



Audit, Governance & Standards Committee

Thu 22 Sep
2016
7.00 pm

Committee Room 2
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

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Audit, Governance and Standards

Thursday, 22nd September 2016

7.00 pm

Committee

Committee Room 2, Town Hall

Agenda

Membership:

Cllrs:	David Thain (Chair) Jane Potter (Vice-Chair) Tom Baker-Price Natalie Brookes Michael Chalk	Andrew Fry Mark Shurmer 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)	

<p>1. Apologies and named Substitutes</p>	<p>To receive the apologies for absence and details of any Councillor nominated to attend the meeting in place of a member of the Committee.</p>
<p>2. Declarations of Interest</p>	<p>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.</p>
<p>3. Minutes (Pages 1 - 8)</p>	<p>To confirm as a correct record the minutes of the meeting of the Audit, Governance and Standards Committee held on 7th July 2016.</p> <p>(Minutes attached)</p>
<p>4. Monitoring Officer's Report - Standards Regime (Pages 9 - 12) Head of Legal, Equalities and Democratic Services</p>	<p>To receive a report from the Monitoring Officer, together with any oral updates from the Feckenham Parish Council Representative, on any standards regime matters of relevance to the Committee.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>

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<p>5. Grant Thornton - Audit Findings Report 2015/16 (Pages 13 - 14)</p>	<p>To present Members with Grant Thornton's Audit Findings Report in relation to the final accounts for 2015/16.</p> <p>(Report attached – appendices to follow)</p> <p>(No Direct Ward Relevance)</p>
<p>6. Statement of Accounts 2015/16 (Pages 15 - 18) Executive Director, Finance and Resources</p>	<p>To approve the Statement of Accounts for 2015/16.</p> <p>(Report attached – appendix to follow)</p> <p>(No Direct Ward Relevance)</p>
<p>7. Internal Audit - Progress Report (Pages 19 - 58)</p>	<p>To present a progress report of internal audit work for 2016/17 and the residual 2015/16 audit work.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>8. Re-appointment of Lead Fraud and Risk Members on the Committee Chief Executive</p>	<p>Members are asked to consider whether they wish to re-appoint to the roles of Lead Fraud Member and Lead Risk Member on the Committee. These positions are currently held by Councillor David Thain and Mr Dave Jones, Independent Member for Audit and Governance, respectively.</p> <p>Should the Committee determine that it wishes to re-appoint to these roles then consideration should also be given as to the length of any such appointments, bearing in mind that there are no local elections taking place in 2017.</p> <p>(Oral report)</p> <p>(No Direct Ward Relevance)</p>

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<p>9. S11 Recommendations Update (Pages 59 - 62) Executive Director, Finance and Resources</p>	<p>To present Members with the latest progress update on the Section 11 recommendations which were first noted by the Committee on 28th January 2016.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>10. Corporate Governance and Risk (Pages 63 - 72) Executive Director, Finance and Resources</p>	<p>To consider the 6 monthly review of the Corporate Risk Register.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>11. April - June Financial Savings Monitoring Report 2016/17 (Pages 73 - 76) Executive Director, Finance and Resources</p>	<p>To report on the monitoring of savings for 2016/17, including the delivery of savings and additional income for the period April to June 2016.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>12. Committee Action List and Work Programme (Pages 77 - 82) Chief Executive</p>	<p>To consider the Audit, Governance and Standards Committee's Action List and Work Programme.</p> <p>(Action List and Work Programme attached)</p> <p>(No Direct Ward Relevance)</p>

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13. 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 Jane Potter (Vice-Chair, in the Chair) and Councillors Tom Baker-Price, Natalie Brookes, Michael Chalk, Andrew Fry, Mark Shurmer and Pattie Hill (substituting for Councillor Pat Witherspoon)

Parish Councillor Slade Arthur – Feckenham Parish Council Representative for Standards (non-voting co-opted member of the Committee – substituting for Parish Councillor Alan Smith)

Also Present:

Suzanne Joberns – Grant Thornton (External Auditors)
Megan Harrison – Independent Person for Standards (unofficial observer)

Officers:

Andy Bromage, Clare Flanagan, Sam Morgan and Jayne Pickering

Committee Services Officer:

Debbie Parker-Jones

1. CHAIR'S OPENING REMARKS

The Chair welcomed those present to the first meeting of the new municipal year, in particular Borough Councillors Tom Baker-Price and Mark Shurmer who were new members on the Committee.

2. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received from Borough Councillors David Thain, Rachael Smith and Pat Witherspoon. Councillor Pattie Hill substituted for Councillor Witherspoon.

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Chair

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Apologies were also received from Mr Dave Jones, Independent Member for Audit and Governance, and Feckenham Parish Councillor Alan Smith, who was substituted by Feckenham Parish Councillor Slade Arthur.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 21st April 2016 were submitted.

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 21st April 2016 be confirmed as a correct record and signed by the Chair.

5. MONITORING OFFICER'S REPORT - STANDARDS REGIME

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

No complaints against Members had been received since the previous meeting of the Committee in April 2016. The Member training information detailed in the report was noted and Members approved the Hearings Sub-Committees memberships as detailed below.

RESOLVED that

- 1) the report of the Monitoring Officer be noted: and**
- 2) the following Standards Hearings Sub-Committee memberships be approved:**

Hearings Sub-Committee 1

Councillors Thain (Chair), Brookes and Shurmer;

Hearings Sub-Committee 2

**Councillors Witherspoon (Chair), Chalk and Baker-Price;
and**

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Hearings Sub-Committee 3

Councillors Potter (Chair), R Smith and Fry.

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

Parish Councillor Arthur stated that he did not have any standards-related updates for the Committee. However, he expressed his general thanks to District Council Officers for the assistance which they provided on relevant day-to-day matters which affected the Parish Council.

RESOLVED that

the position be noted.

7. LOCALISM ACT 2011 - STANDARDS REGIME - DISPENSATIONS

Members received a report which sought the re-granting of two previously granted general dispensations, and which asked the Committee to note the position in relation to a number of previously granted general dispensations which were no longer required.

RESOLVED that

1) the previously granted general dispensations in relation to:

(i) allowing Members to address Council and committees in circumstances where a member of the public may elect to speak; and

(ii) the adoption of any new or updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District,

be re-granted under section 33 (2) of the Localism Act 2011, to allow Members to participate in and vote at Council and committee meetings when considering these matters;

2) the position, as detailed at paragraph 3.13 of the report, in relation to the previously granted general dispensations for the setting of the Budget, Council Tax, Council Rents and Members' Allowances, which the County Monitoring

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Officers' Group has determined are no longer required, be noted;

- 3) it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and
- 4) it be noted that any re-granted dispensations will remain valid until the first meeting of the Audit, Governance and Standards Committee following the next Borough Council Elections in 2018.

8. GRANT THORNTON - PROGRESS REPORT AND UPDATE

Members received an update report from Grant Thornton on progress in delivering their responsibilities as the Council's external auditors. The report also detailed a number of Grant Thornton public sector publications which might be of interest to the Committee and which members might wish to read.

Suzanne Joberns highlighted the significant risk identified in the report in relation to valuation of the pension fund net liability. She explained that this had been on the Council's balance sheet for a number of years and that it was a very technical and complex issue. As the figure for this stood at £68m – that being the Council's share of assets and liability – Grant Thornton felt that this needed to be raised as a significant risk for the current year. A great deal of work had been undertaken on this and it was noted that there could be significant annual variances in the figure owing to a number of factors. This was an issue which affected authorities across the county, with the Council's housing stock also impacting on the figure.

RESOLVED that

the report be noted.

9. INTERNAL AUDIT - ANNUAL REPORT 2015/16

Members were presented with the Internal Audit Annual Report for 2015/16 and the Worcestershire Internal Audit Shared Services Manager's annual opinion on the overall adequacy of the Council's internal control environment for the same period.

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Officers highlighted the key elements of the report and responded to Members' questions on this, in particular work which had been and was due to be carried out on the budget in light of the problems encountered with the 2014/15 budget process and Statement of Accounts. Members noted that the Core Financial Systems were audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts, and extra audit days had been built into the budget process moving forward.

Officers explained the approach undertaken with the 'critical friend' reviews, which usually took place when service areas were in the process of change/transformation in order that any internal audit suggestions could be built into the new processes.

Members noted that 92% of the audits undertaken during 2015/16, which included the critical review audits, had received an assurance of 'moderate' or above. Clients were also satisfied with the audit process and service. Due to an accumulation of small budget savings against several audit areas a small underspend had been reported.

RESOLVED that

the report be noted.

10. SECTION 11 RECOMMENDATIONS UPDATE AND PORTFOLIO HOLDER UPDATE

Members were presented with an update on progress against the external auditor Section 11 (S11) recommendations.

The Action Plan at appendix 1 to the report detailed the position as at 20th June. This showed that there were no areas of concern in the preparation and submission of the Statement of Accounts, and Officers were pleased to advise that the accounts had been submitted to Grant Thornton on 30th June; the statutory deadline for doing so.

The only work in progress related to Recommendation 4; budget monitoring processes. Officers reported that the format of the new Financial Planning module had been agreed with managers. It was expected that this would be rolled out to managers in September, with the new system hopefully being in place by the end of December. This would allow managers more control and flexibility over their budgets. Also, the quarterly monitoring statements to the

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end of June, which were to be sent out to budget-holders within 5 working days of period end, were due to be issued imminently.

The S151 Officer proceeded to provide an oral update on behalf of the Portfolio Holder. This thanked staff for their hard work in ensuring that the accounts were submitted by the required deadline, with it being noted that from 2017/18 unaudited financial statements would need to be published by the end of May; a month earlier than at present. Reference was made to the Finance Monitoring Outturn 2015/16 report to the Executive Committee the following week, which proposed a transfer to balances of £40k. The Senior Management Team would now be challenging Heads of Service to see if they could base their 2016/17 budgets on the 2015/16 budgets and maintain the same savings moving forward.

Members asked whether an action plan, similar to that produced for the external auditor S11 Recommendations, could be drawn up to monitor future progress with the budget and auditing of the accounts. This would take into account any recommendations from both internal and external audit following finalisation of the 2015/16 accounts, and would sit alongside the final Annual Governance Statement (AGS) to be submitted with the audited financial statements at the end of September. Officers agreed to draw up such an Action Plan, which would highlight the key budgetary risks moving forward.

RESOLVED that

- 1) the Section 11 Recommendations Action Plan as appended to the report be noted; and**
- 2) Officers draw up an Action Plan, to sit alongside the 2015/16 Annual Governance Statement within the final Statement of Accounts, to monitor the key risks identified as part of the budget process moving forward.**

11. CORPORATE GOVERNANCE - ANNUAL GOVERNANCE STATEMENT 2015/16

Members received a report which sought approval of the Annual Governance Statement (AGS) 2015/16 for inclusion in the final Statement of Accounts. Officers advised that the draft AGS appended to the report had been submitted to the external auditors on 30th June along with the draft Statement of Accounts.

This year's AGS had been updated to look at the key governance framework arrangements that the Council had in place. Some

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changes were likely to be made to the final version of this in September and the AGS would also be audited by internal audit.

Officers noted the inclusion of the additional Action Plan to accompany the AGS, as discussed under the previous agenda item (Minute No. 10 refers). The action plan would sit alongside the AGS to monitor future progress with the budget and the auditing of the accounts, and would take into account any recommendations made by both the internal and external auditors following finalisation of the 2015/16 accounts.

RESOLVED that

subject to the addition of the Action Plan detailed in the preamble above and as referred to at Minute No. 10, the draft Annual Governance Statement attached to Appendix 1 of the report be approved.

12. COMMITTEE ACTION LIST AND WORK PROGRAMME

Action List

The S151 Officer stated that she was conscious that there were a number matters detailed on the Action List. She proceeded to give updates on the following actions:

- 2 ii) – Benchmarking borrowing yield – it was agreed that relevant updates would be given in future Corporate Governance reports as and when the Council had any investments;
- 4 i) – Internal Audit – Rent Arrears & Universal Credit – actioned as per Action List;
- 4 ii) – Internal Audit – Delays in follow up action – actioned/in process of being actioned;
- 4 iv) – Internal Audit – budget work – being actioned/extra days added to Audit Plan for this work;
- 5 – Corporate Governance and Risk – actioned;
- 6 – Proposed Savings Report 2016/17 – details to be included in future savings report from next meeting onwards; and
- 7 – Draft Statement of Accounts – details emailed out to Members on 3rd July 2016.

Members agreed that the above items could therefore be removed from the Action List.

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It was agreed that the remaining actions, namely:

- 1 – Inventories;
- 2 i) – Liquidity Risk;
- 3 – Debt Recovery Update; and
- 4 iii) – Internal Audit – Key Performance Indicators,

would remain on the Action List until the next meeting of the Committee in order for Mr Dave Jones, Independent Member for Audit and Governance and Lead Risk Member on the Committee, to be in attendance to provide relevant updates following his involvement with these matters.

The S151 Officer advised that she would be responsible leading on and administering the Action List in future.

Work Programme

The Work Programme was noted without any amendments.

RESOLVED that

the Committee's Action List and Work Programme be noted and the amendments and updates highlighted be agreed.

The Meeting commenced at 7.00 pm
and closed at 7.46 pm

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Chair

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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 7th July 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 with any relevant standards matters.
- 1.3 Any further updates arising after publication of this report, including any issues raised by the Feckenham Parish Council Representative, will be reported orally by Officers/the Parish Representative(s) 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 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

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

Service / Operational ImplicationsMember Complaints

- 3.3 Since the last meeting of the Committee no complaints have been received by the Monitoring Officer.

Member Training

- 3.4 Recent training events have included data protection and charring skills. Plans are being made for training – available to all councillors – on finance, ready for the budget process in the autumn. Arrangements are also being made for update training on using their i-Pads and for training on personal health and safety.
- 3.5 As detailed in the Calendar of Meetings, an all-Member briefing on the Statement of Accounts is being held by Officers on 8th September 2016, prior to the Committee's consideration of the Statement at the 22nd September 2016 meeting. Whilst the (non-mandatory) briefing is primarily aimed at assisting the members of the Committee, an invite to this is once again being extended to all elected Members who might want to understand more about the accounts and to raise any questions on these.
- 3.6 A county-wide Governance training event to be run by Grant Thornton, the Council's external auditors, is being hosted by Redditch Borough Council on 11th October 2016. The training is aimed at all Members and will look at what Governance means in practice, together with principles/examples of both good and poor governance. This will provide Members with an opportunity to discuss governance issues with other Members across the county in a non-political environment. The session will end with an overview of audit committees and Members' roles thereon.

Feckenham Parish Council Representative's Updates

- 3.7 Members may recall that there is normally a separate item on the Committee agendas for any relevant standards updates from the Feckenham Parish Council Representative/Deputy Representative. As no updates have needed to be provided by the current Representatives since their having joined the

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Committee, it has been agreed with the Representatives that any future updates will be raised under the Monitoring Officer's (MO's) report. As such, there will no longer be a separate agenda item for Parish Representative updates. This is a sensible approach given that Officers normally highlight any parish-related issues for Members within the MO's report. Members are asked to note that this reporting change will in no way preclude the Parish Representatives from raising any relevant standards issues/updates should they so wish. Any issues/updates can in future either be raised by the Parish Representatives orally at Committee meetings under the MO's report, or with the Monitoring Officer direct at any point in between meetings.

Customer / Equalities and Diversity Implications

- 3.8 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 Member complaints process are available on the Council's website and 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.

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

AUTHOR OF REPORT

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE****22nd September 2016****GRANT THORNTON AUDIT FINDINGS REPORT 2015/16**

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

1. SUMMARY OF PROPOSALS

To present Members with the Grant Thornton Audit Findings Report in relation to the final accounts 2015/16.

2. RECOMMENDATIONS

2.1 That the Committee considers and notes the Audit Findings Report 2015/16 as attached at Appendix 1; and

2.2 That the Committee APPROVES the draft letter of representation as included at Appendix 2.

3. KEY ISSUES**Financial Implications**

3.1 The cost associated with the External Audit is funded from approved budgets. There are no additional charges for the 2015/16 Audit work.

Legal Implications

3.2 The Council has a statutory responsibility to comply with financial regulations. Included within the report is a recommendation to the Council under section 11(3) of the Audit Commission Act 1998. As can be seen within the Appendix, the recommendations relating to the final accounts have all been delivered to the satisfaction of Grant Thornton. There are two further recommendations that relate to the ongoing monitoring arrangements and these are being addressed by officers.

Service / Operational Implications

3.3 The report attached at Appendix 1 presents the Audit Findings Report in relation to the audit of the 2015/16 Statement of Accounts. Members are aware that there were a number of issues relating to completion and quality of the previous year accounts and a number of actions were put in place to ensure that deadlines were met and significant improvements were made to the working papers and reconciliations.

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- 3.4 The accounts were submitted to the Auditors by the deadline of 30th June. As included in the Appendix there have been improvements to the working papers and the information and responses to the Auditors have been timely and clear. There are no material issues or misstatements that have been identified by the Auditors. There are a number of recommendations including tracking of journal transfers and improvements to the process of invoicing and recharging of shared service costs. The recognition of the improvements made during 2015/16 demonstrate the work that the finance team have undertaken to ensure that the issues raised last year were addressed.
- 3.5 Whilst minor areas of work are continuing it is anticipated that an unqualified opinion will be given on the accounts.
- 3.6 In relation to the Value for Money judgement, having taken into account the financial pressures facing the Council over the next 4 years, a qualified opinion has been given. Officers will work with the Auditors to assess the Efficiency Plan and the ongoing delivery of savings and budget projections to support the recommendations in relation to Value for Money.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

The recommendations from the External Auditors will be picked up within the financial services risk arrangements

5. APPENDICES

Appendix 1 – Grant Thornton Audit Findings Letter 2015/16 (to follow)
Appendix 2 – Letter of Representation 2015/16 (to follow)

AUTHOR OF REPORT

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COMMITTEE**

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STATEMENT OF ACCOUNTS 2015/16

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

1. SUMMARY OF PROPOSALS

To enable Members to consider the Statement of Accounts 2015/16.

2. RECOMMENDATIONS

That Committee APPROVE the Statement of Accounts 2015/16.

3. KEY ISSUES**Financial Implications**

3.1 None other than those included in this report.

Legal Implications

3.2 The Accounts and Audit Regulations 2011 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

3.3 The Statement of Accounts were approved by the Executive Director of Finance and Resources by 30th June 2016 and submitted to the External Auditors Grant Thornton on the same day.

3.4 The Financial Statements have been audited by Grant Thornton and the improvements to the accounts, working papers and quality of information available during the audit have been reported. This is a significant improvement on the closedown on 2014/15 accounts. The Grant Thornton audit opinion is included as an agenda item to this meeting.

3.5 Included within the Statement of Accounts there are a number of core financial statements that provide a summary of the financial position of the Council. These are:

**AUDIT, GOVERNANCE AND STANDARDS
COMMITTEE****22nd September 2016****3.6.1 Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. This schedule shows the General Fund revenue balances for 2015/16 have increased to £2.024m by £40k and earmarked reserves have decreased to £1.423m.

3.6.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

3.6.3 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**AUDIT, GOVERNANCE AND STANDARDS
COMMITTEE****22nd September 2016****3.6.4 The Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

3.7 The Supplementary Financial Statements**The Collection Fund**

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes). It is a statutory requirement for billing authorities to maintain this account.

3.8 Financial Summary**3.8.1 General Fund Revenue Account**

At its meeting on 22nd February 2015 Redditch Borough Council set a net revenue budget of £10,892m, the band D equivalent Council Tax was set at £222.21, a 2.3% increase on the previous year.

There was no planned use of or return to General Fund Revenue Balances and these were increased by £40k. This has enabled the Council to increase general fund balances to £2.024m.

3.8.2 Capital Expenditure

Capital expenditure amounted to £10.9m against a planned budget of £14.9m. The main areas of expenditure were in, Environmental Services replacement of fleet vehicles and plant (£1.7m),); and Disabled Facilities Grants & Discretionary Home Repairs (£396k); Housing Revenue Account £7.4m.

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Customer / Equalities and Diversity Implications

3.9 None as a direct result of this report.

4. RISK MANAGEMENT

The risks associated with the effective and timely delivery of the Statement of Accounts are to be developed further to ensure that a robust plan is in place to address the concerns raised during this Audit.

5. APPENDICES

Appendix 1 – Redditch Borough Council Statement of Accounts
2015/16 (to follow).

AUTHOR OF REPORT

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Tel: 01527-881400

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THE INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE; 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 2016/17 and the residual 2015/16 audit work.

2. RECOMMENDATIONS2.1 **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 2016 to 31st July 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 (21st APRIL 2016):

2016/17 AUDIT SUMMARY UPDATES:

Allotments

The review identified generally weaknesses in the application of controls. The following areas of the system were found to be working well:

- Maintenance of tenant information and waiting lists for Council maintained properties.

The review found the following areas of the system where controls could be strengthened:

- There is a lack of overall corporate and service strategy, which identifies the purpose of this public service.
- There are no formal agreements in place with Associations that manage various different aspects. In addition, each association has taken responsibility for different aspects of the Council role, so there is a lack of uniformity in the engagement.
- There is a lack of signed tenancy agreements held confirming acceptance of the terms and conditions of usage.
- The system for managing plot usage is primarily being used as a database of customers, and does not manage the overall process, i.e. does not link with other systems for producing invoices. Information on individual plots is not being fully updated and utilised, i.e. information on plot size is not being amended following all changes.
- There are discrepancies between the actual provision of concessions and those advertised as available. There are also concerns regarding the provision of some concessions without effective evidential consideration.
- The charge relating to the supply of water at some plots does not fully cover the respective cost of these utilities.

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Audit understands that a number of key actions are being implemented and that the proposed action plan, where appropriate, remains on track for delivery by the end of September. Officers are working with managers to improve the allotment service, achieve consistency and clarity, and, ensure that the Internal Audit recommendations are implemented.

Type of audit: Full System
Assurance: Limited
Report issued: 16th August 2016

Grants to Voluntary Bodies

The review found generally a sound system of internal control in place over the operating of the Grants awarded to Voluntary bodies including the awarding of major grants and stronger community grants with the following areas of the system were working well:

- Grants are awarded in line with the Council's strategic purposes
- Grants are correctly coded within the main ledger
- There is appropriate payment authorisation
- Assessment criteria is robust ensuring a fair assessment process
- Advertising of the grants is fully inclusive

The review found the following areas of the system where controls could be strengthened:

- Financial checks on organisations
- Efficient storage of documentation
- Updating of current documentation

Type of audit: Full System
Assurance: Significant
Report issued: 16th June 2016

Community Transport

The review found generally a sound system of control in place with the following areas working well:

- Managing regular and ad-hoc bookings for the Dial-a-Ride service, to ensure an efficient and effective service.
- There are good performance monitoring arrangements in place for the Dial-a-Ride service, and improvements for monitoring Shopmobility performance are being considered.
- Mobility equipment is being maintained regularly in accordance with a defined schedule, albeit there is a need to consider defining a period of review to ensure best value will be achieved going forwards. The buses used for community transport are subject to a periodic inspection

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schedule, which will require on-going monitoring to ensure this service meets the needs of the public.

The review found the following areas of the system where controls could be strengthened:

- Fundraising audit trails.
- Insurance cover on income held in the shop mobility safe.

Type of audit: Full System

Assurance: Significant

Report issued: 1st September 2016

2016/17 AUDIT WORK WHICH IS ONGOING DURING QUARTER 2:

Audits completed to draft report stage included:

- Rent Verification
- Charity Fund Accounts

Audits that were continuing as at the 31st July 2016 included:

- Risk Management
- Post Contract Appraisals
- Cemeteries and Crematorium
- Planning Enforcement
- Development Control Planning Fees
- Freedom of Information
- One Stop Shops
- Insurance

The summary outcome of the above reviews will be reported to Committee in due course when they have been completed and management have confirmed an action plan.

In addition to the audits currently being undertaken an on-going and sizable investigation has been continuing the outcome of which will be reported on completion.

2015/16 AUDITS SUMMARY UPDATES**Worcestershire Regulatory Services**

The 'Critical Review' concentrated on the implementation of a time recording system within Worcestershire Regulatory Services as a basis for the charging of fees for its Services. The review appraised, gathered evidence, and analysed data to support and challenge the Time Recording system. This included the review of the existing arrangements and proposed enhancements in areas including system specification, policies, coding

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structures, fee earnings, performance measurement, data base accuracy and dog patrol.

Type of audit: Critical Review

Assurance: N/a

Report issued: 6th June 2016

s106's

The 'critical review' identified a number of challenges for improving the system for agreeing and managing the financial contributions from planning obligations, with the aim of making the process more efficient and robust. These challenges have been discussed with responsible officers, and action plans are required from management to address the risks including committee reporting, policy and procedure, waste services contribution, project contribution areas, financial spreadsheets, income management, and land charges records.

Some actions have already been taken to address the effectiveness of the process, including an initial review between planning system records on the Uniform system, financial information held on the S.106 reserve on the General Ledger and information held by the Finance team on their spreadsheet. There is some disparity between the manner that records are held and maintained and an observed need to normalise processes to ensure effective support of community projects will develop as a result of this process.

Type of audit: Critical Review

Assurance: N/a

Report issued: 8th April 2016

Community Services: CCTV

The 'critical review' found there was a well established CCTV function provided by Redditch Borough Council which also includes a provision for Bromsgrove District Council. The CCTV service is working towards achieving compliance with BS 7958:2015 Closed Circuit Television (CCTV) – Management and operation, and has undertaken an assessment to determine the authority's current level of compliance. Although controls over data retention and usage are strong, some challenges were made concerning the controls around the extraction of data files from the CCTV system, and these have been discussed with management to determine a suitable solution.

The equipment for the CCTV network is maintained by a third party that is obliged to ensure the timely correction of defects to ensure on going

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functionality of the system. Defects are regularly monitored and a full record of issues is recorded on the main system.

The use of grant funding within the Community Safety team is monitored in conjunction with the North Worcestershire Community Safety Partnership and the Police & Crime Commissioner where appropriate, providing regular updates on actions taken. No issues have been found concerning the use of grant funding within this area, and the action plan for on going work in this area is regularly monitored. The implementation of Anti-Social Behaviour legislation within Bromsgrove District Council is managed by the Community Safety Team, who are intending to promote the legislative requirements within the authority so that staff fully understand their role within this legislation.

Type of audit: Critical Review

Assurance: N/a

Report issued: 31st March 2016

Environmental ~ Income Streams

The 'critical review' focused on income streams generated through activities with external providers (third parties). An effective income stream process is essential in identifying, charging and monitoring external revenue as a result of the services provided by the Authority. In an ever changing budget landscape the Authority must maximise its operations where possible to ensure that work carried out is providing value for money and services are economical, efficient and effective. It is imperative that where money is due to the Service it is being invoiced appropriately and any lack of payment is followed up through the debt chasing process.

The review was conducted as a critical review to support Environmental Services and provide an overview of the current process. The review gathered evidence during discussions held with key Officers within Environmental Services who have responsibility for specific activities that generate income streams. These discussions outlined the existing arrangements and the information was analysed to support and challenge the income streams process and where appropriate proposed changes to the current process. Challenges raised covered areas included coding, budgeting, documented procedures, quoting arrangements, business support and the potential to increase revenue.

Type of audit: Critical Review

Assurance: N/a

Report issued: 28th July 2016

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Mapping of Interfaces to the Ledger

The 'critical review' identified the following areas where controls could be strengthened:

- There were no procedural notes in place for the reconciliations being undertaken across the authority, which could enable another officer to undertake the role in the event of absence of key staff.
- There were no system flow-charts available to identify how processes work, and how systems interact.
- The majority of reconciliations were not being monitored by a second officer to ensure these are completed fully and accurately, and in a timely periodic manner.
- There is no centralised process for monitoring the system reconciliations. It is understood that actions have been taken by the Finance team to address the monitoring arrangements, including the project assignment of an officer to identify a process going forwards for monitoring the current situation, and determine issues that would impact on the final accounts process.
- There are on-going issues concerning the monitoring and reconciliation of income relating to Worcestershire Regulatory Service activities, whereby there is no centralised control to ensure the financial information held by the shared service accurately represents the actual transactions taking place within each partner authority. This was being picked up as part of the Regulatory Services audit work, and addressed by the partner authorities concerned.
- Backing documentation to evidence reconciliation work needs to be stored in a more suitable format for all reconciliations, to enable remote monitoring of the completed work thus helping to ensure the integrity of the feeder system information in instances where the process is manually controlled or subject to potential unauthorised access and amendment.

Type of audit: Critical Review

Assurance: N/a

Report issued: 31st March 2016

Consultancy and Agency

The review found inconsistent application of controls in some of the areas reviewed, however, the following areas of the system were working well:

- The Matrix contact when used is protecting the Council from contractual risk
- Consultancy appointments that are procured using the councils procurement procedures are transparent

The review found the following areas of the system where controls could be strengthened:

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- Procurement of Agency staff outside of the matrix contact is not monitored adequately or in a structured format
- Procurement rules are not always followed when securing external support
- There is not always clear justification as to the use of agency staff
- Non Matrix agency staff do not have uniform contracts that protect the interests of the Council

Audit understands that a number of actions are being implemented following recommendations from this Committee in relation to external consultancy and officers are working with managers to improve procurement awareness to ensure that the Internal Audit recommendations are implemented.

Type of audit: Full System

Assurance: Limited

Report issued: 13th June 2016

Creditors

The review found generally a sound system of internal control in place with the following areas of the system working well:

- Access to the system is restricted and users are only able to view elements within the system related to their role and responsibilities
- The system workflow for procuring goods and services has been set up in such a manner that ensures separation of duties
- The system has the capability to record a full audit trail to easily identify the transactional timeframe during the ordering process
- The auto matching facility works efficiently providing the details of the order and invoice match (price and quantity)

The review found the following areas of the system where controls could be strengthened:

- Orders are not always raised prior to the receipt of invoices
- Receipting of goods received is not always timely.

Type of audit: Full System

Assurance: Significant

Report issued: 8th June 2016

Debtors

The review found generally a sound system of internal control in place and the following areas of the system working well:

- The raising of invoices is controlled and access only available to designated employees

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- Accounts are cleared in a timely manner and suspense items are reviewed on a daily basis
- All previous and current balances were brought forward accurately

The review found the following areas of the system where controls could be strengthened:

- A review of fees and charges identified slight discrepancies as part of the sample tested.
- Credit note request forms are not always retained by the Debtors Team.
- Review of the access rights

In addition there are some areas which management are aware of and are in the process of taking steps to finalise including:

- Formalising the processes and procedures that will be operated in the future; this project has commenced and remains in progress.
- Staff Changes; the team has undergone some staff changes and a restructure will be carried out during 2016/17.
- There are some historic balances remaining on the suspense accounts. The balances remaining are not material due to work that has been undertaken to clear these accounts.
- Debt collection procedures have not yet been fully implemented.

Type of audit: Full System

Assurance: Moderate

Report issued: 29th April 2016

Council Tax

The review found generally a sound system of internal control in place with the following areas of the system working well:

- The process for timely billing and reconciling properties on an annual basis
- Processes for monitoring service performance
- The process for applying discounts and exemptions on accounts
- The process for managing credit balances.

The review found the following areas of the system where controls could be strengthened:

- Ensuring that suitable recovery action has taken place for accounts in arrears
- Ensuring that there are sufficient notes available for actions taken on refunds
- Ensuring that there are periodic reviews of discounts/ exemptions, and documenting actions taken.

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Type of audit: Full System
Assurance: Significant
Report issued: 13th June 2016

NNDR

The review found generally a sound system of internal control in place with the following areas of the system working well:

- Timely annual billing of properties in the district
- Correct application of reliefs
- Controls over outstanding credit balance
- The monitoring of service performance.

The review found the following areas of the system where controls could be strengthened:

- The documentation of the system for creating new properties on the system ensuring timely collection of council charges.
- The processes in place for ensuring consistent and timely recovery of outstanding charges.

Type of audit: Full System
Assurance: Significant
Report issued: 13th June 2016

Housing ~ Right to Buy

The review found generally a sound system of control in place with the following areas working well:

There was good standard of record keeping throughout with associated records (e.g. housing repair) being updated to record the right to buy application in progress.

- Appropriate service contacts within the Council are routinely notified that sales have been completed in order that records are accurately maintained
- Essential repairs only and, to discharge landlord responsibilities were found to have been completed during the right to buy process.

The review found the following areas of the system where controls could be strengthened:

- There is a sound appreciation of the need to meet processing statutory time scales although in one instance (10% of the sample) the time taken to issue the RTB2 exceeded the target by 3 days
- Where applications have not been completed within 365 days of the initial valuation it is normal practice to confirm with the valuer if there is a change to the property value and an appropriate note recorded on

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file. In one case (though no fault of the council) the time to complete the purchase exceeded 365 days but there was no confirmation on file to confirm that the property valuation remained unchanged

- A review of a small sample of mortgage rescue scheme completions revealed appreciable variances in estimated to actual repair costs which had adversely affected subsidy claimed by the Council.

It was also noted that the Housing Performance & Database Manager is currently reviewing the Buy Back administrative arrangements and also looking to utilise Information @ Work for the electronic storage of completed Right to Buy case files.

Type of audit: Full System

Assurance: Moderate

Report issued: 8th June 2016

Main Ledger

The review found generally a sound system of control in place with the following areas of the system working well:

- Access to the system is restricted and users are only able to view elements with the system that are job related.
- The system workflow for processing journals has been set up in such a manner to ensure a separation of duties is in existence and access is only available to members of the Finance Service.
- The system has the capability to record a full audit trail to easily identify the reasoning for all journal transactions.
- The VAT returns are submitted accurately and in a timely manner
- The Finance Service has provided officers with Training and details are available to all Staff on the Intranet regarding the correct codes to use to prevent the likelihood of miscoding occurring.
- The system is regularly and securely backed up.

The review found the following areas of the system where controls could be strengthened:

- Updating of financial regulations
- Reconciliation processes need to be controlled centrally to ensure timely completion

Further work is being undertaken by management in the following areas:

- The updating of the Financial Regulations; this project has been commenced but is still in progress.
- An Internal Audit critical review on the reconciliation processes. As at 10th February 2016 following the completed reconciliation processes review it was agreed that the frequency and completeness of

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reconciliations will require centralised monitoring to ensure these are kept to a satisfactory standard, and to take timely action on any issues identified.

Type of audit: Full System
Assurance: Significant
Report issued: 8th June 2016

Three audits are progressing through the final clearance stages include System Administration, Website Security and Payroll and will be reported in summary form when finalised.

Worcestershire Regulatory Services, s106's Community Services CCTV, Environmental Income Streams and Mapping of Interfaces to Ledger were completed as 'critical review' audits and Performance Management Framework was deferred due to changing environment in regard to the dash board and overall performance monitoring.

Summary of assurance levels:

2016/17	
Allotments	Limited
Grants to Voluntary Bodies	Significant
Community Transport	Significant
2015/16	
Consultancy and Agency	Limited
Creditors	Significant
Debtors	Moderate
Council Tax	Significant
NNDR	Significant
Housing Right to Buy	Moderate
Main Ledger	Significant

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

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be reported in summary format as part of the regular reporting as indicated at 3.3 above.

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 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.

3.4 AUDIT DAYS

The table in Appendix 1 shows the progress made towards delivering the 2016/17 Internal Audit Plan and achieving the targets set for the year. As at 31st July 2016 a total of 164 days had been delivered against an overall target of 400 days for 2016/17. The target days to the end of the quarter are in line with the target figure for the year as part of the key performance indicators for the service.

Appendix 2 shows the performance indicators for the service. Performance and management Indicators were agreed by the Committee on the 21st April 2016 for 2016/17 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.

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- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

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

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

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

Customer / Equalities and Diversity Implications

3.6 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

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

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

5. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2016/17

Appendix 2 ~ Performance indicators 2016/17

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

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AUTHOR OF REPORT

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REDDITCH BOROUGH COUNCILDate: 22nd September 2016AUDIT, GOVERNANCE & STANDARDS COMMITTEEAPPENDIX 1Delivery against Internal Audit Plan for 2016/17
1st April 2016 to 31st July 2016

Audit Area	2016/17 PLAN DAYS	Forecasted days to the 30 th September 2016	Days used to 31 st July 2016
Core Financial Systems (see note 1)	104	20	2
Corporate Audits(see note 2)	66	42	29
Other Systems Audits	176	145	114
TOTAL	346	207	145
Audit Management Meetings	20	10	9
Corporate Meetings / Reading	9	5	3
Annual Plans and Reports	12	6	5
Audit Committee support	13	7	2
Other chargeable	0	0	0
TOTAL	54	28	19
GRAND TOTAL	400	400	164

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 an ongoing investigation. The time for this work is being split between both Corporate and Other Systems audit budgets (i.e. Housing) and has the potential to lead to an overspend on each of the budgets.

Date: 22nd September 2016**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 2****Performance Indicators (KPIs) for 01st April 2016 to 31st July 2016**

The success or otherwise of the Internal Audit Shared Service can be measured the following performance indicators for 2016/17.

	PI	Trend / Target requirement	2015/16 Year End Position	2016/17 Position (as at 31/07/2016)	Frequency of Reporting
1	No. of customers who assess the service as 'excellent'.	Target = >85% of returns	2 returns; 1 excellent & 1 good	No returns to date to report	Quarterly
2	No. of audits achieved during the year	Per identified target	Target = 16 (minimum) Delivered = 23	Target = 17 (minimum) Delivered = 3 With a further 2 in draft	Quarterly
3	Percentage of Plan Delivery	>90% of agreed annual plan	99%	41%	Quarterly
4	Service Productivity	Annual target >70%	81%	* 56%	Quarterly

*Service productivity is down due to the arrival of three new auditors in the first quarter. This will increase as the year progresses and they settle in.

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

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APPENDIX 3

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action that 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 is undertaken as part of the routine audits that were performed during quarters 3 and 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>
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.	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.	Originally due Sept 2016 Follow up 26/08/2016 - Spoke to Private Sector Housing Team Leader in RBC, one FT time post has been vacant which has resulted in a delay for cleansing the RBC files, minimal progress made since previous follow up. The team leader thinks it should be completed by early 2017. New follow up date January 2017
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	Dec 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>
						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	Oct 2016
Reddicard concessions	11th February 2015	Leisure Services Manager	Moderate	2 "medium" priority recommendations made to ensure there is effective stock control of all concession cards and that independent checks are carried out when fees are updated at the start of each financial year.	Followed up in Jan 16. 1 '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.	The area to follow up was whether the non-resident couple Reddicard had gone through committee in 2016/17 for approval The reddicard charge did not go to committee for approval in December 2016. The risk to the Council has not increased due to the minimal (3 sold in 15/16) demand for this type of Reddicard. This will be followed up officially in January 2017 after the 2017/18 fees and charges have gone to Executive Committee in December. - AR 24/05/2016	Jan 2017
Forge Mill	6th February	Leisure Services Manager	Moderate	7 "medium" priority recommendations	Follow up undertaken 6 th August. 3 Recommendations	Follow up undertaken on Nov 24th, report issued 19th of Jan.	Follow up in April 2016 found that

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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>
	2015			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.	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	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.	out of the 3 'medium' priority recommendations in progress 2 in relation to reconciliations and the cashing up process had been implemented and 1 in relation to inventory was in progress but had not yet reached its implementation date of end of September 16.
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 still to be actioned as this will need to be revisited.	Follow up to be undertaken as part of 2016/17 audit taking place September 2016.	
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.	The follow-up in April 2016 found that the 1 'medium' priority recommendation is in progress and to be finalised by the end of August 2016.		

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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.	Follow up in April 2016 found the agreed actions had been completed relating to lack of procedures and a system for managing risk. There will be no more follow ups. "	
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	Follow up with management awaiting sign off.		
Safeguarding	4 th February 2016	Human Resources Manager	Significant	3 'medium' priority recommendations; training course monitoring, staff vetting and case records.	Aug 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		
Leisure Consumables -	4/01/16	Leisure Services Manager	N/A Critical Friend	Challenge points and good practice	01/09/16 initial meeting with Leisure Services Manager taking place		

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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	Follow up August 2016 with 4 points actioned, 2 in progress and 1 no longer relevant		
S106s - Planning obligations	08/04/2016	Head of Planning and Regeneration, Financial Services Manager, Principal Solicitor	Critical review	Challenge points and good practice in relation to Committee Reporting, Policies/Procedures, Waste Services Contributions, Project Contribution areas, Central Finance Spreadsheets, Withdrawn Planning Applications, Online Publication and Retention and Income Management	Sep-16		
CCTV	31/03/2016	Head of Community Services	Critical review	Challenge points and good practice in relation to Training and the CCTV system.	Sep-16		

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Consultancy and Agency	13/06/2016	Corporate and Senior Management Team	Limited	2 'high' and 3 'medium' priority recommendations in relation to Matrix, Procurement procedures, Post transformation reviews, professional indemnity Insurance and accuracy of invoices received.	Dec-16		
Housing Right to Buy	08/06/2016	Head of Housing and Housing Performance and Database Manager	Moderate	3 'medium' priority recommendations in relation to confirmation of the right to buy, Completion of Sale and Mortgage rescue Scheme	Dec-16		
Regulatory	08/06/2016	Head of Regulatory Services	Critical Review	Time recording challenges in relation to Systems Specification, Policies & Guidance, Coding Structure, Fee Earners, Performance Measurement and Database Accuracy.	Progress meeting Dec 16		
Grants to Voluntary Bodies	16/06/2016	Head of Community Services	Significant	1 'medium' priority recommendation in relation to financial checks on large grant requests.	Dec-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>
Allotments	16/08/2016	Head of Leisure and Cultural Services	Limited	1 'high' priority recommendation in regard to the overall management of allotment services	Interim Follow up Dec-16		
Community Transport (incl. Shopmobility)	01/09/2016	Head of Community Services	Significant	2 'medium' priority recommendations in relation to insurance arrangements for the Shopmobility safe, and maintaining a full audit trail of fundraising activities.	Mar-17		

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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: Allotments					
Assurance: Limited					
Summary: Full system audit of the allotment system					
1	High	<p><u>Management of Allotments Service</u></p> <p>The audit work found a number of issues that covered the majority of the Allotments service. These are listed below:-</p> <ul style="list-style-type: none"> There is no operational procedure in place for defining how the service should be managed. This includes the process for defining the criteria for allocating plots, determining the provision of statutory and discretionary allotment sites, and actions to be taken to address unlettable or vacant plots/ sites. Signed tenancy agreements are not kept on file in all instances to confirm acceptance of the current terms and conditions. There is no formal agreement in place with Allotment Associations, defining the respective responsibilities and ensuring performance is meeting expectations. The Colony system is not being used effectively. Changes to the site layouts are not being updated on the system. There is also an issue regarding the resilience of the service as only 1 staff member currently maintains the system records. The requirement to obtain suitable evidence when applying for each type of concession has not been 	<p>As a customer focused service there could be significant reputational damage to the authority should it fail, with significant local media coverage expected.</p> <p>There is a medium financial risk as the monies involved in managing the plot usage and the associated facilities are not significant, and will not have a material affect on the Council finances.</p> <p>There is also a moderate operational risk to the authority as an inefficient service could result in increased staff time spent on resolving issues, impacting on council resources for both customer facing and support services.</p>	<p>To develop a formal operational policy for the Allotments service.</p> <p>To ensure uniformity for managing the service across all sites. The complications raised by having a number of different arrangements to be addressed to reduce workload for staff, and improve the value of the service to both the public and the Council.</p> <p>Working arrangements to be fully and formally defined in agreements with tenants and/ or associations. To consider issuing a letter of acceptance whereby usage of the plot infers tenant agreement with the Council terms and conditions.</p> <p>The service charging scheme to be reviewed to ensure full coverage of all costs, and to maintain the effectiveness of the process whilst ensuring a transparent and simplistic process.</p> <p>To ensure that the overall process for managing Allotments is not onerous so that the complexity and cost of running the service is proportionate to the benefits delivered.</p>	<p>Management Response: An Action Plan that outlines the content of a short term (12-24 months) Operational Policy (OP) document for the allotment service provision has been developed. The OP will address any anomalies identified in the Internal Audit Report. The OP will address all areas highlighted in the report and provide a clear and concise operating guide which will be applied in a consistent fashion across the service area. The short term OP will allow officers time to develop a medium to long term in line with the final outcome of the wider Leisure Offer Review.</p> <p>Responsible Manager: Cultural Services Manager</p> <p>Implementation date: The Action Plan is complete and is being delivered. See Appendix C</p> <p>The majority of actions completed by the end of October 2016.</p> <p>The only exception to the completion date is the fees and charges recommendation which will be put before members in line with all of the Council's fees and charges annual review.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>properly defined.</p> <ul style="list-style-type: none"> For sites where a water supply provided has been provided, the payments received do not cover the overall cost of the utility charge. There is also no formal monitoring to determine potential improper use. 			
Audit: Grants to Voluntary Bodies 2016/17					
Assurance: Significant					
Summary: Full system audit of the grants to voluntary bodies					
1	Medium	<p><u>Financial checks</u></p> <p>The finances of the organisations applying for grants are currently reviewed by the Head of Community Services. Some of the applications are sent to the Finance Service for further scrutiny if the Head of Community Services feels an additional review is needed.</p> <p>There is no evidence of what financial checks have taken place, whether this is by the Community Services team or Finance Service.</p>	<p>Potential reputational damage to the Council if challenged and funds are awarded to an organisation which became bankrupt.</p>	<p>For a financial check to be undertaken by the Finance Service for grants that are above a set amount agreed by the Head of Community Service to ensure the risk to the Council is minimised.</p> <p>To document any financial checks that have been undertaken, either by the Finance team or the Community Services team.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Agreed to set a value of any grants of £25,000 or above.</p> <p>Implementation date: November 2016 in line with the timetable for the 2017/18 Grant Application process</p>
Audit: Community Transport 2016/17					
Assurance: Significant					
Summary: Full system audit of the community transport system including Shop Mobility					
1	Medium	<p><u>Insurance</u></p> <p>The safe at the Shopmobility site within the Kingfisher Centre was installed and is owned by the Kingfisher management company.</p> <p>The nature of this arrangement has not been specified on the corporate insurance</p>	<p>There is a risk of financial loss, albeit this is minimal due to the amount of money normally kept at the site.</p> <p>There is potential for reputational damage if the</p>	<p>To ensure the safe at the Shopmobility site is fully covered by insurance against theft and loss.</p>	<p>Management Response: Insurance of this safe has been discussed with the Insurance Officer. The new money insurance policy will cover the handling and secure storage of cash at this site.</p> <p>Responsible Manager:</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		for Redditch Borough Council, and is therefore not currently covered by any insurance arrangements in the event of theft or loss. On average the safe at the Shopmobility site contains less than £1,000.	Council losses money that is not covered by any insurance arrangement.		Dial-a-Ride & Shopmobility Manager Implementation date: August 2016
2	Medium	<u>Fundraising Audit Trail</u> Money raised from fundraising activities is banked along with other donations and charges levied on the rental of wheelchairs. However this money is not recorded on the daily cash book. There is no formal record of this collection until this has been counted for banking. Cheque donations received in the post are also not formally recorded on the daily cash book, and are held separately until the Shopmobility & Dial-a-Ride Service Manager has issued a letter of appreciation to the donor. The cash book is currently a handwritten log of receipts. No electronic copy of this information is held.	Lack of a complete audit trail of all financial transactions, potentially resulting in financial loss and reputational damage to the authority if the monies are lost or unaccounted for.	All cash and cheque receipts to be recorded in the cash book. The process for retaining donations to be reviewed, to determine whether alternative arrangements can be implemented for acknowledging receipt to donors. To consider the implementation of an electronic cash book.	Management Response: The team will look at itemising all income in the cash book, to provide a full audit trail. Responsible Manager: Dial-a-Ride & Shopmobility Manager Implementation date: Immediate
Audit: Consultancy and Agency 2015/16					
Assurance: Limited					
Summary: A full system audit of consultancy and agency.					
1	High	<u>MATRIX</u> The Council has a framework agreement with 'MATRIX' an organisation that is used for the provision of agency staff. With recruitment of agency staff also	Failure to realise the overall scale of the expenditure across the Council, the extent of the Council's dependency on Agency staff	To review the current contract with 'Matrix' to ensure that the Council is receiving the service in line with the original agreement.	Responsible Manager: Human Resources and Development Manager Contract with Matrix is up for renewal in

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		taking place outside of the “neutral vendor” arrangement with MATRIX there is no one system that currently captures all Council commitments on Agency staff.	and the value for money of staffing services via temporary contracts, particularly in relation to Council financial constraints.	That any use of agency staff outside of the ‘matrix’ contract is fully justified prior to the appointment taking place.	December 2016 Implementation date: October 2016
2	High	<u>Procurement Procedures</u> The Council’s Contract Procedure Rules do not make it clear that they apply to the recruitment of temporary staff (Agency and Consultancy) therefore some recruitment has been outside of these rules. For those Agency staff hired outside of the Matrix framework agreement no formal contracts have been entered into.	Failure to procure competitively or secure appropriate terms of business resulting in financial loss to the Council Also, the potential of litigation in regard to breaching EU thresholds resulting in financial penalty and reputation damage.	Procurement procedures to be updated to specifically include the recruitment of Agency and Consultancy staff. All Officers to be made aware of the necessity to comply with the procedures and the potential implications if they do not	Work has already begun in relation to the procurement of a particular type of consultant support. A framework contract is currently being put together for specialist areas of work that consultants have been used for. Training with the procurement manager continues and the procurement rules are currently being updated Responsible Manager: Financial Services Manager Implementation date: July 2016
3	Medium	<u>Post transformation review of Agency/consultancy reliance</u> There has been significant staff and establishment planning at Service level to define new structures and staffing complements and to build staffing resilience. These Plans provide a current baseline and justification for the staff required to run each service going forward. Outcomes/deliverables have not been set to monitor the required reduction in agency staff/contractors post implementation.	Loss of service with inability to meet client demands. Poor value for money in having to continue to employ Agency staff.	Outcomes/deliverables to be set for the reduction in the use of Agency staff/Contractors. These outcomes to be monitored to ensure that once the new structure has been implemented there is a reduction in the reliance on/ costs of agency staff to ensure that the Council is realising its savings. Going forward there needs to be clear justification for any prolonged used of Agency staff/contractors.	One of the services areas that has undergone transformation has ended all long term Agency contracts and is now working with Agencies to hire the right quality of staff or is recruiting on short term contracts. Use of consultants will be reported to management team on a quarterly basis. Responsible Manager: Executive Director – Finance and Resources Implementation date: July 2016

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
4	Medium	<p><u>Obtaining evidence of professional indemnity insurance</u></p> <p>For those agency staff that are employed outside of the Matrix framework agreement there is no standard form of contract to ensure that the Council is indemnified against loss.</p>	<p>The Council would be financially liable if a claim was made.</p>	<p>For those instances where agreement has been obtained not to use 'Matrix' for the provision of agency staff then a standard contract is to be used to ensure the Council is fully covered against claims and loss resulting from the work of the contractor.</p>	<p>Responsible Manager: Financial Services Manager (via Procurement)</p> <p>Implementation date: June 2016</p>
5	Medium	<p><u>Processing of invoices</u></p> <p>The processing of invoices for Agency Staff payments outside of the MATRIX agreements relies on submission of individual timesheets and in some cases mileage logs to the Council for certification that these reflect hours actually worked. Testing highlighted a small number of minor problems with this process with errors in some timesheets that had been approved, missing timesheets, illegible signatures from certifying officers and failure to provide a breakdown or log of actual hours worked or journeys undertaken by the Agency worker.</p>	<p>Risk of erroneous or fraudulent claims being processed without detection, resulting in financial loss to the Council.</p>	<p>Update the guidance on the supporting information required from recruitment agencies submitting invoices for payment.</p> <p>Management spot checks to be carried out on a small sample of claims for compliance against this.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: July 2016</p>
Audit: Creditors					
Assurance: Significant					
Summary: A full system audit of the Creditors system.					
1	Medium	<p><u>Budgetary control</u></p> <p>A sample of 30 paid invoices were selected and vouched to purchase orders.</p> <p>Testing identified that in 6 cases out of the 30 (20%) the orders has been raised after the invoice had been received.</p>	<p>Financial loss as there is the potential for budgets to be overspent if goods ordered have not been committed on the finance system against the appropriate budget.</p>	<p>The Creditors Payments Team to continue to return invoices to suppliers that do not state a purchase order number on them.</p> <p>If there are allowable exceptions to</p>	<p>Responsible Manager: Financial Services Manager</p> <p>The team are currently undergoing a complete review of the system to include an assessment of the functionality of the system. This may</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				<p>the rules these need to be formally agreed and placed on the Orb.</p> <p>Services to be reminded of the importance of raising orders prior to the ordering of goods/services and the Creditors Payments Team to work with those services that continue to not conform on a one to one basis. This will mitigate the risk of any likelihood of budgets being exceeded.</p>	<p>result in changes to the recommendations which will be discussed with internal audit.</p> <p>Implementation date: July 2016</p>
2	Medium	<p><u>Goods receipting</u></p> <p>The Efin system does not allow the invoice to be paid unless it has been matched to the order and the goods have been receipted.</p> <p>A sample of 30 paid invoices found that in 11 transactions the Goods Received Note was dated later than the invoice date. In 5 of these transactions the result was late payment of the invoice.</p>	<p>Loss of efficiency savings if resources are being used in one area that could be adding value in another.</p>	<p>To investigate the parameters of the system to see if non -receipting of goods via the Goods Received Note workflow emails could be escalated to another officer if no action is taken within a set timeframe.</p>	<p>Responsible Manager: Payments Officer / Financial Services Manager</p> <p>The team are currently undergoing a complete review of the system to include an assessment of the functionality of the system. This may result in changes to the recommendations which will be discussed with internal audit.</p> <p>Implementation date: July 2016</p>
Audit: Debtors					
Assurance: Significant					
Summary: A full system audit of the Debtors system.					
1	Medium	<p><u>Credit Notes</u></p> <p>Testing of 10 credit notes found that 9 of the credit notes reviewed did not have an accompanying credit note request form or email to support and justify why a credit note was requested.</p>	<p>Potential financial loss if credit notes are raised to write off a valid debt, and, the potential to understate the true debt figure.</p>	<p>If possible within the system parameters the Credit Note request to be attached to the relevant Debtors file on the system.</p> <p>As a minimum the request to be retained in a manual or electronic file</p>	<p>Responsible Manager: Income Team Leader</p> <p>Implementation date: Procedure to be agreed and relevant staff</p>

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				<p>to ensure that a full audit trail is maintained.</p> <p>Access rights in relation to the raising of credit notes to be reviewed to ensure that they are appropriate.</p> <p>Consistent procedures to be applied by all those with access to raise credit notes.</p>	training on process by 31.7.16
Audit: Council Tax					
Assurance: Significant					
Summary: A full system audit of the Council Tax system.					
1	Medium	<p><u>Discounts Exemptions & Relief</u></p> <p>There is currently no formal timetable in place for the review of reliefs, exemptions and discounts on Council Tax accounts. This is currently under development as a task for the newly established Compliance team within the Revenues Service and is likely to be implemented in 2016/17</p>	Failure to properly monitor reductions to Council Tax requirement, resulting in cash flow implications to local government bodies, and reputational damage.	To implement a program of review, to ensure all types of discount/exemption are periodically checked to confirm entitlement.	<p>Management Response: Timetable for reviews of discounts and exemptions to be set in place ensuring all discounts, exemptions are taken through review over recommended periods.</p> <p>Reviews will consist of postal, e-reviews, desktop verification of entitlement and visit to property as appropriate.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date: June 2016</p>
2	Medium	<p><u>Recovery of Arrears</u></p> <p>From a ransom sample of 30 accounts with outstanding arrears, 5 did not have sufficient information which identified what actions if any had been taken to recover the arrears.</p>	Failure to recover monies due in a correct and timely manner, potentially resulting in financial loss, incorrect financial statements, and reputational damage.	<p>Recovery actions taken to be formally documented in full on the system notes.</p> <p>The recovery process to be reviewed to ensure that suitable actions are</p>	<p>Management Response: Agreed. Staff to be reminded to record all actions taken.</p> <p>Implementation of quality check module for revenues allows targeted review of actions</p>

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		In addition, 1 account showed information which identified actions to be taken which had not been completed at the time of the audit work.		being taken on all accounts with outstanding arrears, including the write-off of debts where the individuals cannot be traced or monies reasonably recovered and all avenues of enquiry have been tried. Justification of action taken to be clearly recorded against the account.	taken and errors or absence of sufficient information is referred back to team for correction. Responsible Manager: Revenues Service Manager Implementation date: June 2016
3	Medium	<u>New Properties</u> The process for ensuring all new developments are notified to the Valuation Office in a timely manner and updated on the Revenues system for Council Tax is not documented. There is also no formal process in place for requesting information from private firms responsible for monitoring new developments, to confirm completion of new properties and to ensure these newly completed properties have been recognised on the Revenues systems for timely and accurate charging. At present, periodic confirmation is only received by the North Worcestershire Building Control team.	Delayed information exchange resulting in cash flow delays brought about by untimely billing and back billing potentially leading to reputation damage.	The procedure for updating and reviewing new housing developments to be documented by the Revenues Team to ensure consistent management of the process. To consider implementing a process whereby information is regularly requested from third parties regarding new property developments which are not controlled by the North Worcestershire Building Control Team.	Management Response: Agreed. To review in line with the implementation of a new joint Revenues system. New properties will be created as skeleton properties within the Civica system and monitored on rolling review. Responsible Manager: Revenues Manager Implementation date: December 2016
Audit: NNDR					
Assurance: Significant					
Summary: A full system audit of the NNDR system.					
1	Medium	<u>New Properties</u> The process for ensuring all new developments are notified to the Valuation Office in a timely manner and updated on the Revenues system for NNDR is not documented.	Delayed information exchange resulting in cash flow delays brought about by untimely billing and back billing potentially leading to	The procedure for updating and reviewing new housing developments to be documented to ensure consistent management of the process.	Management Response: Agreed. To be reviewed in line with the implementation of a joint Revenues system. New properties will be created as skeleton

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		There is also no formal process in place for requesting information from private firms responsible for monitoring new developments, to confirm completion of new properties and to ensure these newly completed properties have been recognised on the Revenues systems for timely and accurate charging. At present, periodic confirmation is only received by the North Worcestershire Building Control team.	reputation damage.	To consider implementing a process whereby information is regularly requested from third parties regarding new property developments which are not controlled by the North Worcestershire Building Control Team.	properties within the Civica system and monitored on rolling review. Responsible Manager: Revenues Services Manager Implementation date: December 2016
2	Medium	<u>Recovery</u> From a random sample of 20 accounts undergoing recovery action at the time of the audit, 9 cases do not indicate on the Civica OPENRevenues or Information@Work notes what actions are to be taken or are being taken to resolve the issues, to enable the attempt of recovering monies or to identify bad debts that will need to be written off. In addition, there is currently no formal performance review of actions taken by the bailiff company responsible for collecting the authority's debts, to ensure actions have been taken in accordance with the contract, and whether the Council has since obtained any further information that would assist a continued review by the bailiff.	Failure to manage the effective recovery of outstanding charges, resulting in financial loss to the authority and reputation damage.	Accounts undergoing recovery to be reviewed to ensure suitable action is being taken, and that all necessary changes have been made. Accounts returned from bailiffs to be formally reviewed to determine if bailiff performance has been in line with contract requirements, and whether any further action can be taken.	Management Response: Agreed. Implementation of quality check module for revenues allows targeted review of actions taken and errors or absence of sufficient information is referred back to team for correction. Responsible Manager: Revenues Services Manager Implementation date: June 2016
3	Medium	<u>Exemptions & Relief</u> There is currently no formal timetable in place for the review of reliefs and exemptions on NNDR accounts. This is currently under development as a task for	Failure to properly monitor reductions to NNDR requirement, resulting in cash flow implications to	To implement a program of review, to ensure all types of relief/ exemption are periodically checked to confirm entitlement.	Management Response: Agreed. Timetable for reviews of discounts and

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		the newly established Compliance team within the Revenues Service and is likely to be implemented in 2016/17.	local government bodies, and reputational damage.		<p>exemptions to be set in place ensuring all discounts, exemptions are taken through review over recommended periods.</p> <p>Reviews will consist of postal, e-reviews, desktop verification of entitlement and visit to property as appropriate.</p> <p>Responsible Manager: Revenues Services Manager</p> <p>Implementation date: June 2016</p>
Audit: Housing ~ Right To Buy					
Assurance: Moderate					
Summary: A full system audit of the Right to Buy system.					
1	Medium	<p><u>Issue of RTB2 (confirmation of the Right to Buy)</u></p> <p>In one instance (10% of sample) the issue of the RTB2 missed the statutory deadline by 3 days.</p>	Failure to observe legislative requirements/potential for complaint, adverse publicity and reputational damage.	<p>Understand why there was a breach of timeframe so that in future every effort is made to meet target times and identify those that are slipping before it becomes critical.</p> <p>It is also important to ensure that, for consistency purposes, where documents are received at Locality Offices, it is this date that starts the process as opposed the date the documents are received at the Town Hall.</p>	<p>Management Response:</p> <p>Officers had used the date the RTB1 (initial application) had arrived at the office rather than the date the RTB1 had been received by the Council.</p> <p>Officer's reminder that the date to use as the start of the timescales is the date the RTB1 is received by the Council regardless of where this is.</p> <p>The RTB1 is to be date stamped when received by the Housing Performance and Database Team.</p> <p>Responsible Manager:</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					Housing Performance & Database Manager Implementation date: Implemented
2	Medium	<p><u>Completion of sale</u></p> <p>One case was identified where, despite reminders being issued by the Council, the sale was completed over twelve months after the initial valuation</p> <p>In instances where sales are not completed within twelve months of valuation, the valuer is asked to confirm if there is a change to the valuation.</p> <p>In this particular case there was no record on file to confirm that this had happened.</p>	Initial valuation may not remain appropriate leading to potential financial loss to the Council	In instances such as this, evidence should be retained on file to confirm that delays have not resulted in the property valuation being adversely affected and/or a revised valuation completed.	<p>Management Response:</p> <p>Processes amended to make sure that a copy of the email sent to the valuation team is kept on the manual file.</p> <p>Responsible Manager: Housing Performance & Database Manager</p> <p>Implementation date: Implemented</p>
3	Medium	<p><u>Mortgage Rescue Scheme (Government Scheme)</u></p> <p>As part of the application process inspections were carried out to determine the level of repairs required to a property and this would be a factor in determining if the application proceeds.</p> <p>In one case, repair schedules were completed (one by the independent valuer & one by the Property Services (Capital) Team) and estimates were confirmed at £11.8k and this figure was used to claim subsidy.</p> <p>The actual repair costs totalled £20k. At this level it would have been marginal that the application would have proceeded but of more importance was the resultant loss</p>	Incorrect assessment of repair costs potentially resulting in financial loss to the council	<p>Whilst accepting that the Councils mortgage rescue scheme has no subsidy implications, it is important that repair schedules are as accurate as possible in order that:</p> <ul style="list-style-type: none"> • Scheme eligibility is correctly determined • Sound budgetary control is displayed <p>In instances where variances occur between estimated/actual repair costs then these are investigated and reasons determined.</p>	<p>Management Response:</p> <p>Sometimes a visual assessment will not identify all works that need to be carried out.</p> <p>We will work with the teams to ensure the works identified are accurately recorded and costed. Where there is a difference between work quoted and works carried out a report as to the reason for the difference will be produced.</p> <p>Responsible Manager: Housing Capital & Repairs Maintenance Operations Manager and Housing Performance & Database Manager</p>

REDDITCH BOROUGH COUNCIL

Date: 22nd September 2016

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>of circa £4k subsidy to the Council.</p> <p>A further review of two other cases again showed an appreciable variances between estimated and actual costs and this showed a loss of subsidy totalling £5k.</p>			<p>Implementation date:</p> <p>Process to be determined and reviewed during the first property returned to stock under the Council run Mortgage Rescue scheme.</p>
Audit: Main Ledger					
Assurance: Significant					
Summary: A full system audit of the main ledger system.					
1	Medium	<p><u>Corrections of miscodings</u></p> <p>Although the Council has provided information to managers to reduce the number of coding errors there is currently no monitoring to see if this has added value and that the number of errors has reduced.</p>	<p>Financial costs and lack of efficiencies if the resource invested has not resulted in a reduction of coding errors.</p>	<p>Benchmarking of coding errors pre and post the initiatives undertaken by the Finance Section to be used to evaluate if the invested resource time has resulted in future savings and has added value.</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>An ideal time to compare the number of journals processed would be August – October (after final accounts). A calculation of the number of journals in this period in 2015 will be compared with the same period in 2016 to identify any reductions in numbers of journals.</p> <p>December 2016</p>
end					

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

22nd September 2016

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 the Committee with an update of the progress following the Section 11 recommendations as reported to the Committee on 28th January 2016.

2. RECOMMENDATIONS

The Committee is asked to **NOTE** the report.

3. KEY ISSUES

Financial Implications

- 3.1 There are no specific implications to this report.

Legal Implications

- 3.2 The Council received a s11 notice (Audit Commission Act 1998) in relation to a number of recommendations relating to the financial management and accounting of the Authority. As part of the monitoring of the actions in place to address these recommendations the Committee agreed to receive updates of the progress against the actions to ensure that the Council is taking appropriate action to address the significant issues identified.

Service/Operational Implications

- 3.3 As Members are aware unqualified opinions were given for the accounts on for the financial year 2014/15.
- 3.4 There were however a number of concerns raised by Grant Thornton in relation to financial accounting and budget monitoring that require addressing for 2015/16 closedown and financial management of budgets for 2016/17.

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COMMITTEE**

22nd September 2016

- 3.5 The Council has now successfully completed all the recommendations relating to the close down of the final accounts, the 2016/17 Statement of Accounts were signed off by the statutory deadline of the 30th June, these have now been audited and these are ready for this committee to recommend to full Council.
- 3.6 There are two further recommendations relating to financial management of budgets which are ongoing and detailed in appendix 1.

Customer / Equalities and Diversity Implications

- 3.7 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 APPENDIX

Appendix 1 – S11 Action Plan

AUTHOR OF REPORT

Name: Sam Morgan Financial Services Manager
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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 6th September 2016

Recommendation	Action	Owner	Deadline
<p>3</p> <p>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.</p>	<p>Robust arrangements for budget preparation were put in place during the 2016/17 budget setting process and this work is being continued during the 2017/18 budget process.</p>	<p>Senior Business Support Accounting Technicians</p> <p>Business Support Accounting Technicians</p>	<p>complete</p> <p>complete</p>
<p>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.</p>	<p>New Financial Planning module to be implemented, giving managers more control and flexibility of their budgets.</p> <p>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.</p> <p>Compilation of Monitoring reports for Members.</p> <p>Large variances to budget to be addressed with Head of Service prior to Committee with details of cause and plans to mitigate any overspends</p>	<p>Senior Business Support Accounting Technician</p> <p>Business Support Accounting Technicians and budget-holders</p> <p>Senior Business Support Accounting Technician</p> <p>Exec Director of Finance</p>	<p>30/06/2016</p> <p>ongoing</p> <p>ongoing</p> <p>ongoing</p>

REDDITCH BOROUGH COUNCIL**AUDIT GOVERNANCE AND STANDARDS COMMITTEE 22nd September 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

For Members to consider the 6 monthly review of the Corporate Risk Register.

2. RECOMMENDATIONS

The Committee is asked to consider the 6 monthly review and make any comments.

3. KEY ISSUES**Financial Implications**

3.1 There are no financial implications in relation to the development of the register.

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.

Service / Operational Implications

3.3 As part of the improvements to monitoring of governance and risk, members of this Committee asked for a regular agenda item to enable consideration of any governance or risk issues. The Annual Governance Statement is included in the Statement of Accounts as reported earlier in the agenda to this meeting. Any recommendations from External Audit as a result of the Statement of Accounts review will be included in this report to the next meeting of the Committee. All other financial governance issues, including investments are also included in the Statement of Accounts 2015/16.

Corporate Risk Register

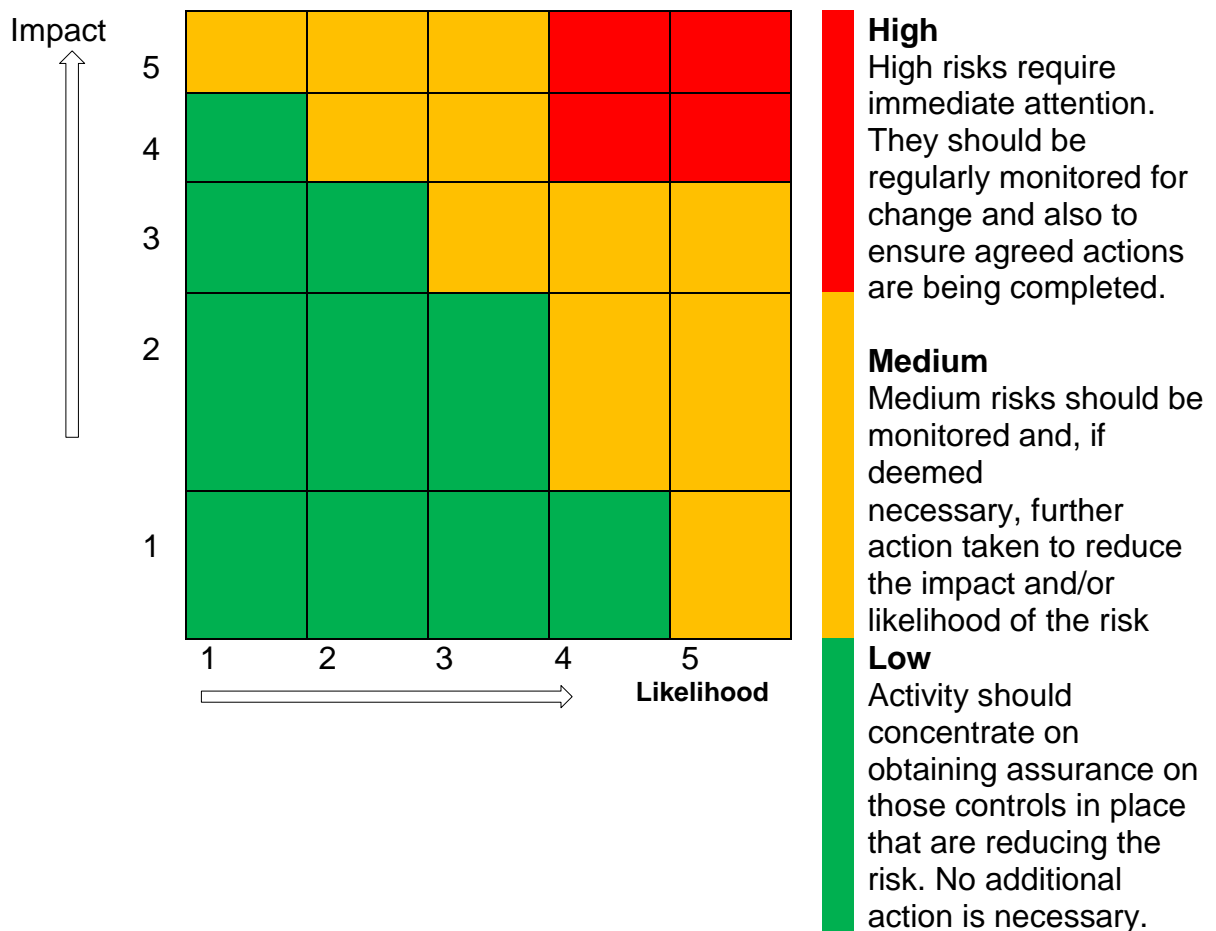
3.4 The Corporate Risk Register has been developed by the management team to address issues that are of a strategic nature and are seen as areas that have potential to impact on the delivery of the Strategic Purposes. The register was approved at the April meeting of this Committee and is attached at Appendix 1. The September updates are included against each Corporate risk and there are no issues to report in relation to actions that have not been progressed.

AUDIT GOVERNANCE AND STANDARDS COMMITTEE 22nd September 2016

3.5 For information the scoring mechanism is shown in the table below

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.

**Customer / Equalities and Diversity Implications**

3.6 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

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 – Corporate Risk Register 2016/17.

AUDIT GOVERNANCE AND STANDARDS COMMITTEE 22nd September 2016**6. BACKGROUND PAPERS**

Departmental risk registers.

AUTHOR OF REPORT

Name: Jayne Pickering

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Tel: 01527-881207

2016/17

Risk	Cause / Effect	Current Mitigations	Inherent Risk	Actions Needed	Residual Risk	Risk Owner	Update to September
Non Compliance with Health and Safety Legislation	<p>Cause:</p> <ul style="list-style-type: none"> Consequence of Council action Negligence by Council Actions beyond Council control <p>Effect:</p> <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 – 1 = 4	Deb Poole	<p><i>Continued updates to Health and Safety Committee</i></p> <p><i>Actions from Zurich Inspections to be presented to September Health and Safety Committee</i></p>
Snap / poorly informed decisions made on savings / cuts	<p>Cause:</p> <ul style="list-style-type: none"> Requirement for savings to balance budget Unanticipated cost pressures / demand on services Pressure from other partners <p>Effect:</p> <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	<p><i>Individual 'bid' forms submitted by Heads of Service for every budget pressure and saving for both revenue and capital to ensure accuracy of financial information and avoid any unexpected pressures</i></p> <p><i>Performance dashboard in place and Council Plan</i></p>

2016/17

	<p>innovation / efficiency is hindered</p> <ul style="list-style-type: none"> • Impact on organisation, staff and residents • Impact on Transformation Programme 			<p>2016/17</p> <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 			<p><i>being developed</i></p>
<p>Financial constraints (from external sources reducing funding) have a negative impact on service delivery and/or quality</p>	<p>Cause:</p> <ul style="list-style-type: none"> • Reduced budget for staffing • Reduced spend on maintenance • Service cessation <p>Effect:</p> <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 	<p>Impact – 4 Likelihood – 4 = 16</p>	<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 	<p>Impact – 4 Likelihood – 3 = 12</p>	<p>Jayne Pickering</p>	<p><i>Efficiency Plan developed to show areas where savings and growth will be made</i></p> <p><i>4 year detailed plan to be developed for 2016/17-2019/20</i></p>
<p>Partners of the Councils fail to deliver on joint-working</p>	<p>Cause:</p> <ul style="list-style-type: none"> • Sovereignty issues / fear of losing control • Pressures on partner organisation (financial or political) • Resources 	<ul style="list-style-type: none"> • Robust governance structures in place • Funding mechanisms in place and legally enforceable • Partnership Boards (LEP etc) 	<p>Impact – 4 Likelihood -4 = 16</p>	<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 • Impact of Combined Authorities 	<p>Impact – 4 Likelihood -3 = 12</p>		<p><i>Regular Executive meetings held with all public sector partners to identify areas of innovation and cross organisational working</i></p> <p><i>Weekly Combined Authority meetings held</i></p>

2016/17

	<p>available from partners</p> <ul style="list-style-type: none"> Lack of understanding / buy in <p>Effect:</p> <ul style="list-style-type: none"> Service improvement hindered Reputation affected Financial impact 						
<p>Business Continuity Plans fail to operate effectively in an incident.</p>	<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 / equipment Service delivery affected Councils' reputation harmed Financial impact 	<ul style="list-style-type: none"> Corporate Business Continuity Plan is in place Some team plans in place Work programme of training & exercising under development. 	<p>Impact -5 Likelihood – 4 =20</p>	<ul style="list-style-type: none"> All services to undertake a Business Impact Analysis (BIA) following which update service business continuity plans. Refresh Corporate Business Continuity Plan following service BIA delivery. Link Corporate Business Continuity Plan to Corporate Emergency plan. Deliver work programme of training & exercising. Risk assessments Work Programmes (testing etc) to be developed 	<p>Impact -5 Likelihood -3 = 15</p>	<p>Sue Hanley</p>	<p><i>Business Continuity Plans under development with Emergency Planning officer support. All to be completed by end September 2016.</i></p> <p><i>Training undertaken by Heads of Service</i></p>

2016/17

IT systems and infrastructure has a major failure	<p>Cause:</p> <ul style="list-style-type: none"> • Systems bugs / errors • Failure in power supply • Storage of data/servers affected <p>Effect:</p> <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	<i>IT Business continuity plan under review to be completed by end September 2016</i>
Lack of robust financial accounting and monitoring arrangements	<p>Cause:</p> <ul style="list-style-type: none"> • Systems failures • Inexperienced staff • Lack of capacity / resources • Changes in legislation not addressed <p>Effect:</p> <ul style="list-style-type: none"> • Inaccurate accounts • Reputation harmed • Financial Decisions being made on inaccurate 	<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 – 2 = 6	Jayne Pickering	<p><i>Statement of Accounts submitted within statutory deadline</i></p> <p><i>Improvements made to format and working papers</i></p> <p><i>Financial Regulations under review to be presented by December 2016 to members</i></p>

2016/17

	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	Liz Tompkin	<p><i>Robust monitoring and inspection regime in place to ensure adherence with policy and legislation</i></p> <p><i>Regular updates to management</i></p>

REDDITCH BOROUGH COUNCIL**AUDIT GOVERNANCE AND STANDARDS COMMITTEE****22nd September 2016****APRIL – JUNE FINANCIAL SAVINGS MONITORING REPORT 2016/17**

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

1. SUMMARY OF PROPOSALS

To report to the Committee the monitoring of the savings for 2016/17. This report includes the delivery of savings and additional income for the period April 2016 – June 2016.

2. RECOMMENDATIONS

That the Committee note the final financial position for savings as presented in the report for the period April 2016 – June 2016.

3. KEY ISSUES

- 3.1 This report provides a statement to show the savings for April 2016 – June 2016 for each strategic purpose and the delivery of the saving for the financial year. This report is separate to the main financial monitoring report that is presented to Executive as it focuses on the delivery of savings rather than the overall financial position of the Council. For 2016/17 this report also presents other savings and additional income that have been generated across the Council.
- 3.2 The External Auditors, 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 set. This monitoring is recommended to be undertaken by this Committee and the statement attached at Appendix 1 details the savings to be achieved and the current financial position of each area.
- 3.3 As members may be aware during the budget process, heads of service propose savings that are to be delivered during future financial years. The budget allocation is then reduced to reflect the proposed saving and officers meet on a monthly basis to ensure that all estimated reductions to budget are being delivered.
- 3.4 Appendix 1 shows that for April 2016 – June 2016 savings to budgets have been delivered. In addition further savings / additional income are shown that were not included in the original budget projections.

3.5 Legal Implications

None as a direct result of this report.

3.6 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
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SAVINGS & ADDITIONAL INCOME - 2016/17

Department	Strategic Purpose	2016-17 £'000	Comments
Leisure and Cultural Services , Hewell Road	Provide Good things to see, do and visit	-5	Rates no longer chargeable as building demolished.
Leisure and Cultural Services , Hewell Road	Provide Good things to see, do and visit	-11	Vacant post released
Leisure and Cultural Services , Hewell Road	Provide Good things to see, do and visit	-44	Following full review of all budgets a number of savings can be released
Environmental Services	Keep my place safe & looking good	-24	Various savings in Supplies & Services due to the restructure of the Service
Environmental Services	Keep my place safe & looking good	-139	Savings generated from Service Review in addition to £190k savings identified in 15/16 budget round for 16/17 onwards as a result of the service review.
Environmental Services	Keep my place safe & looking good	-52	Additional income generated from price 8% annual increase on cremation fees
Environmental Services	Keep my place safe & looking good	-125	Anticipated growth in funeral numbers based on actual income achieved over budget in last few years
Corporate - Printing	Enabling	-46	Change to the way print contracts are managed
Community Services	Help me live my life independantly	-53	Following full review of all budgets a number of savings can be released
Business Transformation	Enabling	-6	Following full review of all budgets a number of savings can be released
Business Transformation	Enabling	-38	Following full review of all budgets a number of savings can be released
Business Transformation	Enabling	-5	Following full review of all budgets a number of savings can be released
Legal, Equality and Democratic Services - Elections	Enabling	-35	Due to the local election being combined with the PCC in 16/17 there will be lower costs. In 17/18 there are no Local Elections, only County Council
Legal, Equality and Democratic Services	Enabling	-16	Vacant posts in Democratic Services
Legal, Equality and Democratic Services	Enabling	-13	Following full review of all budgets a number of savings can be released
Customer Access and Financial Support	Help me be financially independed	-17	Reduction in Hours within Customer Services
Finance & Resources	Enabling	-3	Reduction in costs associated with the apprentice post
Various	All	-80	Following a review of the costs between the General Fund and HRA additional charges can be made to the HRA
TOTAL		-712	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 22ND SEPTEMBER JULY 2016 MEETING

Ref	Action/Issue	Origin	Lead Officer(s)/ Member(s)	Priority/ timescale	Officer Response/Action Status
1	<p>Statement of Accounts 2014/15 Inventories Request for further details in relation to £27k Inventories.</p>	Minute No's: 32 of 28.01.16 62 of 21.04.16 12 of 07.07.16	Jayne Pickering Sam Morgan Dave Jones	22.09.16 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 liaised with him in this regard. Mr Jones met with Officers on 29.04.16 and will provide an update for Committee at 22.09.16 meeting.
2	<p>Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19</p> <p>Liquidity risk Re: paragraph 3.3 of report – request for Committee to be provided with both cash flow forecast and cash flow output.</p>	Minute No's: 39 of 28.01.16 62 of 21.04.16 12 of 07.07.16	Jayne Pickering Sam Morgan Dave Jones	22.09.16 meeting	Officers provided details for cash flow position as at 31.03.16 at the 21.04.16 meeting. Mr Jones stated that details of both cash flow forecast and cash flow output, as detailed in the Action List, had been requested, which Officers agreed to provide. Update to be provided at 22.09.16 meeting.
3	<p>Debt Recovery Update – Quarters 1 and 3 2015/16</p> <p>Write-offs Request for levels of debts written off for 2014/15</p>	Minute No's: 43 of 28.01.16 62 of 21.04.16 12 of 07.07.16	Jayne Pickering Mandy Singleton Dave Jones	22.09.16 meeting	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. At the 21.04.16 meeting Mr Jones requested some context to the figures provided. Jayne Pickering agreed to email Mr Jones in this regard. Update to be provided at 22.09.16 meeting.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 22ND SEPTEMBER JULY 2016 MEETING

4	<p>Internal Audit – Progress Report</p> <p>Key Performance Indicators (KPIs) / Measures Dashboard</p> <p>Issue raised on reporting of different KPIs in regard to the audit plan/service delivery, which it was felt could be presented in a dashboard.</p>	<p>Minute No's: 56 of 21.04.16 12 of 07.07.16</p>	<p>Jayne Pickering Andy Bromage Dave Jones</p>	<p>22.09.16 meeting</p>	<p>The S151 officer and Internal Audit Manager have arranged a meeting with Dave Jones, Independent Member, to address the issues raised.</p>
5	<p>Action Plan to be included in the Annual Governance Statement.</p> <p>The Annual Governance Statement as presented to the meeting did not include the S11 Action Plan and Members requested that this was included for the final version.</p> <p>In addition an Action Plan to be included in the Corporate Governance and Risk Report for future meetings, to include all External and Internal Audit Recommendations.</p>	<p>Minute No's: 10 & 11 of 07.07.16</p>	<p>Jayne Pickering Sam Morgan</p>	<p>22.09.16 meeting</p>	<p>As agreed with Grant Thornton the final version of the Annual Governance Statement included the S11 Action Plan.</p> <p>Following the final Audit Findings report (as presented to the September meeting) the Action plan to include all recommendations be included in the Corporate Governance and Risk Report for future meetings.</p>

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

22nd September 2016

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

Copies of the unaudited financial statements and the Annual Governance Statement are sent to all members of the Committee at the same time these are issued to the External Auditors at the end of June. An Officer briefing on the statement of accounts is held for all members of the Committee in early/mid September each year, prior to the Committee's formal consideration of the audited financial statements in late September. 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.

2nd February 2017 meeting**Standards**

- Monitoring Officer's Report

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 (note: first of new style report – Committee to determine frequency of future reports)
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2017/18

Monitoring

- S11 Action Plan Monitoring (if still applicable)
- Corporate Governance and Risk (to include: Governance and Accounts Action Plan (for any accounts and/or governance issues raised by the auditors) and Annual Governance Statement – to each meeting, plus any required Treasury Management monitoring updates)
- Financial Savings Monitoring Report (subject to timings and to include any relevant Quarterly Budget Monitoring commentary from Portfolio Holder)
- Committee Action List and Work Programme

27th April 2017 meeting**Standards**

- Monitoring Officer's Report

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**22nd September 2016

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 – Final Audit Plan 2017/18

Monitoring

- S11 Action Plan Monitoring (if still applicable)
- Corporate Governance and Risk (to include: Governance and Accounts Action Plan (for any accounts and/or governance issues raised by the auditors) and Annual Governance Statement – to each meeting, annual Corporate Risk Register report to April meeting and any required Treasury Management monitoring updates)
- Benefits Investigations Annual Report
- Financial Savings Monitoring Report (subject to timings and to include any relevant Quarterly Budget Monitoring commentary from Portfolio Holder)
- 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

July 2017 meeting (date not yet set)**Standards**

- Monitoring Officer's Report (including memberships of Hearing Sub-Committees if Committee membership changes)

Governance

- External Audit – Update Report (including oral update on Value for Money Conclusion)
- Internal Audit – Annual Report 2016/17 (including review of effectiveness of Internal Audit – no separate Progress Report to this meeting)

Monitoring

- Re-appointment of Lead Risk and/or Fraud Members on the Committee – if required)
- S11 Action Plan Monitoring (if still applicable)
- Corporate Governance and Risk (to include: Governance and Accounts Action Plan (for any accounts and/or governance issues raised by the

**AUDIT, GOVERNANCE AND
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auditors) and Annual Governance Statement – to each meeting, plus any required Treasury Management monitoring updates)

- Financial Savings Monitoring Report (subject to timings and to include any relevant Quarterly Budget Monitoring commentary from Portfolio Holder)
- Committee Action List and Work Programme

September 2017 meeting (date not yet set)**Standards**

- Monitoring Officer's Report

Governance

- External Audit – Audit Findings Report 2016/17 (note: external auditors don't usually provide general update report at this meeting)
- Audited Statement of Accounts 2015/16 (including final Annual Governance Statement)
- Internal Audit – Progress Report

Monitoring

- S11 Action Plan Monitoring (if still applicable)
- Corporate Governance and Risk (to include: Governance and Accounts Action Plan (for any accounts and/or governance issues raised by the auditors) and Annual Governance Statement – to each meeting, Corporate Risk Register 6-month update report to September meeting and any required Treasury Management monitoring updates)
- Financial Savings Monitoring Report (subject to timings and to include any relevant Quarterly Budget Monitoring commentary from Portfolio Holder)
- Committee Action List and Work Programme

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)

July 2018 meeting

- General Dispensations Report (to first meeting of the Committee following the 2018 local elections – note: there are no local elections taking place in 2017)

