors, Grant Thornton, issued a number of recommendations as per s11 Audit Commission Act 1998. This is our response:

Update as at 12th April 2016

Recommendation	Action	Owner	Deadline
1 The Council should put in place robust arrangements for the production of 2015/16 financial statements, which meet statutory requirements and international financial reporting standards. In order to achieve this, the Council should: -ensure sufficient resources and specialist skills are available to support the accounts production -introduce appropriate project management skills to the production of the financial statements	External support (via procurement tender) will be appointed.	Financial Services Manager	complete
	A detailed Final Accounts closedown and production timetable will be compiled, monitored by weekly s151 officer meetings. Slippage to be escalated, explained and immediate actions implemented to rectify.	Technical Accountant	complete
	An assessment of the level of external support required will be carried out and communicated to provider.	Financial Services Manager/Technical Accountant	complete
	Visits to be arranged for key closedown staff to observe processes at other local authorities, with the aim of sharing best practice.	Financial Services Manager and Technical Accountants	complete
	Training needs to be identified.	All Finance	complete
	Appropriate training to be provided which will include the mentoring of Technical Accountants and other key financial staff by external provider.	Financial Services Manager/Technical Accountant	complete
2 The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that: -the financial statements are compiled directly from the ledger -the entries in the accounts are supported by good quality working papers which are available at the start of the audit -the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources) - provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information; -the production of the financial statements is monitored through regular reporting to Directors and the Audit Board.	Full set of template working papers to be compiled.	Technical Accountants	22/02/2016*
	Meeting with external auditors to be arranged, with the aim being to agree working paper templates.	Financial Services Manager	22/02/2016*
	CIPFA Toolkit prior year figures to be populated as soon as available. Early training to be arranged with CIPFA consultant to ensure any errors are eliminated.	Technical Accountant	complete
	Reconciliation schedule to be completed with clear deadlines for each reconciliation, signed off and reviewed by the Exec Director of Finance on a monthly basis.	Technical Accountant	complete
	A review of the ledger system will be carried out to ensure that information required is available to download direct to the Statement of Accounts where practical	Technical Accountants	complete
3 The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates.	Pressures/Savings/Bids forms on staff Orb intranet currently being updated by Heads of Service and budget holders. A detailed summary to determine gap will be prepared for Members.	Senior Business Support Accounting Technicians	complete
	Budget-holders in discussions to determine potential changes to 2016/17 budget (on assessment of 2014/15 out-turn).	Business Support Accounting Technicians	complete
4 The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end out-turn and action to be taken, where necessary, to address budget variances.	New Financial Planning module to be implemented, giving managers more control and flexibility of their budgets.		30/06/2016
	Quarterly monitoring statements are sent out to budget-holders within 5 working days of period end. Projections and explanations are required within a week of draft Committee reporting.	Senior Business Support Accounting Technician Business Support Accounting Technicians and budget-holders	ongoing
	Compilation of Monitoring reports for Members.	Senior Business Support Accounting Technician	ongoing
	Large variances to budget to be addressed with Head of Service prior to Committee with details of cause and plans to mitigate any overspends	Exec Director of Finance	ongoing

* A full set of working paper requirements has not been received from Grant Thornton thus not making it feasible for the above to be completed. A meeting has been held with the Auditors to discuss requirements, but no formal documents have been received.

MEMORANDUM

To: Chief Executive,
Executive Directors
Heads of Service
Budget holders
All staff involved in final accounts

From: Executive Director Finance & Resources

Date: 23rd February 2016

**COMPLETION OF FINANCIAL ACCOUNTS 2015/16 – BROMSGROVE
DISTRICT COUNCIL AND REDDITCH BOROUGH COUNCIL**

I am writing to seek your co-operation and support in the closing of the financial accounts for the year ending 31st March 2016. The Accounts and Audit Regulations 2011 require that the Statement of Accounts be issued by the Council as soon as possible after the year-end and in any case no later than **30th June 2016**.

It is essential that the financial ledgers are closed by **15th April 2016**. I would therefore be grateful if you could ensure that your staff are made aware of the following arrangements and make every effort to meet the deadlines. Changes in legislation combined with accounting for shared services, and installations of new systems, continue to place additional pressures on the year end timetable this year.

By 2017/18, we will have to close the accounts a month earlier so we need to ensure that arrangements are in place to enable a faster closedown.

The dates indicated are the **final** dates by which various processes are to be completed and it would help to achieve these deadlines and ease peaks in workload if data could be provided as and when it is ready rather than held until the deadline.

The 2015/16 financial year ends on 31st March 2016.
The 2016/17 financial year starts on 1st April 2016.

The closedown process impacts on all Service areas, not just Financial Services. With this in mind your support will ensure that the Councils' deadlines are met. I appreciate that there is a lot of financial detail in this timetable and I would emphasise that full support will be given by Financial Services. You will find contact details for Financial Services staff at the end of this memo. If you have

any queries about the completion of any of the forms or content of this memo please speak to your accountant, or another member of the team.

IDENTIFICATION OF HERITAGE ASSETS

One of the recent changes in legislation requires the separate identification, valuation and disclosure of Heritage Assets. A number of potential items were identified and considered last year end but could you please still have a think about any assets within your service areas or items you are aware of that you think possibly meet the definition(s) outlined below. There may be new items compared to last year or the purpose for which they are being held may have changed. In 2014/15, RBC only had the Forge Mill and BDC did not have any heritage assets.

The overriding principle is the purpose for which items are held. An historic building in itself might not be a heritage asset if for example: it is used principally as an operational office building.

Definitions:

A tangible heritage asset is a tangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

Please feel free to discuss this with your accountant and submit any ideas you may have to them.

REVENUE/CAPITAL OUTTURN 2015/16

Please review the February 2016 (Period 11) monitoring statements with your accountant to identify outstanding invoices/income/grants and any accounting transactions required. If possible, please raise debtors invoices and process creditor invoices well in advance of 31st March 2016 as this will minimise the workload for everyone at year end.

March monitoring statements will be sent in early April, as usual, with a further report, showing the draft outturn, distributed once the ledgers close (15th April). This will be the final chance for budget holders to review their financial position for 2015/16 and to provide any commentary required for the formal outturn report to members.

BUDGETARY CONTROL

Capital: For capital projects, it is important to identify whether underspends relate to genuine slippage on projects or are really retention amounts where the project

is substantially complete. It is important for retention to be provided for in the year in which a scheme relates. Please advise your accountant of any such monies.

Revenue: For revenue items, any approved transfer to reserves (approved by Members) will be processed in 15/16 allowing the funding to be drawn down to the appropriate area in 16/17. Please advise your accountant as soon as possible of any transfers needing Member approval.

CREDITOR PROCEDURES

Non-Purchase Order payment requests (e.g. legal or housing contracts), excluding utilities, must be received by Central Payments by **23rd March 2016** to enable payment before **31st March 2016**. Due to the heavy workload at year-end, any requests received after this date **will not** be processed in time to be included in 2015/16.

It is vitally important that all Eproc orders are GRN'd by 5pm on Thursday 31st March 2016 if the goods or services have been received. If they have not been received by this date, they will not be included in 2015/16.

Capital Expenditure (Work in Progress)

In cases where a capital project is incomplete you should obtain Valuation Certificates or invoices for the work completed to the end of 2015/16 in time to meet the deadlines so that appropriate costs can be charged to the 2015/16 financial year.

If you have any queries on the capital closedown process please contact your designated accountant in the first instance, **Zoe Martin(BDC) or Kayleigh Sterland-Smith(RBC)**.

Only goods and services received and work completed on or before 31st March 2016 can and MUST be charged to 2015/16. Goods or services received after that date will be charged to the new financial year 2015/16 irrespective of budget provision, order date or payment date.

The majority of year-end commitments (orders/invoices outstanding) will be derived from the Creditors System. Any legitimate expenditure items not identified through Creditors should be notified to your Finance Team for inclusion.

PAYMENTS IN ADVANCE

Any items of expenditure already paid for and included in the 2015/16 accounts for which goods or services will be received after 1st April 2016 need to be processed as a payment in advance to ensure the cost is removed from 2015/16 and charged to the 2016/17 (new) financial year.

Financial services in conjunction with budget holders have already identified some of the major payments in advance that span financial years. However, your assistance is needed to ensure all material expenditure is allocated to the correct

financial year as this is an area identified for improvement in previous audit letters for example: it is typical for many annual maintenance/support/licence/subscription charges to be paid in February/March for the forthcoming financial year. Please provide details of any such items to your accountant by **Thursday 31st March 2016.**

PETTY CASH

Guidance will be issued under separate cover to those officers with petty cash responsibilities. Certificates confirming amounts held by imprest holders will need to be returned to Financial Services by no later than **1st April 2016.**

GOVERNMENT PURCHASING CARDS (GPC)

Please use the first characters of the description field to indicate in which year the goods or services were/will be received i.e. on or before 31st March 2016 use 2015/16; 1st April 2016 onwards use 2016/17. Please follow this instruction for both March and April statements.

All GPC card-holders should have transactions up to 31st March coded by 12pm on **Friday 1st April 2016.** Users are reminded that transactions can be coded almost immediately after expenditure is incurred so it is not necessary to wait until this date. Proactive coding is always encouraged.

REVENUE DEBTORS

All bills relating to the 2015/16 accounts should be entered on the Cedar Debtors system **by 1pm on Thursday 31st March 2016.** Any credit note requests must be submitted to Financial Services **by 1pm on Thursday 31st March 2016.** The Debtors System will be unavailable for input after 1pm on 31st March 2016 and before 1pm on Friday 1st April 2016.

Please provide details of any old year items not actually billed by 1pm on 31st March 2016 to your accountant **by Friday 1st April 2016** for the income to be credited (accrued) to financial year 2015/16. Amounts should be **exclusive** of VAT. You are requested to keep details of any such outstanding debtor information submitted. A bill for those accrued items will then need to be raised in financial year 2016/17 in the normal manner and it is important to use the same financial code(s) as provided to your accountant for the accrual transaction.

Please liaise with your accountant if you have raised debtor invoices in 2015/16 for services that relate to both 2015/16 and 2016/17. Depending on the amounts involved it will be necessary to complete a "Receipts in advance" transaction to correctly apportion income to the correct financial year(s).

If possible, bills relating wholly to 2016/17 should not be entered on the Debtors System during March 2016.

CASH/OTHER INCOME (Cashiers/Customer Service Centre)

There may be occasions where the Councils receive income without raising a debtor invoice.

All income needs to be allocated to the correct financial year. If you receive income before 31st March 2016 for services you will provide in the new financial year (2016/17), please inform your accountant so this can be treated as a **Receipt in Advance**.

If you provide a service before 31st March 2016 but receive the income in the new financial year please inform your accountant about the income due. This will be processed as an Outstanding Debtor to ensure the appropriate income is credited to 2015/16 accounts.

It may help to identify any adjustments required for such income if throughout March and April 2016 you can advise the cashier(s) whether income relates to the old (2015/16) or the new (2016/17) financial year.

These details should be signed by an authorised signatory and forwarded to your accountant by **Friday 1st April 2016**. If you have any queries concerning how to treat any income please speak to your designated accountant.

GRANT INCOME

The Council has to follow strict guidelines in the way it accounts for grant income. It is imperative therefore that financial services have on file a copy of any accompanying paperwork that shows clearly the presence of any terms or conditions attached to the way the grant may be utilised. If you have not already done so please forward copies of grant paperwork to your accountant.

STOCK CERTIFICATES, PETTY CASH AND CASH FLOAT CERTIFICATES

All stock holdings, petty cash and cash float balances have to be certified as at 31st March 2016.

The following stock certificates are required for RBC:

- Franking Machines (CAOS)
- Depot Stores
- Depot Fuel
- Print Room Stocks
- Bar and Resaleable equipment (Palace Theatre & Sports Centres)
- Forge Mill Museum

The following stock certificates are required for BDC:

- Franking Machine & other
- Depot Stores
- Depot Fuel
- Lifeline
- WRS

Procedures regarding stock valuation certificates will be sent separately to relevant officers. **Please ensure that a stock take is scheduled to take place on or very close to 31st March 2016.**

Responsible officers will also be required to complete petty cash and cash float certificates as appropriate. Again these will be sent separately. All stock, petty cash and cash float certificates/details will need to be returned by no later than **1st April 2016.**

LEASES

Financial Services will require confirmation of all leases and lease obligations. Changes in legislation mean that we need to review any/all agreements that might indicate we are acting as either lessor or lessee.

A schedule will be distributed in the latter part of March 2016 which shows the current information held. Please check/amend/add to the schedule as appropriate and return a signed copy to Financial Services no later than **Friday 1st April 2016.** Please provide details for any additions as follows:-

1. Company Name
2. Item being leased
3. Start and end dates of the Contract
4. Contract reference number
5. Payment frequency
6. Amount payable at each payment date

Please ensure that you include details of any new lease obligations i.e. contracts that we have committed to even if the contract start date is after 31st March 2016.

If you are aware of any agreements in operation that you feel might constitute a lease, please provide sufficient detail so financial services can ensure a determination is made.

SUPPORT SERVICE RECHARGES

Designated accountants will discuss any requirements individually with budget managers.

ANY OTHER TRANSACTIONS/MATERIAL ITEMS/PROVISIONS

If you are aware of any other transactions or events that you feel may have an impact on the 2015/16 accounts (e.g. asset disposals, pending tribunals) please speak to your designated accountant, **Zoe Martin (BDC) or Kayleigh Sterland-Smith (RBC) Ext 3172.**

EVENTS AFTER 31st MARCH 2016

Events may occur between the Balance Sheet Date (31st March 2016) and the date the accounts are authorised for issue which might have a bearing upon the financial results of the past year.

Such events would include discovery of errors or fraud meaning figures in the accounts are wrong; a fire or other event adversely affecting the value of an asset; information materially affecting a debtor or creditor figure included in the accounts.

Should you become aware of any such event, please speak to Financial Services.

GENERAL

In order to ensure that information held in our accounts is correct, finance officers are able to input accruals journals at year-end in the absence of actual data. A limit of £500 has been set to maximise staff resource – if the total transaction is below that figure, no action will be taken. It is therefore of prime importance that officers are kept informed in a timely manner of items mentioned above.

I would be grateful for your assistance in the prompt closure of the 2015/16 accounts. If there are any problems or queries do not hesitate to contact your accountant in Financial Services who will be able to help you.

Jayne Pickering,
Executive Director Finance & Resources.

Please contact your usual Finance Officer if you need advice on Year-end:-

Financial Services Manager: **Sam Morgan – Ext 3790**

BDC

Zoe Martin - Ext 1643

RBC

Kayleigh Sterland-Smith - Ext 3172

Joint BDC & RBC

Kate Goldey	Ext 1208
Ian Sprott	Ext 3184
Tracy Bushell	Ext 1621
Bev Docherty	Ext 3003
Julie Hawkes	Ext 3856
Lisa Petford	Ext 3006
Joanne Greenway	Ext 2354
Bhavini Vadera	Ext 2340
Jordan Smith	Ext 2161

Relevant Actions for Services

Main Deadlines	RBC	BDC
	BY LATEST	BY LATEST
Orders/commitments (inc Capital)	31/03/16	31/03/16
RBC & BDC Eproc orders	31/03/16	31/03/16
Invoices to be processed by the Income Team sent in	29/03/16	29/03/16
Petty Cash reimbursements up to 31 March 2016	29/03/16	29/03/16
Stock Certificates/Petty Cash/Cash Floats Certificates returned to Financial Services	01/04/16	01/04/16
Cash paid in (cashiers/CSC)	01/04/16	01/04/16
Confirmation of/Changes to Lease Schedules – return info to Financial Services	01/04/16	01/04/16
GPC transactions coded	01/04/16	01/04/16
Final date for details of outstanding Debtor accruals/reserves to Financial Services	01/04/16	01/04/16
Final date for details of Receipts in Advance to Financial Services	01/04/16	01/04/16
Final date for details of Payments in Advance to Financial Services	01/04/16	01/04/16
Final date for details of Revenue and Capital Outstanding Creditor accruals/reserves to financial services	01/04/16	01/04/16
Near actual outturn Revenue/Capital including statutory entries for review by Financial Services Manager	15/04/16	15/04/16

Risk Log For Redditch Borough Council as at 7th April 2016

Type	Issue	Detail/Implications	Mitigation
Place Partnership	R&M/Capital invoice not due until 15/4/16 and BD will need to manipulate data.	Capital will not be able to close by the 13/4/16 deadline.	To be escalated by JP and SM 10/03/16./amendment to timetable
Reconciliations	RBC Payroll reconciliation has issues and is only complete up until end of p4.	Recs not up to date - year end data could be affected.	Payroll is generally up to date but some minor issues remain
System	Haven - Not confident that all files have been loaded.	Recs not up to date - year end data could be affected.	LP/NR/ZT/JS investigating.
Place Partnership	Pensions figures not due until June.	Pension note will not be completed to deadline.	
Reconciliations	Cashiers Suspense for RBC has a backlog	Recs not up to date - year end data could be affected.	ML to support Reconciliations team
Reconciliations	Receipts Account (RBC) not reconciled fully	Recs not up to date - year end data could be affected.	ML to support Reconciliations team
Reconciliations	RBC Collection Fund Cash/Refunds not reconciled since p5	Recs not up to date - year end data could be affected.	BR and AE to receive further training from VL to enable further reconciliation.
System	Aged Debt on AR system (mainly RBC) is out	Reconciliation issues due to debts not yet due on ledger but not age debt	Financial Services Manager looking at designing report to show these entries separately to enable balancing
System	Purchase Ledger not balances	Issue due to error on system/Imbalance at year end/Creditors mistated	This has now been resolved and balanced: 8/3/16
System	Ledger imbalance - historical issue	Minimal - further explanation of Audit Reports may be required.	Technical Accountant looking at with Software Supplier
Reconciliations	Stores system does not reconcile to ledger	Imbalance due to Stores report not balancing with General Ledger/inaccurate inventory on Balance Sheet	Weekly Reconciliation taking place and work to resolve issue
Reconciliations	HB Overpayments have not been posted nor reconciled	Year end data inaccurate and need to reopen accounts	Information requested from Systems Admin team
Reconciliations	Only components of the Rents reconciliation has been completed	Recs not up to date - year end data could be affected.	
Other	Working paper requirements not received from Grant Thornton	unable to deliver quality Working Papers	Working with Grant Thornton to ensure correct information provided

AUDIT GOVERNANCE AND STANDARDS COMMITTEE 21ST APRIL 2016

CORPORATE GOVERNANCE AND RISK

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

1. SUMMARY OF PROPOSALS

- 1.1 For Members to consider the draft Corporate Risk Register for 2016/17 and to update Members on the Annual Governance Statement for 2015/16 and other current Governance issues.

2. RECOMMENDATIONS

2.1 The Committee is asked to asked to:

2.1.1 consider the draft register and propose any further risks to be included

2.1.2 note the updates on the Annual Governance Statement and other Governance issues

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications in relation to the development of the register or the associated Governance updates.

Legal Implications

- 3.2 The Council operates within a number of statutory Governance regulations and the Corporate Risk Register demonstrates how the Council will address and mitigate risks associated with the delivery of the Councils Strategic Purposes. The Annual Governance Statement details the ways that the Council operates within both the statutory and general good governance framework.

Service / Operational Implications

Corporate Risk Register

- 3.3 The Corporate Risk Register has been developed by the management team to address issues that are of a strategic nature and are seen as areas that have potential to impact on the delivery of the Strategic Purposes. The register attached at Appendix 1 is the draft

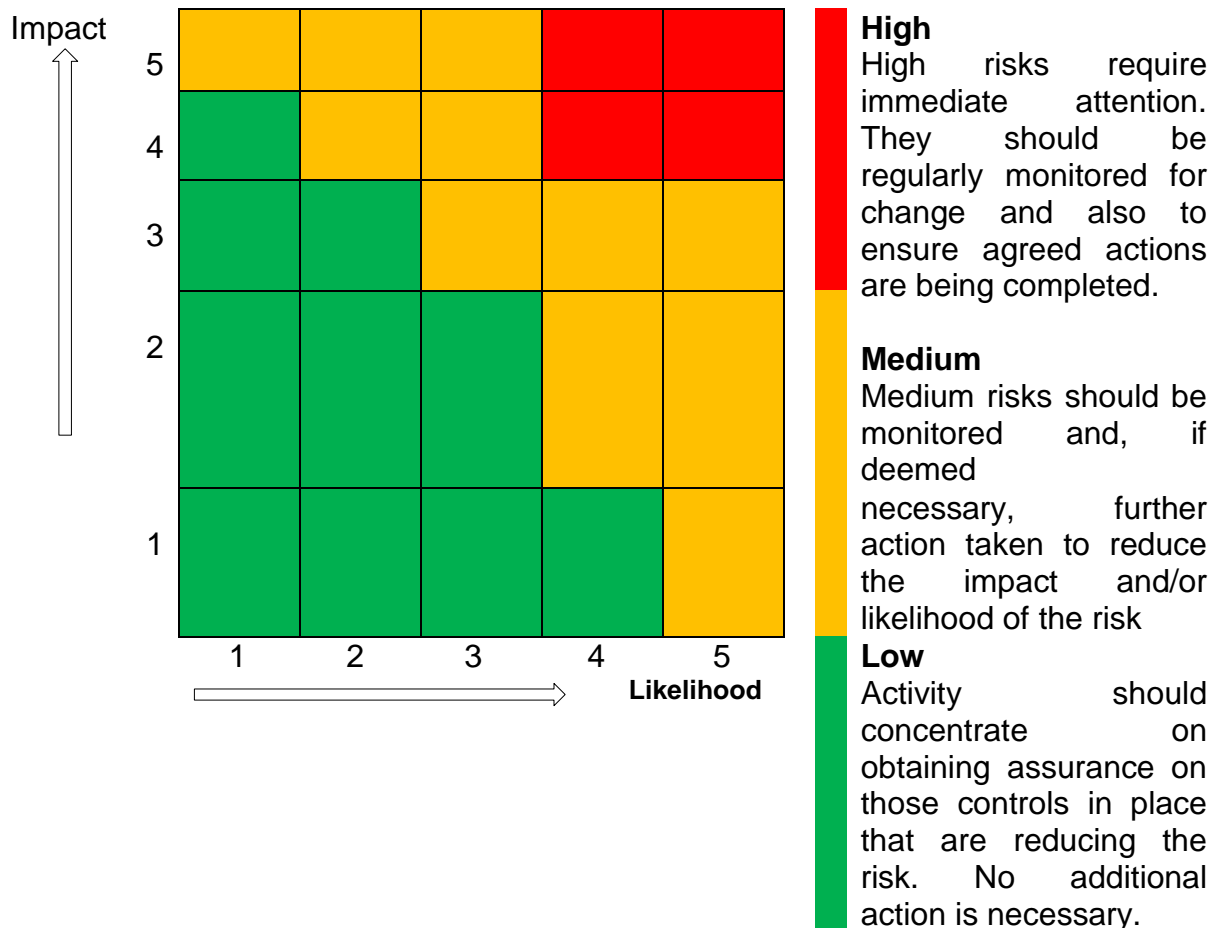
AUDIT GOVERNANCE AND STANDARDS COMMITTEE 21ST APRIL 2016

2016/17 register to enable members to be aware of corporate risks within the Council and uses the Red/ Amber / Green Scoring Mechanism to assess the risk associated with the issue and details both the controls and mitigating actions that are in place to reduce the risk to the organisation.

- 3.4 The scoring mechanism is shown in the table below and the Impact Scoring Criteria is attached at Appendix 2:

Risk scoring matrix

The risk scoring matrix reflects the Councils' current appetite / tolerance to risk. This risk tolerance should be reviewed at least annually as part of the formal refresh of risk management. There are three risk classification (low, medium and high) and these are based on the impact and likelihood values that are given to each risk. The risk matrix below illustrates how risks are classified.



- 3.5 Additional risks have been included for 2016/17 in relation to the Financial Management arrangements and the potential risk of non adherence with statutory inspections policies. In addition there is a risk associated with non compliance with statutory requirements on health and safety which replaces the risk of fatalities within service provision. Management team are reviewing the register and Members are asked to consider the draft register and make any proposed changes or additions to be monitored on a 6 monthly basis by this Committee.

AUDIT GOVERNANCE AND STANDARDS COMMITTEE 21ST APRIL 2016

Annual Governance Statement

- 3.6 The compilation of an Annual Governance Statement is a statutory requirement. The Annual Governance Statement provides an open and honest self – assessment of the Authorities governance arrangements across all of its activities, with a clear statement of the actions being taken to address identified areas of concern.
- 3.7 The Authority has used the six principles that underpin effective governance which has been identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) to assess the adequacy of its governance arrangements. The return is completed and published annually as part of the Final Accounts.
- 3.8 Following a recent internal audit of the process around the Governance Statement it is proposed that the process becomes more inclusive for both managers and members and any actions from the Governance Statement are monitored as part of the S11 monitoring from 2016/17.
- 3.9 A recent assurance schedule has been sent to all Heads of Service to assess the current controls within their department and this will be reported to management team to identify any areas of concern to improve in 2016/17.

Treasury Management

- 3.10 As part of the governance and monitoring of the Treasury Management Strategy members asked for the most recent monitoring of this area. A report will be presented to Exec following the last quarter of 2015/16 (to members in July 2016), however this is the extract from the last meeting (December).

The Council's Treasury Management Strategy has been developed in accordance with the Prudential Code for Capital Finance prudential indicators and is used to manage risks arising from financial instruments. Additionally treasury management practices are followed on a day to day basis.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Credit risk is minimised by use of a specified list of investment counterparty criteria and by limiting the amount invested with each institution. The Council receives credit rating details from its Treasury Management Advisers on a daily basis and any counterparty falling below the criteria is removed from the list.

At 31st December 2015 short term investments held comprised:

	31st Dec 2015 £'000
<i>Deposits</i>	5,000

AUDIT GOVERNANCE AND STANDARDS COMMITTEE 21ST APRIL 2016

<i>Total</i>	<i>5,000</i>
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Income from investments

An investment income target of £25k has been set for 2015/16 using a projected rate of return of 0.25 %.

Customer / Equalities and Diversity Implications

- 3.11 By promoting good governance the Council ensures that all of its residents and communities have a consistent standard of service and opportunities.

4. RISK MANAGEMENT

- 4.1 The Corporate Risk Register provides a framework for risks to be addressed and mitigated in relation to the delivery of the Councils Strategic Purposes.

5. APPENDICES

Appendix 1 - Draft Corporate Risk Register 2016/17
Appendix 2 - Impact scoring criteria

6. BACKGROUND PAPERS

Departmental risk registers.

AUTHOR OF REPORT

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

DRAFT CORPORATE RISK REGISTER –REDDITCH BOROUGH COUNCIL

APPENDIX 1

2016/17

Risk	Cause / Effect	Current Mitigations	Inherent Risk	Actions Needed	Residual Risk	Risk Owner	Links to Strategic Purposes
Non Compliance with Health and Safety Legislation	Cause: <ul style="list-style-type: none"> Consequence of Council action Negligence by Council Actions beyond Council control Effect: <ul style="list-style-type: none"> Reputation affected Legal action against Council Financial impact 	<ul style="list-style-type: none"> Standard Operating Procedures - SOP (H&S etc) Health and Safety Committee meets regularly Training for staff Health-checks First Aid / Defibrillation provision Safeguarding Policy and Procedures Risk Assements 	Impact – 4 Likelihood – 2 = 8	<ul style="list-style-type: none"> Continued updates to Health and Safety Committee Updated inspection policy being actioned 	Impact – 4 Likelihood – 2 = 8	Deb Poole	All
Snap / poorly informed decisions made on savings / cuts	Cause: <ul style="list-style-type: none"> Requirement for savings to balance budget Unanticipated cost pressures / demand on services Pressure from other partners Effect: <ul style="list-style-type: none"> Longer term improvement / 	<ul style="list-style-type: none"> Robust budget-setting process in place Good awareness of Transformation Programme 	Impact – 4 Likelihood – 3 =12	<ul style="list-style-type: none"> Establish "whole-life" or "end to end" approach to assessment of savings proposals Develop/improve support for Leadership and decision-making roles of Members On line access for managers for budgets and actual spend being developed in 	Impact – 4 Likelihood -2 = 8	Jayne Pickering	All

2016/17

	innovation / efficiency is hindered <ul style="list-style-type: none"> Impact on organisation, staff and residents Impact on Transformation Programme 			2016/17 <ul style="list-style-type: none"> Performance Dashboard to be developed for members Data to drive and inform decision making based on evidence of community need 			
Financial constraints (from external sources reducing funding) have a negative impact on service delivery and/or quality	Cause: <ul style="list-style-type: none"> Reduced budget for staffing Reduced spend on maintenance Service cessation Effect: <ul style="list-style-type: none"> Reputation affected Quality of life of residents affected Financial impact 	<ul style="list-style-type: none"> Medium Term Financial Plan in place with assumptions on levels of cuts No unidentified savings in the finance plan Full review of reserves and balances 	Impact – 4 Likelihood – 4 = 16	<ul style="list-style-type: none"> Ensure updated with legislation and financial impact of changes Prepare 4 year financial plan Report to Members on proposals for efficiency plans Reporting regularly to members 	Impact – 4 Likelihood – 4 = 16	Jayne Pickering	All
Partners of the Councils fail to deliver on joint-working	Cause: <ul style="list-style-type: none"> Sovereignty issues / fear of losing control Pressures on partner organisation (financial or political) Resources available from 	<ul style="list-style-type: none"> Robust governance structures in place Funding mechanisms in place and legally enforceable Partnership Boards (LEP etc) 	Impact – 4 Likelihood -4 = 16	<ul style="list-style-type: none"> Ensure that key decision-makers are round the partnership table Undertake Partnership health-check for all partnership initiatives Connecting Families Consideration of Impact of Combined Authorities 	Impact – 4 Likelihood -3 = 12		Help me live my life independently Help me run a successful business Help me find somewhere to live in my locality

2016/17

	<ul style="list-style-type: none">partnersLack of understanding / buy in <p>Effect:</p> <ul style="list-style-type: none">Service improvement hinderedReputation affectedFinancial impact						
Business Continuity Plans fail to operate effectively in an incident.	<p>Cause:</p> <ul style="list-style-type: none">Service plans not all in place, fit for purpose or validated.Plans not implemented or embedded within the culture of the organisation. <p>Effect:</p> <ul style="list-style-type: none">Damage to property / equipmentService delivery affectedCouncils' reputation harmedFinancial impact	<ul style="list-style-type: none">Corporate Business Continuity Plan is in placeSome team plans in placeWork programme of training & exercising under development.	Impact -5 Likelihood – 4 =20	<ul style="list-style-type: none">All services to undertake a Business Impact Analysis (BIA) following which update service business continuity plans. 3/9 in developmentRefresh Corporate Business Continuity Plan following service BIA delivery.Link Corporate Business Continuity Plan to Corporate Emergency plan.Deliver work programme of training & exercising.Risk assessmentsWork Programmes (testing etc) to be developed	Impact -5 Likelihood -3 = 15	Sue Hanley	All

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Agenda Item 10

2016/17

IT systems and infrastructure has a major failure	Cause: <ul style="list-style-type: none"> Systems bugs / errors Failure in power supply Storage of data/servers affected Effect: <ul style="list-style-type: none"> Loss of key data Service delivery affected Councils' reputation harmed Financial impact 	<ul style="list-style-type: none"> Business Continuity Plans in place Discrete and remote data storage in place Back-up procedures in place and followed 	Impact – 3 Likelihood – 3 = 9	<ul style="list-style-type: none"> Review current IT business continuity procedures External validation of IT resilience 	Impact – 3 Likelihood – 2 = 6	Deb Poole	Enabling Services
Lack of robust financial accounting and monitoring arrangements	Cause: <ul style="list-style-type: none"> Systems failures Inexperienced staff Lack of capacity / resources Changes in legislation not addressed Effect: <ul style="list-style-type: none"> Inaccurate accounts Reputation harmed Financial Decisions being made on 	<ul style="list-style-type: none"> Action plan in place to monitor S11 recommendations External support sourced to ensure specialist advice available Training on system undertaken Staff training undertaken Key roles and responsibilities identified 	Impact – 3 Likelihood – 3 = 9	<ul style="list-style-type: none"> Regular reporting to members Continue professional development training Review financial regulations Implement on line access to financial system for managers 	Impact – 3 Likelihood – 3 = 9	Jayne Pickering	Enabling Services

2016/17

	inaccurate information						
Non adherence with Statutory Inspection Policy	<p>Cause:</p> <ul style="list-style-type: none"> • Lack of robust monitoring systems • Lack of capacity / resources • Changes in legislation not addressed <p>Effect:</p> <ul style="list-style-type: none"> • Impact on residents • Reputation harmed • Financial Penalties 	<ul style="list-style-type: none"> • Clear plan of monitoring in place • Staff training undertaken • Specialist advice on pull should it be required 	Impact -5 Likelihood -3 = 15	<ul style="list-style-type: none"> • Further review of monitoring arrangements • Implementation of insurance inspection recommendations 	Impact -5 Likelihood -3 = 15		

Impact scoring criteria

Appendix 2

Impact value	Impact Areas	Impact Criteria
1. Negligible	Financial	<ul style="list-style-type: none"> Possible financial impact manageable within service budget i.e. less than £50,000 > 1% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> Incident – no lost time
	Service Delivery	<ul style="list-style-type: none"> Brief disruption, less than 1 day Impacts to non-vulnerable groups Affects a project
	Reputational	<ul style="list-style-type: none"> Minor adverse local publicity
2. Slight	Financial	<ul style="list-style-type: none"> Financial impact manageable within existing service budget but requiring service manager approval for virement or additional funds i.e. between £50,000 and £250,000 >2% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> Injury – no lost time
	Service Delivery	<ul style="list-style-type: none"> Loss of Service 1 to 2 days Impacts to non-vulnerable groups Affects 1 or a few services of the council
	Reputational	<ul style="list-style-type: none"> Negative local publicity
3. Moderate	Financial	<ul style="list-style-type: none"> Financial impact manageable within existing Directorate budget but requiring Director and Head of Finance approval for virement or additional funds i.e. between £250,000 and £500,000 >5% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> Injury, lost time, Short term sick absence
	Service Delivery	<ul style="list-style-type: none"> Loss of service 2 to 3 days Impacts to non-vulnerable groups Affects a single directorate
	Reputational	<ul style="list-style-type: none"> Negative sustained local publicity High proportion of negative customer complaints

4. Critical	Financial	<ul style="list-style-type: none"> Financial impact manageable within existing Directorate budget but requiring Director and Head of Finance approval for virement or additional funds i.e. between £500,000 and £1,000,000 >10% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> Extensive, permanent/long term injury or long term sick
	Service Delivery	<ul style="list-style-type: none"> Loss of service 3 to 5 days Possible impact to small numbers of vulnerable people, definite impacts on property or non-vulnerable groups Affects most directorates
	Reputational	<ul style="list-style-type: none"> Negative national publicity
5. Catastrophic	Financial	<ul style="list-style-type: none"> Financial impact not manageable within existing funds and requiring Member approval for virement or additional funds i.e. in excess of £1,000,000 >15% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> Death or life threatening
	Service Delivery	<ul style="list-style-type: none"> Loss of service for more than 5 days Impacts on vulnerable groups Affect the whole council
	Reputational	<ul style="list-style-type: none"> Negative sustained national publicity, resignation or removal of CE, Director or elected member.

Likelihood scoring criteria

Likelihood value	Likelihood / Probability Criteria
1. Rare	<ul style="list-style-type: none"> Has not happened in the past 5 years or more; or Is not expected to happen in the next 5 years or more Between 1% to 10% probability

2. Possible	<ul style="list-style-type: none"> • Has not happened in the past 1 to 5 years • Is not expected to happen in the next 1 to 5 years • Between 10% to 40% probability
3. Likely	<ul style="list-style-type: none"> • Has not happened in the past 6 months to 1 year • Is not expected to happen in the next 6 months to 1 year • Between 40% to 75% probability
4. Highly Likely	<ul style="list-style-type: none"> • Has happened in the past 1 month to 6 months • Is expected to happen in the next 1 month to 6 months • Between 75% to 95% probability
5. Almost Certain	<ul style="list-style-type: none"> • Has happened in the past 1 month; or • Is expected to happen in the next 1 month • More than 95% probability

PROPOSED SAVINGS REPORT 2016/17

Relevant Portfolio Holder	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

To propose a format of a report to the Committee for the monitoring of the approved financial savings for 2016/17. The regular monitoring of approved savings has been recommended as part of the S11 Audit Recommendations.

2. RECOMMENDATIONS

2.1 That the Board approve the format of savings as included at Appendix 1

3. KEY ISSUES

3.1 As part of the recent S11 recommendations to improve the financial monitoring arrangements of the Council, Grant Thornton have recommended that the delivery of savings be monitored more closely to ensure that the Council is meeting savings in the way that was expected when the budget was approved. This Committee will undertake this monitoring is undertaken by this Committee and the statement attached at Appendix 1 is the format that is proposed to be presented to each meeting to detail savings that have been achieved.

3.2 If additional savings to those approved during the budget process are delivered these will also be included in the statement.

3.4 Legal Implications

None as a direct result of this report.

3.5 **Service/Operational Implications**

Timely and accurate financial monitoring ensures that services can be delivered as agreed within the financial budgets of the Council

4. **Customer / Equalities and Diversity Implications**

None as a direct result of this report.

5. **RISK MANAGEMENT**

Effective financial management is included in the Corporate Risk Register.

6. **APPENDICES**

Appendix 1 – Saving monitoring 2016/17

7. **BACKGROUND PAPERS**

Available from Financial Services

AUTHOR OF REPORT

Name: Jayne Pickering – Executive Director Finance and Resources
Email: j.pickering@bromsgroveandredditch.gov.uk
Tel: (01527) 881400

REVENUE SAVINGS APRIL - JUNE 2016/17

APPENDIX 1

Strategic Purpose	2016/17 £'000	Budget April - June 2016/17 £'000	Actual April - June 2016/17 £'001	Variance 2016/17 £'000		Comments General / Service Redesign / Additional Income
Enabling						
<i>Example only</i>						
Procurement Savings	100	25	30	5		Additional savings realised due to further contract negotiations achieving a reduction in the value for 2016/17
Keep my Place, Safe and Looking Good						
Provide Good Things for me to See, Do and Visit						
HELP ME LIVE MY LIFE INDEPENDENTLY						

TOTAL

100	25	30	5
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Agenda Item 16

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 21ST APRIL 2016 MEETING

Ref	Action/Issue	Origin	Lead Officer(s)/ Member(s)	Priority/ timescale	Officer Response/Action Status
1	Statement of Accounts 2014/15 Inventories Request for further details in relation to £27k Inventories.	Minute No. 32 of 28.01.16 meeting	Sam Morgan	21.04.16 meeting	Officers emailed Mr Jones, Independent Member for Audit and Governance, on 05.04.16 and the remaining Committee members on 06.04.16 in this regard. Mr Jones responded further on this and relevant Officers are currently liaising with him in this regard. Update on current position to be provided at meeting. REMOVE FROM ACTION LIST IF COMPLETED
2	Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19 i) Liquidity risk Re: paragraph 3.3 of report – request for Committee to be provided with both cash flow forecast and cash flow output; and	Minute No. 39 of 28.01.16 meeting	Sam Morgan	21.04.16 meeting	i) See details on attached update sheet for cash flow position as at 31.03.16.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 21ST APRIL 2016 MEETING

	<p>ii) Borrowing Strategy Re: paragraph 4.2 of Strategy – request for confirmation of the % amount the Council was borrowing at.</p> <p>iii) Treasury Management – Member monitoring reports Re: monitoring and reporting of the Treasury Outturn and Prudential Indicators, Officers to report to the Committee (as well as the Executive Committee) on treasury management activity and performance and on the following Performance Indicators:</p> <ul style="list-style-type: none"> • quarterly against the Strategy approved for the year; • the Authority's production of an outturn report on its treasury activity by no later than 30th September after the financial year end; and • the Executive to be responsible for the scrutiny of treasury management activity and practices. 				<p>ii) See details on attached update sheet.</p> <p>iii) Relevant details will be included in future Corporate Governance Monitoring and Risk reports to Committee.</p>
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AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 21ST APRIL 2016 MEETING

	<p>iv) Benchmarking borrowing yield Re: Investment Objectives Strategy at paragraph 5 of Strategy and the objective to seek the highest yield on investments, query raised as to how the Council would measure this and whether Officers had considered any other strategies in this regard, for example, long-term borrowing. Officers advised that the Council had adopted a local authority approach, in conjunction with advice obtained from Arlingclose Limited. A benchmark could be provided against other clients, which if being presented to Committee might need to be a confidential item, or Officers could email Members separately on this.</p>				<p>iv) See details on attached update sheet.</p> <p>REMOVE FROM ACTION LIST IF COMPLETED</p>
3	<p>Internal Audit – Progress Report</p> <p>i) Additional Key Performance Indicators Query in relation to existing / establishment of % figure for monitoring and control purposes.</p>	Minute No. 41 of 28.01.16 meeting	Andy Bromage	21.04.16 Committee report & ongoing Committee reports for ii)	<p>i) Officers agreed to discuss this issue with Mr Jones outside of the meeting. Meeting taking place immediately prior to 21.04.16 Committee meeting. Details of revised performance indicators will</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 21ST APRIL 2016 MEETING

	<p>ii) Critical Review audits Query re: % amounts of Critical Review audits compared to programmed (formal) audit work.</p> <p>iii) Fees and charges and income reconciliation for Land Charges (Appendix 3) Query as to what appeared to be a lack of action in relation to two high priority recommendations.</p> <p>iv) Forge Mill Museum – separation of duties for cashing-up process Query as to reason for delay with this.</p>				<p>be included in the 21.04.16 Committee report.</p> <p>ii) Officers agreed to include the relevant percentage amounts of each type of audit (i.e. where assurance levels were and were not given) in future reports.</p> <p>iii) Officers agreed to check with the Head of Service and to report back to Members on this. Details will be included in 21.04.16 Committee report.</p> <p>iv) Officers agreed to check with the Head of Service and to report back to Members on this. Details will be included in 21.04.16 Committee report.</p> <p>REMOVE FROM ACTION LIST</p>
4	<p>Internal Audit – Draft Audit Plan 2016/17</p> <p>i) Review of Key Performance Indicators</p>	Minute No. 42 of 28.01.16 meeting	Andy Bromage	21.04.16 Committee report	<p>i) Officers stated that they would be re-thinking the KPIs in light of the comments raised under Minute No. 41. Revised performance indicators will be set out in the final</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 21ST APRIL 2016 MEETING

	ii) Grant Thornton S11 Recommendation audit time				<p>Audit Plan 2016/17 which is being referred to the 21.04.16 meeting.</p> <p>ii) Officers agreed to build additional time in relation to progress against the s11 recommendations into the final Audit Plan. A contingency for S11 Recommendation audit time has been built into the Plan via the core financials. S11 delivery will be monitored and reported on by Officers in conjunction with Grant Thornton, a report for which is included in the Work Programme all meetings of the Committee.</p> <p>REMOVE FROM ACTION PLAN</p>
5	Debt Recovery Update – Quarters 1 and 3 2015/16 Write-offs – request for levels of debts written off for 2014/15	Minute No. 43	Mandy Singleton	Actioned by Officers 29.01.16	<p>Officers agreed to check the position and to report back to Members on this outside of the meeting. An email was sent to members of the Committee on 29.01.16 detailing required information.</p> <p>REMOVE FROM ACTION LIST</p>
6	Future Reports to Committee / Work Programme updates	Minute No.'s 35, 37, 38, 39, 40 and 44 of 28.01.16 meeting.	Debbie Parker-Jones	Committee dates as detailed in Work Programme	<p>The Work Programme has been updated to include the following:</p> <ul style="list-style-type: none"> • S11 Action Plan – update/progress report added for all meetings and Officers to update Committee Chair in between meetings;

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 21ST APRIL 2016 MEETING

					<ul style="list-style-type: none"> • Benefits Investigations Annual Report – report listed for April meeting removed following Officer confirmation no longer applicable. • Fraud Compliance Update Report – first of new style report added for February 2017 meeting – Members to determine after that how frequently subsequent reports to be referred to Committee; • Corporate Dashboard Measures – presentation removed from Work Programme as Members invited to attend 12th April Overview and Scrutiny meeting instead to see this. • Annual Governance Statement – update on this to each meeting as part of Corporate Governance and Risk report. • Corporate Risk Register – reports to April and September meetings as part of Corporate Governance and Risk report. • Member–Member and Member–Officer Protocols – removed from Work Programme as agreed.
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ACTION LIST UPDATE SHEET – 21ST APRIL 2016 MEETING

Ref	Action/Issue	Officer Response																									
2 i) & ii)	Liquidity Risk & Borrowing Strategy	As at 31 st March: Borrowing - £5m (£4m at 0.5% and £1m at 0.5%) No investments Long term borrowing:																									
		<table><tr><td>BARCLAYS CAPITAL</td><td>5,000,000</td><td>4.71%</td><td>01/05/2007</td><td>04/05/2032</td></tr><tr><td>PWLB- 15years</td><td>15,000,000</td><td>3.01%</td><td>28/03/2012</td><td>28/03/2027</td></tr><tr><td>PWLB- 20years</td><td>25,000,000</td><td>3.30%</td><td>28/03/2012</td><td>28/03/2032</td></tr><tr><td>PWLB- 25years</td><td>40,000,000</td><td>3.44%</td><td>28/03/2012</td><td>28/03/2037</td></tr><tr><td>PWLB- 30years</td><td>18,929,000</td><td>3.50%</td><td>28/03/2012</td><td>28/03/2042</td></tr></table>	BARCLAYS CAPITAL	5,000,000	4.71%	01/05/2007	04/05/2032	PWLB- 15years	15,000,000	3.01%	28/03/2012	28/03/2027	PWLB- 20years	25,000,000	3.30%	28/03/2012	28/03/2032	PWLB- 25years	40,000,000	3.44%	28/03/2012	28/03/2037	PWLB- 30years	18,929,000	3.50%	28/03/2012	28/03/2042
		BARCLAYS CAPITAL	5,000,000	4.71%	01/05/2007	04/05/2032																					
		PWLB- 15years	15,000,000	3.01%	28/03/2012	28/03/2027																					
		PWLB- 20years	25,000,000	3.30%	28/03/2012	28/03/2032																					
		PWLB- 25years	40,000,000	3.44%	28/03/2012	28/03/2037																					
		PWLB- 30years	18,929,000	3.50%	28/03/2012	28/03/2042																					
The average short term borrowing in 2015/16 was £5.4m																											
2 iv)	Benchmarking Borrowing yield	Redditch BC’s investment objective in paragraph 5 of the treasury strategy is “ <i>to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield</i> ”. This is not just Redditch’s individual objective, but is the objective of all local authorities in compliance of CIPFA’s Code of Practice on Treasury Management. The yield on the Council’s investments therefore has to be commensurate with the principles of security and liquidity of invested monies.																									

		<p>If Redditch BC is to benchmark its investments against other local authorities, it would need to do so by also taking into consideration security and liquidity, not just yield.</p> <p>As an Arlingclose client, Redditch will receive the quarterly investment benchmarking starting with the quarter ended March 2016 (we would, however, need from you the Council's investments as at 31/3/2016, so please email these details to me.) You can report the Arlingclose investment benchmarking on a <u>confidential</u> basis to members. Arlingclose's investment benchmarking takes into account all local authorities' investment objectives, i.e. Security, Liquidity and Yield.</p> <ul style="list-style-type: none"> - Security of in-house managed investments is measured by the credit quality of the investments. Credit quality is referenced by credit ratings which give an opinion on the likelihood of the Council's investments being repaid and the interest being received in full and on time. Across Arlingclose's client base this weighted average credit rating ranged from AA+ to A, with the average at AA-. - Liquidity of investments is measured by how quickly the Council can have access to its invested monies. The shorter the average maturity of the investment portfolio, the higher would be the liquidity. However, the general trend is that the greater the liquidity, i.e. the smaller the number days to maturity, the lower will be the corresponding investment return or yield. At 31st December 2015, portfolio maturities across our client base ranged from 1 day to 1½ years with the average at 64 days. Many of our clients have much longer dated investment portfolios as they have cash available for the medium- to long-term which is invested in term deposits, certificates of deposit, bonds and pooled funds. I trust you can substantiate your decision for keeping Redditch's investments short-dated: if the Council needs to borrow and that borrowing is unsupported borrowing, the best use of cash resources is to use these resources in lieu of borrowing. This is consistent with the aim stated in section 4.2 of the Council's treasury strategy statement which relates to borrowing <i>"Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key</i>
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		<p><i>issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk."</i></p> <ul style="list-style-type: none"> - Yield: You will probably therefore find that the yield earned by Redditch is low as the Council's monies are invested primarily in call accounts (I guess most of these would be paying base rate or less) and very short-dated fixed deposits as you are using cash resources in lieu of borrowing, as the latter is more expensive.
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**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

21st April 2016

WORK PROGRAMME FOR THE YEAR AHEAD**Note: Statement of Accounts**

Copies of the unaudited financial statements and the Annual Governance Statement will be sent to all members of the Committee at the same time these are issued to the External Auditors at the end of June. A briefing on the statement of accounts will take place for all members of the Committee on 8th September 2016, prior to the Committee's formal consideration of the audited financial statements at the 22nd September meeting. Under the Accounts and Audit Regulations 2015, with effect from 2017/18 unaudited financial statements will need to be published by the end of May and audited financial statements by the end of July.

7th July 2016 meeting**Standards**

- Monitoring Officer's Report (including memberships of Hearing Sub-Committees)
- Feckenham Parish Council Report (oral)
- General Dispensations Report (to the first meeting of the Committee following any local elections)

Governance

- External Audit – Update Report (including oral update on Value for Money Conclusion)
- Internal Audit – Annual Report 2015/16 (including review of effectiveness of Internal Audit – no separate Progress Report to this meeting)

Monitoring

- S11 Action Plan Monitoring
- Corporate Governance and Risk (including Annual Governance Statement to each meeting, any Treasury Management monitoring information and updated for general audit actions including non-S11 external audit recommendations)
- Debt Recovery Update Report (Quarters 3 and 4)
- Portfolio Holder Update (Quarterly Budget Monitoring) (oral)
- Savings Report 2016/17
- Committee Action List and Work Programme

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

21st April 2016

22nd September 2016 meeting

Standards

- Monitoring Officer's Report
- Feckenham Parish Council Report (oral)

Governance

- External Audit – Audit Findings Report 2015/16
- Audited Statement of Accounts 2014/15 (including final Annual Governance Statement)
- Internal Audit – Progress Report

Monitoring

- S11 Action Plan Monitoring
- Corporate Governance and Risk (including Annual Governance Statement to each meeting, Corporate Risk Register 6-month update report to September meeting, any Treasury Management monitoring and updated for general audit actions including non-S11 external audit recommendations)
- Portfolio Holder Update (Quarterly Budget Monitoring) (oral)
- Savings Report 2016/17
- Committee Action List and Work Programme

2nd February 2017 meeting

Standards

- Monitoring Officer's Report
- Feckenham Parish Council Report (oral)

Governance

- External Audit – Update Report
- External Audit – Grant Claims Certification Work Report
- External Audit – Annual Audit Letter 2015/16
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2017/18
- Fraud Compliance Update Report (first of new style report)
- Internal Audit – Progress Report
- Internal Audit – Audit Plan 2017/18 (draft Plan)

Monitoring

- S11 Action Plan Monitoring
- Corporate Governance and Risk (including Annual Governance Statement to each meeting, any Treasury Management monitoring and updated for general audit actions including non-S11 external audit recommendations)
- Debt Recovery Update Report (Quarters 1 and 2)
- Portfolio Holder Update (Quarterly Budget Monitoring) (oral)
- Savings Report 2016/17
- Committee Action List and Work Programme

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**21st April 2016

27th April 2017 meeting**Standards**

- Monitoring Officer's Report
- Feckenham Parish Council Report (oral)

Governance

- External Audit – Update Report
- External Audit – Audit Plan 2016/17
- External Audit – Audit Fee Letter 2017/18
- External Audit – Auditing Standards 2016/17 (Communication with the Audit, Governance and Standards Committee)
- Accounting Standards (Statement of Accounting Policies)
- Internal Audit – Progress Report
- Internal Audit – Audit Plan 2017/18 (final Plan)

Monitoring

- S11 Action Plan Monitoring
- Corporate Governance and Risk (including Annual Governance Statement to each meeting, annual Corporate Risk Register report to April meeting, any treasury management monitoring and updated for general audit actions including non-S11 external audit recommendations)
- Benefits Investigations Annual Report
- Portfolio Holder Update (Quarterly Budget Monitoring)
- Savings Report 2016/17
- Committee Action List and Work Programme
- Annual Review of the Operation of the Committee (Chair's oral report) and Annual Review of the Committee's Procedure Rules (Minute No. 4 of 28th June 2012 meeting refers)
- Calendar of Meetings 2017/18

January or April 2018 meeting

- 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	<p>1 Independent non-voting Member for the purpose of Audit and Governance.</p> <p>1 Parish Representative, who may not also be a Borough Councillor, for the purpose of Standards.</p>
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 and Vice-Chair shall not be a member of the controlling political group.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE PROCEDURE RULES

1. Role of the Audit, Governance and Standards Committee

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

2. Terms of Reference

- 2.1 The Terms of Reference of the Audit, Governance and Standards Committee are as follows:

Audit and Governance Internal and External Audit

- a. To review and monitor the annual audit plans of both the internal and external auditors;
- b. To receive and comment upon the external auditors' reports;
- c. To monitor the adequacy and effectiveness of the Council's system of internal control by ensuring that an adequate and effective system of internal financial controls is maintained, that financial procedures are regularly reviewed;
- d. To consider, monitor and review the Council's overall corporate governance arrangements;
- e. To enhance the profile, status and authority of the internal audit function which will demonstrate its independence;

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

Risk

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

Finance and Value for Money

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

Standards

- n. To promote and maintain high standards of conduct by Councillors and any co-opted members of Council bodies;
- o. To assist the Councillors and co-opted members to observe the Members' Code of Conduct;
- p. To advise the Council on the adoption or revision of the Members' Code of Conduct;
- q. To monitor the operation of the Members' Code of Conduct;
- r. To advise, train or arrange to train Councillors and co-opted members on matters relating to the Members' Code of Conduct;
- s. To grant dispensations to Councillors and co-opted members from requirements relating to interests set out in the Members' Code of Conduct;
- t. To deal with any report from the Monitoring Officer following an investigation into a complaint concerning the Members' Code of Conduct;

- u. To consider and determine allegations that a Councillor or co-opted Councillor may have failed to follow the Code of Conduct and where a breach of the Code is established making recommendations as to any sanctions to the appropriate person or body;
 - v. The exercise of t – u above in relation to the Parish Councils in the Council's area and the members of those parish Councils; and
 - w. To monitor and review the operation of the Member Officer Relations Protocol.
- 2.2 Within those Terms of Reference, the Audit, Governance and Standards Committee will:
- a. agree annual and strategic audit plans;
 - b. review Internal Audit's progress against the audit plan and consider Internal Audit performance measures;
 - c. receive and consider a summary of work undertaken by Internal Audit since the last meeting, plus current status;
 - d. receive and consider executive summaries of financial process / procedures;
 - e. receive and consider executive summaries of Value For Money reports;
 - f. receive and consider executive summaries of contract audit reports;
 - g. receive and consider executive summaries of any special investigations undertaken by Internal Audit;
 - h. receive and consider a chronological summary of Internal Audit reports awaiting departmental response and address any evident problems;
 - i. monitor the proportion of key recommendations actioned since the previous meeting; and
 - j. consider all external audit reports including the Annual Audit Letter.

3. **Composition**

The Audit, Governance and Standards Committee will comprise such number of Councillors as are determined at the Council's Annual Meeting. All Councillors except for Party Group Leaders may be members of the Audit, Governance and Standards Committee or act as substitutes for members of the Committee.

4. Co-optees

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

5. Chair

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

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

6. Meetings of the Audit, Governance and Standards Committee

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

7. Quorum

The quorum for a meeting of the Audit, Governance and Standards Committee shall be 4 members (to include at least one member of the Majority Group).

8. Attendance of Officers at meetings

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

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

9. Participation in Meetings

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

10. Work Programme

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

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

11. Procedure at Audit, Governance and Standards Committee meetings

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

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

12. Agenda items

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

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

- 12.2 Where a matter is referred to the Audit, Governance and Standards Committee by the Council (including a matter referred by the Monitoring Officer under Council Procedure Rule 11.10), it shall be considered at either the first or second ordinary meeting of the Audit, Governance and Standards Committee following the referral.
- 12.3 The Audit, Governance and Standards Committee shall also respond, as soon as its work programme permits, to requests from the Council or the Executive Committee to review particular areas of Council activity. The Audit, Governance and Standards Committee shall report its findings and any recommendations back to Council or Executive Committee (as appropriate).

13. Investigations and Enquiries

The Audit, Governance and Standards Committee may:

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

14. Members and Officers giving account

- 14.1 The Audit, Governance and Standards Committee may review internal control mechanisms and systems that exist in any Council Department. As well as reviewing documentation, in fulfilling its Terms of Reference, it may require any member of the Executive Committee, the Chief Executive and/or any senior Officer to attend before it to explain in relation to matters within their remit:
 - a. any particular decision or series of decisions;
 - b. the extent to which the actions taken implement Council policy; and /or

- c. his/her performance,
- and it is the duty of those persons to attend if so required.
- 14.2 If any Councillor or Officer is required to attend meetings of the Audit, Governance and Standards Committee under this provision, the Councillor or Officer will be given reasonable notice in writing of the meeting at which s/he is required to attend. The notice will state the nature of the item on which s/he is required to attend to give account and whether any papers are required to be produced for the Audit, Governance and Standards Committee. Where the account to be given to the Audit, Governance and Standards Committee will require the production of a report, then the Councillor or Officer concerned will be given sufficient notice to allow for preparation of that documentation.
 - 14.3 If the Councillor or Officer is unable to attend on the required date, the Audit, Governance and Standards Committee shall in consultation with the Councillor or Officer arrange an alternative date for attendance.
- 15. Attendance by others**
- 15.1 The Audit, Governance and Standards Committee may invite people other than those people referred to in paragraph 14 above to address it, discuss issues of local concern and/or answer questions. It may for example wish to hear from residents, stakeholders and Members and Officers in other parts of the public sector and shall invite such people to attend. Any such person invited will be given reasonable notice and the notice will state the nature of the item on which he/she is invited to attend and whether any papers are requested.
 - 15.2 If the Audit, Governance and Standards Committee is to consider a motion referred to it by the Council meeting, the proposer and seconder of the motion shall (if they are not members of the Audit, Governance and Standards Committee) have the right to attend the relevant meeting and to explain the reasons for their motion, although they may not propose, second or vote on recommendations by the Audit, Governance and Standards Committee which arise from that motion.
 - 15.3 If the Audit, Governance and Standards Committee invites a person to address a meeting or to give evidence, the following principles will be observed:
 - a. the investigation will be conducted fairly and all members of the Audit, Governance and Standards Committee will be given the opportunity to ask questions of attendees, and to contribute and speak;

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

16. Reports from the Audit, Governance and Standards Committee

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

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

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

18. The party whip

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

19. Finance

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