



Audit, Governance & Standards Committee

Thu 1 Feb
2018
7.00 pm

Committee Room Two
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

*making
a
difference*

www.redditchbc.gov.uk

**If you have any queries on this Agenda please contact
Jess Bayley**

**Town Hall, Walter Stranz Square, Redditch, B98 8AH
Tel: (01527) 64252 ext 3268**

e.mail: jess.bayley@bromsgroveandredditch.gov.uk

Audit, Governance & Standards

Thursday, 1st February, 2018

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

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

1. Apologies and named Substitutes

2. Declarations of Interest

To invite Councillors to declare any Disclosable Pecuniary Interests and/or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. Minutes (Pages 1 - 8)

4. Monitoring Officer's Report - Standards Regime (Pages 9 - 12)

5. Independent Member Appointment - Verbal Report

(Members are asked to note that under minute 73 of the minutes of the meeting of the Committee held on 21st September 2017 it was agreed that Mr Dave Jones should continue as the Committee's Lead Risk Member for a further 12 months. This is contingent on Mr Jones being reappointed as the Committee's independent Member during that period).

6. External Audit Plan (Pages 13 - 34)

7. External Audit - Annual Audit Letter 2016-17 (Pages 35 - 50)

8. Internal Audit Progress Report (Pages 51 - 84)

9. Internal Audit - Draft Audit Plan (Pages 85 - 98)

10. Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2018/19

Report to follow

Audit, Governance & Standards

Thursday, 1st February, 2018

- 11.** Corporate Governance and Risk Update (including S11 Action Plan Monitoring)
(Pages 99 - 112)
- 12.** Financial Savings Monitoring Report (Pages 113 - 116)
- 13.** Committee Action List and Work Programme (Pages 117 - 120)

This page is intentionally left blank



Audit, Governance & Standards Committee

Thursday, 21 September
2017

MINUTES

Present:

Councillor Jane Potter (Chair) and Councillors Natalie Brookes, Michael Chalk, Mark Shurmer, Yvonne Smith and Pat Witherspoon

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

Also Present:

Neil Preece – Grant Thornton (External Auditors)

Mary Wren – Grant Thornton (External Auditors)

Officers:

Andy Bromage, Ray Cooke, Claire Felton, Paul Field, John Godwin, Jayne Pickering, Deb Poole, Paul Stephenson and Judith Willis

Democratic Services Officer:

Debbie Parker-Jones

66. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Tom Baker-Price and Andrew Fry, and Feckenham Parish Councillors Alan Smith and Slade Arthur.

Whilst not a member of the Committee, Officers also tendered apologies on behalf of Councillor John Fisher, Portfolio Holder for Corporate Management.

67. DECLARATIONS OF INTEREST

There were no declarations of interest.

68. MINUTES OF THE MEETING HELD ON 6TH JULY 2017

The minutes of the meeting of the Audit, Governance and Standards Committee held on 6th July 2017 were submitted.

.....
Chair

Audit, Governance & Standards

Committee

Thursday, 21 September 2017

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 6th July 2017 be confirmed as a correct record and signed by the Chair.

69. MONITORING OFFICER'S REPORT - STANDARDS REGIME

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

Officers confirmed that no new complaints had been received since the last meeting of the Committee. The two ongoing Member to Member complaints had been resolved locally in agreement with the political group leaders. Officers stated that there had been very positive input from the Members involved, and that social media training would be provided for Members as a result of the complaints.

As previously advised, Officers confirmed that Members should speak with their group leader regarding any requests for training, which would then be considered by the Member Development Steering Group.

RESOLVED that

the report of the Monitoring Officer be noted.

70. AUDITED STATEMENT OF ACCOUNTS 2016/17

The Committee was asked to approve (it having the power to so approve and not necessitating a recommendation to Council as stated in the report) the Council's Statement of Accounts for 2016/17.

The Chair referred to the Statement of Accounts Briefing which Officers had conducted for Members the previous week, which it was noted should have answered most questions that Members might have on the accounts. Members stated that the Briefing had been very helpful and informative and thanked Officers for this.

Officers provided an overview of the key statements. No changes had been made to the General Fund, which Officers were very pleased about, and there was a positive picture in relation to reserves and funds overall. Officers explained the positions with the Movement in Reserves Statement, Housing Revenue Account

Audit, Governance & Standards

Committee

Thursday, 21 September 2017

and Capital Receipts. There was a significant profit on the Council's expenditure as the housing stock valuation had increased during the year. Officers also explained the Council's long term liability on the pension deficit, which had increased by £8m in a year, for which Members were advised there was a 19 year plan to reduce this to zero.

RESOLVED that

the 2016/17 Statement of Accounts be approved.

71. INTERNAL AUDIT PROGRESS REPORT

The Committee received the Internal Audit progress report which presented Members with progress on Internal Audit work for 2017/18. The Worcestershire Internal Audit Shared Services (WIASS) Manager presented the report and responded to Members' questions.

Members noted that all of the audit reports issued/completed since the previous update report had resulted in assurance levels of moderate or above. A number of other audits were currently ongoing, the assurance levels for which would be reported on at the next meeting. There were a number of medium priority recommendations arising from the 2017/18 audits, for which details of the Management Responses and agreed Action Plans were set out in the report. There were no high recommendations arising.

Following concerns previously raised by the Committee in relation to the lengthy/ongoing planned follows ups for the CCTV, Consultancy and Agency and Allotments audits, the relevant Heads of Service were in attendance and advised Members on the respective positions with these.

Officers explained the CCTV access rights issue and the required Team Leader authorisation which led to delays in the production of some data files. Members were advised that the issue could not be resolved at present, and that to mitigate any risk all staff within the department had received data protection training. Officers stated that they could look at the staffing issue as part of the Council's commercialisation and income generation agenda. In light of the cost implications associated with available software to address the issue, Officers agreed to speak with the internal auditors to see whether any paper copy alternatives could be introduced, bearing in mind any associated risk factors. Officers agreed to report back on the position with this at the next meeting.

Audit, Governance & Standards

Committee

Thursday, 21 September 2017

Regarding Consultancy and Agency, Members were provided with an update on the ongoing review of the current Matrix system (used for procuring consultancy and agency staff), and the contract for this. The internal review included involvement from Human Resources, Finance and Procurement Officers. The existing contract with Matrix was due to expire in December 2017. The option of extending the contract for a further six months in order to conclude the internal review and allow time to undertake any procurement exercise that might be required was being looked into. Whilst the review was ongoing it was recognised that the Matrix contract was in place and working, and that as such that any risk to the authority was low.

In relation to Allotments, Officers advised that the majority of the required actions had now been completed. The only outstanding area related to a change in water charges, with the Council aiming to fully cover its water costs and which it was hoped would be concluded within the next couple of months.

Officers advised that any significant delays in agreed follow up actions would, in future, be taken to the Senior Management Team to ensure that actions were being carried out as soon as possible, or that where other factors impacted on this the position be reviewed as early as possible to agree any alternative course of action that might be needed. The WIASS Manager confirmed that Internal Audit appreciated that the position in relation to recommendations and agreed actions could change following audits, and in between planned follow ups. This meant that some recommendations could become surplus to requirements, or that adjustments to agreed actions might be needed. In such circumstances if Officers and Internal Audit could come up with solutions then they would do so. Mr Jones stated that such control processes should be in place, and that any planned follow ups that could be avoided should be.

The Chair thanked Officers for attending and stated that she hoped the Committee's frustrations with ongoing follow ups were understood, and requested that Officers aim to complete outstanding actions as promptly as circumstances would allow.

RESOLVED that

the report and updates provided by Officers be noted.

Audit, Governance & Standards

Committee

Thursday, 21 September 2017

72. COMPLIANCE TEAM UPDATE

Members received an update report on the work of the Compliance Team following the transfer of benefits fraud to the Department for Work and Pensions ('DWP') Single Fraud Investigation Service in February 2016. This was the second such report to Committee, the first having been considered by Members in February 2017.

Officers presented the report and responded to Members' questions in this regard.

The additional 10% income which was being awarded to the Council by the County Council (the other major preceptor), as a result of the proactive work being undertaken by Officers in relation to Housing Benefit and Council Tax Support, was noted. Members also noted the higher than anticipated Business Rates figure of £500k and the 3-month backlog at the Valuation Office, further details of which Officers would report on in the next report.

Officers referred to a request from Members in February regarding whether it was possible for details of actual monies recovered and agreed repayment timescales to be included in future reports. Officers advised that they had looked into this and that it was difficult to provide such information. It was noted that the Council Tax collection rate for 2016/17 stood at 96%. As recoveries were dealt with by the Revenues and Benefits Team as a whole it was not possible to say what proportion of the recoveries were directly attributable to the Compliance Team.

The DWP's remit over investigations, together with the Council's role in providing relevant information to the DWP and HM Revenue and Customs, was noted. The rollout of Universal Credit in the town at the end of October was also noted and the work being undertaken by Officers in preparation for this.

RESOLVED that

the report be noted.

73. RE-APPOINTMENT OF LEAD RISK AND FRAUD MEMBERS ON THE COMMITTEE

The Committee were asked to consider the re-appointment of the Lead Risk and Fraud Members on the Committee for the year ahead.

Audit, Governance & Standards

Committee

Thursday, 21 September 2017

Members were first asked to consider whether they wished to re-appoint to the roles, which they agreed they did.

In light of the item listed later in the agenda under the Committee's Work Programme to review the Independent Member appointment in 2018, and as Mr Jones – the current Independent Member – was also the Committee's Lead Risk Member, Mr Jones was asked whether he anticipated wishing to remain on the Committee for a second term of office. Mr Jones responded that provided the Committee and the matters which it considered continued to move forward in a progressive manner, then he would be happy to continue. It was therefore agreed that Mr Jones be re-appointed as the Lead Risk Member on the Committee.

Regarding the Lead Fraud Member appointment, and in Councillor Thain's (the current post holder's) absence, it was agreed that Officers would ask Councillor Thain outside of the meeting whether he would be willing to continue in this role.

RESOLVED that

- 1) Mr Dave Jones continue as the Committee's Lead Risk Member for a further 12 months; and**
- 2) Councillor David Thain be asked if he was willing to continue as the Committee's Lead Fraud Member.**

74. SECTION 11 UPDATE

It was noted that this report should not have been included on the agenda on this occasion.

75. RISK MANAGEMENT STRATEGY

Members were asked to consider the draft Risk Management Strategy ('the Strategy').

Officers explained the background to the Strategy and accompanying Risk Management Handbook for Managers. If approved by the Committee the Strategy and supporting Handbook would ensure that there was a robust framework in place for the identification and management of risks, which would be fed through the Corporate Management Team to fourth tier managers.

Mr Jones, Lead Risk Member on the Committee, fully endorsed the Strategy, which he stated appeared to be very compliant focussed. He asked how management would ensure the aims of the Strategy

Audit, Governance & Standards

Committee

Thursday, 21 September 2017

were being achieved. Officers responded that the Risk Management Group would monitor this and would look at risk registers within the Council. Officers added that Mr Jones was welcome to attend the Risk Management Group's quarterly meetings, which Mr Jones stated he wished to do.

Members requested a copy of the Handbook, which Officers agreed to provide.

RESOLVED that

the Risk Management Strategy be approved.

76. COMMITTEE ACTION LIST AND WORK PROGRAMME

Action List

Ref 1 – Statement of Accounts 2014/15: Inventories

Mr Jones provided an update on a meeting which he had had with the Stores Team regarding inventories.

He spoke on a number of key points and processes arising from the meeting which included: inventory levels (which had increased to £40k in the current year); purchases; controls; change management process; the high number of vehicles which were static and which not moved during his visit; and slow moving/obsolete stock.

Mr Jones queried whether, in light of the above, some sort of feasibility study should be undertaken into this area, to ensure that this was being operated in the best manner. It was queried whether this might be something for Overview and Scrutiny (O&S) to look at. Officers responded that they were conscious this was quite a specialist area and that this might not be appropriate for O&S. It was further noted that some elements also linked with Housing and Environmental Services. Members agreed that there were a large number of issues to be looked into and requested that the Head of Environmental Services be asked to prepare a briefing note for the Committee members on this, with a full report on the Stores position to follow at the next meeting of the Committee on 1st February 2017.

Action: Guy Revans to draft Briefing Note for Members and to take full Stores report to 1st February 2018 meeting.

Audit, Governance & Standards

Committee

Thursday, 21 September 2017

Ref 2 – Debt Recovery Update – Quarters 1 and 2 2015/16: Measures Dashboard

Officers advised that debt recovery information was now being included in the Quarterly Finance Monitoring reports to Executive Committee.

Action: Item to be removed from Action List.

Ref 3 – Compliance Team Update: Monies Recovered and Repayment Timescales

It was noted that Officers had confirmed the position with this earlier in the meeting, as part of the latest Compliance Team Update report (Minute No. 73 above refers).

Action: Item to be removed from Action List.

Ref 4 – Treasury Management Strategy Statement and Investment Strategy 2017/18 to 2019/20: Yield Benchmark Data

It was noted that this action was due for completion in February 2018.

Action: Item to remain on Action List for February 2018 meeting.

Work Programme

The Work Programme was noted.

RESOLVED that

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

The Meeting commenced at 7.00 pm
and closed at 9.12 pm

.....
Chair

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

1st February 2018

MONITORING OFFICER'S REPORT – STANDARDS REGIME

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

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Governance and Standards Committee since the last meeting of the Committee on 21st September 2017.
- 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 standards issues raised by the Feckenham Parish Council Representative(s), will be reported by the Monitoring Officer (MO) 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

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**1st February 2018

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 Implications**Member Complaints**

- 3.3 No new complaints have been received since the last meeting of the Committee and no complaints are currently ongoing.

Member Training

- 3.4 Further to the Member complaint information reported at the last meeting, Members have been receiving Social Media training at group meetings.
- 3.5 The Labour group received Data Protection training in January, with training for this booked for the Conservative group later in February.
- 3.6 Training is taking place for political groups in order to capture as many Members as possible as the sessions have been held on the same evenings as group meetings. Equivalent training is also being offered to the non-aligned councillor.

Customer / Equalities and Diversity Implications

- 3.7 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

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

1st February 2018

6. **BACKGROUND PAPERS**

Chapter 7 of the Localism Act 2011.
Confidential complaint papers (where applicable).

AUTHOR OF REPORT

Name: Debbie Parker-Jones

Email: d.parkerjones@bromsgroveandredditch.gov.uk

Tel: 01527 881411

This page is intentionally left blank

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS COMMITTEE 1st FEBRUARY 2018****GRANT THORNTON AUDIT PLAN 2017/18**

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

1. SUMMARY OF PROPOSALS

- 1.1 To present to members the Grant Thornton Audit Plan 2017/18. A copy of this document is attached to this report as Appendix A..

2. RECOMMENDATIONS

- 2.1 **Members are asked to note and agree the 2017/18 Audit Opinion Plan**

3. KEY ISSUES**Financial Implications**

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £58k.

Legal Implications

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

Service / Operational Implications

- 3.3 Attached at Appendix A is the 2017/18 Audit Plan . The Plan sets out work that the Grant Thornton propose to undertake in relation to the Audit of the financial accounts for 2017/18 and any risks that have will require additional review and consideration.
- 3.4 The Audit will include an understanding of the organisational operations together with issues that may impact on the Council in the future. This assessment results in the External Audit consideration of the risks associated with the accounts and the Appendix details the level of risk allocated to the services we provide.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS COMMITTEE 1st FEBRUARY 2018**

- 3.5 The work by the Grant Thornton will enable a robust opinion to be made across all the internal control and accounting arrangements that the Council has in place.
- 3.6 The Auditors will also make an assessment of the Councils arrangements to secure value for money to include systems and processes to manage financial risks and improving efficiency. This will include an assessment of the recommendations in relation to the reporting of financial information and monitoring to members and the delivery of savings and additional income.

Customer / Equalities and Diversity Implications

- 3.7 None as a direct result of this report

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix A – Annual Audit Plan 2017/18

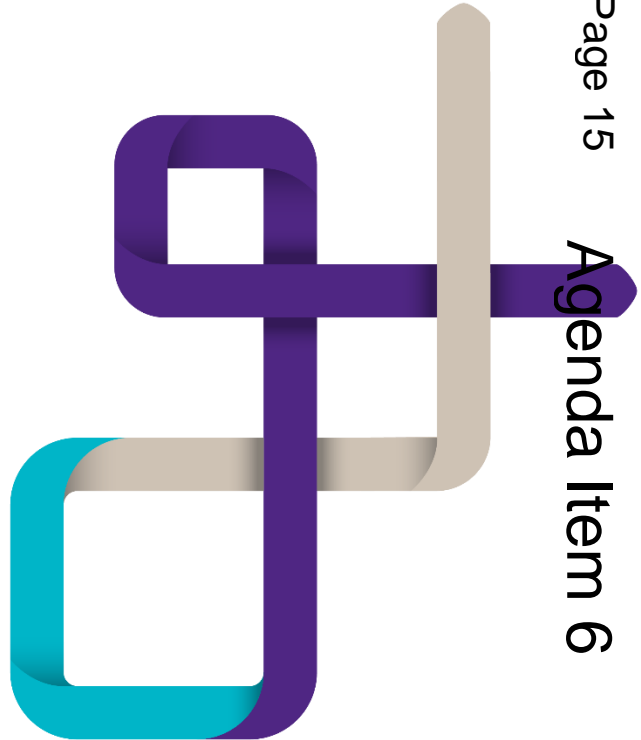
AUTHOR OF REPORT

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

External Audit Plan

Year ending 31 March 2018

Redditch Borough Council
18 January 2018



Contents



Your key Grant Thornton team members are:

Richard Percival
Engagement Lead

T: 0121 232 5434

E: richard.d.percival@uk.gt.com

Neil Preece
Manager

T: 0121 232 5292

E: neil.a.preece@uk.gt.com

Denise Mills
Audit Executive

T: 0121 232 5306

E: Denise.F.Mills@uk.gt.com

Section

1. Introduction & headlines
2. Deep business understanding
3. Significant risks identified
4. Reasonably possible risks identified
5. Other matters
6. Materiality
7. Value for Money arrangements
8. Audit logistics, team & audit fees
9. Early close
10. Independence & non-audit services

Appendices

- A. Revised ISAs
- B. Agreed Action Plan from 2016/17 Audit Findings Report

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UKLLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Page

- 3
- 4
- 5
- 7
- 8
- 9
- 10
- 11
- 12
- 13

Page 16

Agenda Item 6

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Redditch Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Redditch Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit, Governance and Standards Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit, Governance and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.
- The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.
- The valuation of the Council's property, plant and equipment.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.322m (PY £1.324m), which equates to 2% of your gross expenditure for the prior year after adjusting for the HRA revaluation. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £66k (PY £66k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- In year financial reporting to Members.
- Financial sustainability
- Procurement and contract management in the Housing Department

Audit logistics

Our interim visit will take place in February and March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £57,960 (PY: £57,960) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery		Changes to financial reporting requirements	Key challenges
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. The Council has established a Programme Board to oversee the implementation of its commercialisation strategy. Three work streams are being prioritised:</p> <ul style="list-style-type: none"> • Use of land and assets • Contracts • Income including fees and charges 	<p>Devolution</p> <p>The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas. Redditch Borough Council is a non-constituent member of the West Midlands Combined Authority (WMCA). There are challenges for the Council in determining a clear role and vision for its part in the WMCA.</p>	<p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>This new deadline will be very challenging for the Council to achieve as it has not been met in previous years. There have been some changes to the finance team, with a new Head of Service in post.</p>	<p>Financial pressures</p> <p>The 2016/17 Medium Financial Plan (MTFP) was agreed in February 2017. This shows a balanced budget each year to 2020/21, but requires the delivery of £3m of savings or additional income and £430k use of reserves. Achieving a sustainable balanced budget, while protecting service provision, continues to be a significant challenge for the Council.</p> <p>In November 2017 Cabinet agreed the planning assumptions for the 2017/18 MTFP. The report also notes that savings of nearly £230k were achieved by paying pension contributions early.</p>
	<p>Leisure Services</p> <p>The Council is reviewing its options for delivering leisure services with the aim of getting more people, more active, more often for the same investment or less.</p>	<p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>	<p>Improving financial reporting</p> <p>Our 2016/17 Audit Findings Report made seven Financial Statements and five Value for Money recommendations, with agreed responses. The Council needs to improve In Year Financial Reporting and the robustness of its Medium Term Financial Plan to move away from having a Qualified Value for Money Conclusion.</p>
		<p>Housing Revenue Account (HRA)</p> <p>DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18. This extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets, applies this principle to non-dwelling assets from 2017/18, and confirms arrangements for charging depreciation and revaluation gains to the HRA.</p>	

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, revised stock valuation guidance for the HRA, and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Redditch Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Redditch Borough Council.</p>	
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on a five year rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. Consider the competence, expertise and objectivity of any management experts used. Discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding. Test revaluations made during the year to ensure they are input correctly into the Council's asset register. Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2018.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage (20%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; Gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; Obtain the year-end payroll reconciliation and ensure the amount in the accounts can be reconciled to the ledger and through to payroll reports. Investigate significant adjusting items; and Perform substantive analytical procedures for the year.
<p>Operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage (61%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; Gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; and Test non-pay payments made in April to ensure they are charged to the appropriate year.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

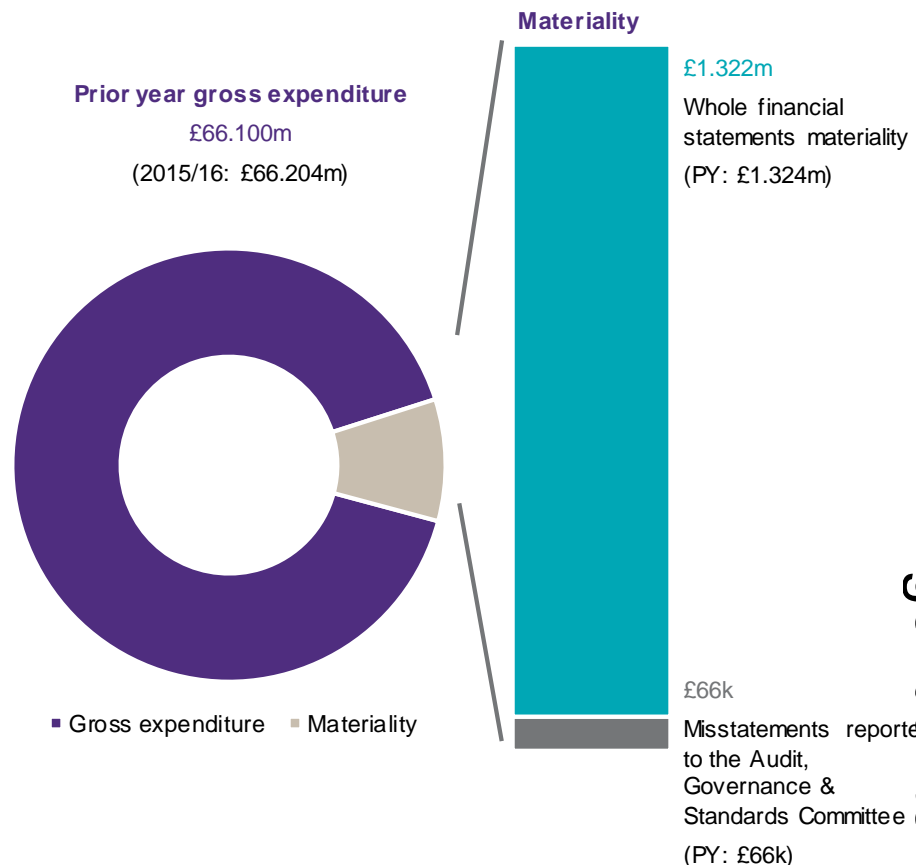
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1.322m (PY £1.324m), which equates to 2% of your 2016/17 gross expenditure after adjusting for the impact of HRA revaluation. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit, Governance & Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Governance & Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £66k (PY £66k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Governance & Standards Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

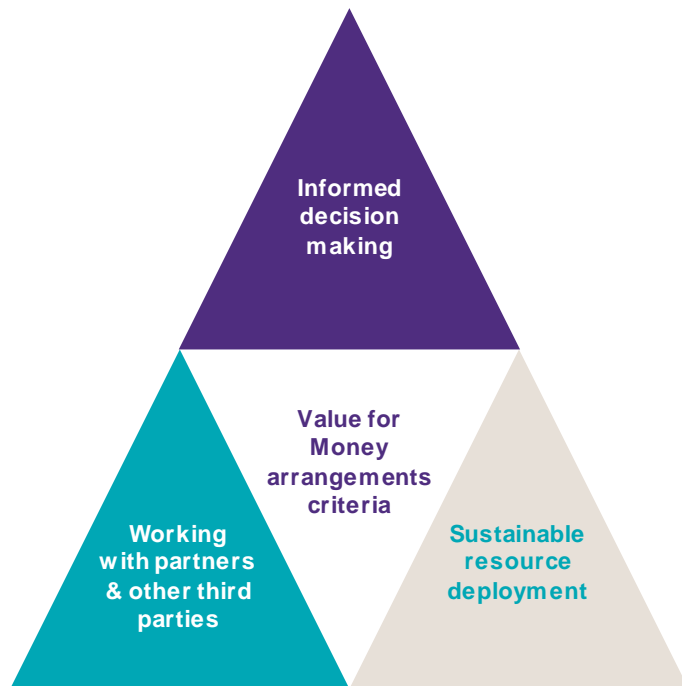
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.

In year financial reporting to Members



How informative is in year financial reporting to Members?

We have previously identified that improvement is needed in reliable and timely financial reporting that supports the delivery of strategic purposes. We will follow up recommendations from our 2016/17 Audit Findings Report to determine the progress made in addressing these issues.

Financial sustainability



How robust is the MTFs and how well developed are savings plans?

We have previously identified that improvement is needed to planning financials effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We will follow up recommendations from our 2016/17 Audit Findings Report to determine the progress made in addressing these issues.

Procurement and contract management in the housing department



There is an independent investigation into the procurement and management of housing repairs contracts.

We will monitor the investigation and the Council response to determine whether there are any implications for our VFM Conclusion.

Audit logistics, team & audit fees



Richard Percival, Engagement Lead

Richard's role will be to:

- lead our relationship with you;
- be a key contact for the Chief Executive, Director of Resources and the Audit, Governance and Standards Committee;
- ensure that Grant Thornton's full service offering is at your disposal; and
- take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Neil Preece, Audit Manager

Neil's role will be to manage the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Denise Mills, Audit Incharge

Denise's role will be to:

- be the day to day contact for Council finance staff;
- take responsibility for ensuring there is effective communication and understanding by finance team of audit requirements;
- have day to day responsibility for the running of the audit and first point of contact;
- focus on the more technical aspect of the audit and to discuss emerging national technical matters as they arise and deal with technical matters raised by the you throughout the year in a timely manner.

Audit fees

The planned audit fees are no less than £57,960 (PY: £57,960) for the financial statements audit. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

The following non-audit services were identified:

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,000 in comparison to the total fee for the audit of £57,960 and in particular relative to Grant Thornton UK LLPs turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO insights – a data analytics tool through subscription (to be confirmed).	£7,500 (estimated)	None	This fee is for one year only, and does not involve any members of the audit team.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

B. Agreed Action Plan from 2016/17 Audit Findings Report

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.

B. Action plan Financial Statements

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	<p>2017/18 financial statements production</p> <p>Officers need to develop a robust and realistic project plan to ensure that the high quality financial statements are prepared by 31 May 2018, and that officers are able to support auditors to complete the audit and provide an opinion by 31 July.</p>	Red	<p>Agreed.</p> <p>The timetable is being reviewed to bring forward the timetable (EG. Revaluations) and the Council is exploring the purchase of CIPFA's Big Red Button (BRB) to automate the financial statement.</p> <p>Final account support to be procured</p> <p>Financial Services Manager to be in place by 1/12/17</p>	<p>Review Timetable 31/10/17 – Chief Accountant</p> <p>Purchase BRB and final accounts support 31/10/17– Director of Finance</p>
2.	<p>IT Systems review</p> <p>A review of the staff assigned administrator rights should be performed on a periodic basis to ensure that administrator level access is given on a needs only basis. Least privilege should be the guiding principle when granting all system access.</p> <p>The Agresso accounts should be removed as the system has been replaced this year.</p>	Amber	<p>A review of administrator rights within active directory has been implemented.</p> <p>Date due for completion 21/7/17</p> <p>Agresso is switched off and only accessed by a formal request from Finance.</p>	<p>21/7/17 Completed</p>
3.	<p>Pension fund returns</p> <p>The Council should ensure that all necessary returns are made to the County Council on a timely basis.</p>	Red	<p>Agreed.</p> <p>This is an issue with the software. If a fix is not found by 30/9/17 a manual process will be identified.</p>	<p>Software solutions or manual fix by 30/9/17 – Business Support</p>

Assessment

- High (Red)
- Medium (Amber)

Financial Statements Action plan (continued)

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
4.	<p>Work in progress</p> <p>The Council should introduce commitment accounting to ensure that expenditure on capital projects is recognised appropriately.</p>	Red	Agreed. This is mainly housing projects but an approach across all capital projects will be introduced for 2017/18 year end to obtain works completed to 31st March 2018.	Will be part of the timetable process to be completed by 31/10/17 – Chief Accountant
5.	<p>Creditor process</p> <p>All invoices should be sent to a central location for processing, and be addressed to the Council. All invoices should be supported by a purchase order.</p>	Amber	Agreed. This is an ambition that we are implementing but it does require a disciplined approach.	31/12/17 Financial Services Manager
6.	<p>Accruals policy</p> <p>The Council should adopt and follow an appropriate accounting policy for accruals.</p>	Amber	Agreed. A new accounting policy will be introduced for 2017/18.	Will be part of the 2017/18 accounting policies reported to Audit Committee by 30/04/18 – Financial Services Manager
7.	<p>Journal authorisation</p> <p>Parameters within the ledger should be reviewed to ensure that only those individuals set up to authorize journals can complete that process.</p>	Amber	Agreed. Preference is to remove the ability to create and post a journal but need to speak to the software producer (ABS).	31/12/17 – Financial Services Manager

Assessment

- High (Red)
- Medium (Amber)

B. Action plan (continued)

Value for Money

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
8.	All savings plans are appropriately supported by a business case, all aspects of the savings are identified, it is clear when the planned savings will be delivered and what needs to happen to realise the savings.	Red	Business case framework agreed to be used for development and presentation of business cases for 2018/19. This will include detailed calculations of planned saving and the rationale for the proposal.	November 2017 Executive Director of Finance and Resources
9.	Further improvements to the overall reporting of savings is needed, including a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions.	Red	Reporting is currently under review using templates from best practice councils as identified by the auditors. This is to be used for quarter 2 to improve capturing and reporting to members.	November 2017 Executive Director of Finance and Resources
10.	Progress against the action plans supporting the delivery of the Council Plan needs to be monitored and reported on a quarterly basis to Executive.	Amber	Officers are in discussion with members as to the most appropriate mechanism for reporting. Overview and Scrutiny have requested updates on the council plan actions.	October 2017 Head of Transformation
11.	Priority is given by Executive to ensuring that the management restructure is progressed on a timely basis.	Red	Proposals to be developed by Senior Management Team to be presented to Executive in late 2017.	December 2017 Chief Executive
12.	The performance dashboard needs to be reported to Members and Officers on a regular basis.	Amber	We will be undertaking a review of the dashboard in line with changes to our thinking as the organisation continues to change and transform. We will be reporting performance to Members at both Councils in line with the Corporate Performance Strategy – this will commence in November 2017.	November 2017 Head of Transformation



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

1st February 2018

GRANT THORNTON ANNUAL AUDIT LETTER 2016/17

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	
Relevant Head of Service	Jayne Pickering
Wards Affected	All
Ward Councillor Consulted	None specific
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To present to Members the Grant Thornton Annual Audit Letter which summarises the key findings arising from the work carried out at the Council for the year ended 31 March 2017.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to NOTE the Audit Letter as included in Appendix 1.**

3. KEY ISSUES

Financial Implications

- 3.1 The Grant Thornton fee for the 2016/17 statutory audit fee is £58k.

Legal Implications

- 3.2 The statutory audit was completed in accordance with the National Audit Office Code of Audit Practice which reflects the requirements of the Local audit and Accountability Act 2014.

Service/Operational Issues

- 3.3 The Council received an unqualified opinion on the Financial Statements on 21st September 2017, within the deadline of 30th September.
- 3.4 The Audit Letter refers to an improvement in both the timeliness and quality of the draft financial statements compared with previous years. However, it identifies a need for further improvement to meet the new statutory deadline to complete the Financial Statements by 31st May 2018 (previously 30th

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

1st February 2018

June) and the audit by 31st July 2018. It also refers to the need to finalise resources within the Finance Team. This has been addressed through the appointment a new Financial Services Manager and an external arrangement with officers who have provided support over the last 2 years.

- 3.4 In terms of the value for money conclusion the letter Auditors were satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources with the exception of financial reporting and financial sustainability. Officers are continuing to work to address the issues raised.

Customer/ Equalities and Diversity

- 3.8 None as a direct result of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Grant Thornton Annual Audit Letter 2016/17

AUTHOR OF REPORT

Name: Jayne Pickering, Executive Director of Finance and Corporate Resources

Email: j.pickering@bromsgroveandredditch.gov.uk

Tel: (01527) 881207

The Annual Audit Letter for Redditch Borough Council

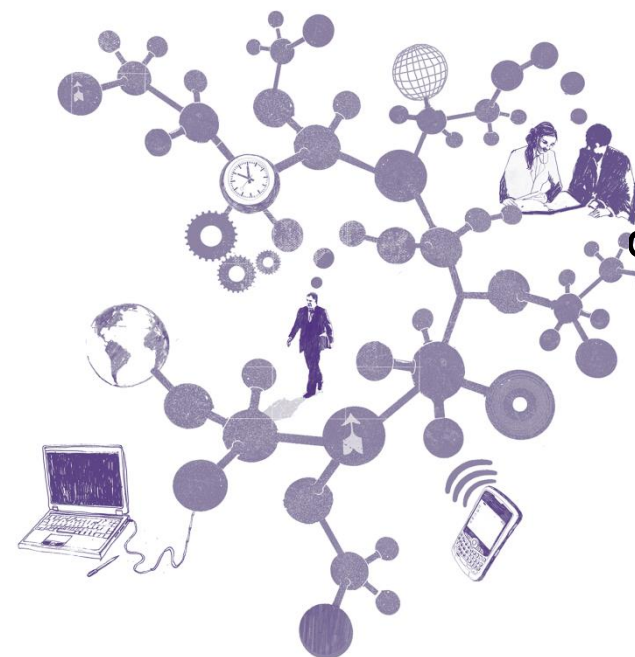
Year ended 31 March 2017

October 2017

Richard Percival
Engagement Lead
T 0121 232 5434
E richard.d.percival@uk.gt.com

Neil Preece
Manager
T 0121 232 5292
E neil.a.preece@uk.gt.com

Mary Wren
Audit Senior
T 0121 232 5254
E mary.wren@uk.gt.com



Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	5
3. Value for Money conclusion	10
Appendices	
A Reports issued and fees	13

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Redditch Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit, Governance and Standards Committee (as those charged with governance) in our Audit Findings Report on 21 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 21 September 2017.

While there was an improvement in the quality of the draft financial statements compared to previous years, further significant improvements in timeliness are needed to meet the statutory deadline of 31 May from 2018. The Council needs to finalise available resources within the finance team as there are currently gaps which puts delivery at risk.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017 except for the matters we identified and reported in our Audit Findings Report in respect of in year financial reporting and financial sustainability. We therefore qualified our value for money conclusion in our audit opinion on 21 September 2017.

Certificate

We certified that we had completed the audit of the accounts of Redditch Borough Council in accordance with the requirements of the Code on 28 September 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit, Governance and Standards Committee in our Annual Certification Letter.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Our work with you in 2016/17

An efficient audit – we delivered the accounts audit before the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work. We completed our audit work and provided you with an agreed Audit Findings Report in early September. We reported in our Audit Findings Report the challenge the Council faces in completing the audit by the end of July, which is the new deadline from 2018.

Providing training – we provided your Officers with bespoke training on Housing Benefit certification, specifically tailored to their needs. We also provided final accounts production training.

Support outside of the audit – colleagues met with your officers to discuss options and ideas for ways of delivering some services in a different way.

The Council has subscribed to our CFO Insights service. This is an online software service offering that enables users to rapidly analyse, segment and visualise all the key data relating to the financial performance of a local authority. The financial data, revenue outturn and budget data for the current year and the previous year (and in time up to 10 years), is provided by CIPFA and the socio-economic data is drawn from Place Analytics. The data is contextualised using a range of socio-economic indicators enabling the LA to understand their relative performance.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1.324 million, which is 2% of the Council's gross revenue expenditure from the previous year. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for related party transactions and disclosures of officers' remuneration, salary bandings and exit packages. We set a lower threshold of £20,000, above which we reported errors to the Audit, Governance and Standards Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Executive Director of Finance and Resources are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>CIES Disclosure Reconfiguration ("Telling the story") CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none"> documented and evaluated the process for the recording of the required financial reporting changes to the 2016/17 financial statements. reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they were in line with the Authority's internal reporting structure. reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>During the audit officers agreed to make some changes to the notes and disclosures in this area, in particular the inclusion of a Prior Period Adjustment note.</p> <p>The amendment explained the reason for the prior period adjustment but was not fully compliant with Code requirements.</p>

Audit of the accounts

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. • assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. • gained an understanding of the basis on which the valuation is carried out. • undertook procedures to confirm the reasonableness of the actuarial assumptions made. • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. • obtained assurance from the external auditor of the Worcestershire County Council Pension Fund (WCCPF) regarding the relevant controls and processes in place at the WMPF in order that we could rely on the outputs from the WCCPF. 	<p>A firm of consulting actuaries (Mercers) is engaged to provide the Council with expert advice about the assumptions to be applied when valuing pension liabilities. These assumptions cover areas such as mortality rates, inflation and future increases in salaries and pensions.</p> <p>Whilst audit work did not identify any issues which indicated the pension net liability was materially misstated, we identified an internal control weakness which we reported in our Audit Findings Report.</p> <p>The Council had not been completing its PCF1 returns to the administering authority (Worcestershire County Council). These are monthly payroll returns. This meant that the administering authority had to estimate the year end position.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 21 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. There was an improvement in the quality of the draft financial statements compared to previous years, but further improvements in timeliness and a reduction in the number of issues identified are needed to meet the statutory deadline of 31 July from 2018.

In preparation for the earlier deadline the Council needs to consider available resources within the finance team as the Chief Accountant will not be present for the 2017/18 financial year end, the Council is heavily reliant on a contractor, and while a permanent replacement for the Financial Services Manager has recently appointed, the person has yet to start working for the Council.

The financial statements were well supported by working papers and responses to audit queries were generally prompt and efficient. This is an improvement on previous years. However, further improvement is still required to meet the early deadline in 2018 as there were delays in responding to a number of our questions.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit, Governance and Standards Committee on 21 September 2017. In addition to the key audit risks reported above, we identified a number of issues and adjustments during our audit that we have asked the Council's management to address for the next financial year: Officers have prepared an action plan, addressing the recommendations we made. Officers will report progress to the Audit, Governance and Standards Committee.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council in September 2017, we agreed recommendations to address our findings. Officers have prepared an action plan, addressing the recommendations we made. Officers will report progress to the Audit, Governance and Standards Committee.

Overall Vfm conclusion

We are satisfied that, in all significant respects, except for the matters we identified and reported in our Audit Findings Report in respect of in year financial reporting and financial sustainability, the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>In year reporting to Members We have previously identified that improvement is needed in reliable and timely financial reporting that supports the delivery of strategic purposes. We have identified the following risks for in year reporting to Members:</p> <ul style="list-style-type: none"> • Is the current and forecast financial position clearly identified? • Is the delivery of savings to date and the risks to their achievement reported? • Are changes from the start point budget tracked through, and is the impact on balances and reserves clear? • Are budget variances identified and the reasons for the variance and mitigating actions explained in sufficient detail? 	<p>To address this risk we:</p> <ul style="list-style-type: none"> • reviewed the financial monitoring reports to determine whether any changes to the original budget are adequately explained to Members; • reviewed reporting to Members to determine whether the impact on reserves and balances is clear; • reviewed how the Council is monitoring the delivery of the Council Plan. 	<p>We concluded that there were continuing weaknesses in the Council's arrangements for Informed decision making – “Reliable and timely financial reporting that supports the delivery of strategic priorities”.</p> <p>Our 2014/15 statutory recommendations included the following: “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 outcome and action to be taken, where necessary, to address budget variances.”</p> <p>We noted some improvements to reconciling budgets per monitoring reports to the originally agreed budget, but the supporting explanations need to be clearer. Reporting of savings has improved, but is still weak– it does not provide a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions. There is no RAG rating or similar.</p> <p>The updated MTFP is much clearer on the impact of proposals on General Fund balances.</p> <p>The revised Council Plan was agreed in 2016/17, but the action plans supporting this will not be in place until 2017/18. Officers have advised us that action plans have been developed and are now being agreed with Members. Delivery against these will then be monitored. We have not seen any evidence of this process and the arrangements were not embedded in 2016/17.</p> <p>We note that, with the exception of the management structure review, all other action plan recommendations were agreed for implementation by 1 April 2017.</p> <p>Overall, although we have seen progress since we issued our statutory recommendation, this is not yet sufficient to address the issues identified.</p>

Value for Money

Table 2: Value for money risks (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Financial sustainability We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We have identified the following risks:</p> <ul style="list-style-type: none"> • How robust is the MTFP and how well developed are savings plans? • How is the performance dashboard for Members being implemented? 	<p>To address this risk we:</p> <ul style="list-style-type: none"> • reviewed how the Council is monitoring delivery of the Efficiency Plan; • examined how robust the MTFP is by testing a sample of individual schemes to determine whether they are worked through appropriately and realistic; • considered progress on the review of the management structure; • reviewed how the Corporate Performance Strategy is being implemented. 	<p>We concluded that there were weaknesses in the Council's arrangements for sustainable resource deployment – “Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions”, and Informed decision making – “Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management”.</p> <p>We noted that the Overview & Scrutiny Committee reports and minutes refer to quarterly updates being provided on monitoring delivery of the Efficiency Plan. Reporting does not give any indication of how far adrift from plan the Council is or what action is being taken to bring it back into line. On the basis of the evidence provided we have to conclude that the monitoring of Efficiency Plan delivery is weak.</p> <p>We examined the business cases, decision making process and delivery of some of the major savings schemes in the MTFP. These were:</p> <ul style="list-style-type: none"> • £480,000 from Change model of delivery of Leisure services • £165,000 from Review of fleet costing to HRA • £250,000 from Management restructure • £109,000 from Cremations - non resident fee • £105,000 from Savings from lease costs following purchase of vehicles <p>Overall we found that only the £105,000 savings were fully worked up and on track to be delivered. However, this is not a genuine saving, but a correction of a budget error. The £165,000 savings are likely to be achievable in the timescale, but still needed work when we reviewed the scheme. The other savings plans, totalling £1,004,000 needed more work and a lot of progress to be deliverable.</p> <p>For the £480,000 leisure services model, the forecast savings are reasonable and based on independent consultant analysis. However, the Council needs to press on with this in order to realise the full year benefit from 2018/19.</p> <p>The management restructure £250,000 savings are deliverable over a four year period and details have not been fully worked up. Implementation has been disappointingly slow, with no tangible progress at the time of drafting this report. This needs to happen quickly to allow for revised structures to be put in place. Reserves will be used to fund any redundancy costs, but this is not clear from the MTFP.</p>

Value for Money

Table 2: Value for money risks (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Financial sustainability We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We have identified the following risks:</p> <ul style="list-style-type: none"> • How robust is the MTFP and how well developed are savings plans? • How is the performance dashboard for Members being implemented? 	<p>To address this risk we:</p> <ul style="list-style-type: none"> • reviewed how the Council is monitoring delivery of the Efficiency Plan; • examined how robust the MTFP is by testing a sample of individual schemes to determine whether they are worked through appropriately and realistic; • considered progress on the review of the management structure; • reviewed how the Corporate Performance Strategy is being implemented. 	<p>The cremations savings of £109,000 assume no change in demand despite costs increasing by £100. No sensitivity analysis or market testing / comparison with other councils costs has been undertaken.</p> <p>Savings plans generally are not well developed and insufficient progress has been made in implementing the schemes.</p> <p>The MTFP should only include savings which have been agreed by Members and these plans should have a robust business case to support them. One of the existing Member led groups would be well placed to agree business plans before they are included in the MTFP.</p> <p>Although Members now have better access to information this is limited to numeric measures and does not include the impact on people or services. More work needs to be completed on this.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	57,960	TBC	57,960
Housing Benefit Grant Certification	23,291	TBC	18,199
Total fees (excluding VAT)	81,251	TBC	76,159

The final fees for the year have yet to be confirmed pending discussions with officers and agreement by Public Sector Audit Appointments Ltd (PSAA).

Reports issued

Report	Date issued
Audit Plan	April 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
Pooling of Housing Capital Receipts (estimated)	1,654
Non-audit services:	
CFO Insights	4,313

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.



© 2017 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****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	Chris Forrester, 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 2017/18.

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”.

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Service / Operational Implications

- 3.3 The involvement of Member's 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 2017 to 31st December 2017 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 September 2017):

2017/18 AUDIT SUMMARY UPDATES:**Housing – Homelessness**

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

- Prevention advice is provided to those that request it;
- Liaison with private landlords including payment of rent deposits and rent advances;
- Adequate records of homeless applications are maintained;
- Determinations of homelessness duty are formally notified to applicants;
- The use of temporary accommodation and bed and breakfast are controlled and monitored;
- Internal and external performance reporting;
- Statutory returns (P1Es) are produced and submitted;
- Access to the Arbitras system is controlled;
- Monitoring of level of homelessness in place against risk HOU 7.

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

- Reconciliation of rent deposit payments to debtor accounts set up to repay;
- Ongoing compliance with Data Protection requirements.

There was 1 'medium' and 1 'low' priority recommendation reported.

Type of audit:	Full Systems Audit
Assurance:	Significant
Report issued:	6 th November 2017

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Community Services - Disabled Facilities Grants & Home Repairs Assistance Lifetime Loans

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

- Grants and loan applications are processed and paid in accordance with grant/loan criteria;
- Grants and loan details are promptly registered on the local land charges register;
- Budget monitoring is carried out on a regular basis;
- Contractors used are from the approved list maintained any the Home Improvement Agency;
- System access rights are in place for application files.

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

- Currency of documented procedures for Grants and Loans;
- Compliance with information security and retention policies;
- Recovery of Grants and Loans from 2006-2010.

There was 1 'high' and 2 'medium' priority recommendations reported.

Type of audit:	Full Systems Audit
Assurance:	Moderate
Report issued:	28 th September 2017

Legal and Democratic - Land Charges

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

- Full and personal searches were being completed within the ten day guidance timescale even though there were ongoing problems with the IDOX computer system that supports the land charges register e.g. system being unavailable, system freezing and information not being saved after input.
- Card payments taken over the phone are done so in accordance with Payment Card Industry Data Security Standards

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

- Introducing reconciliations between the searches carried out and payments received.
- The speed with which the local land charges register is updated when notifications are received.

There was 1 'high' and 1 'medium' priority recommendation reported.

Type of audit:	Full Systems Audit
Assurance:	Moderate
Report issued:	19 th October 2017

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Environmental - Waste Management

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

- The efficient and effective management of domestic waste collection services.
- The promotion and provision of a trade waste service across both authorities, including improved promotion of recycling services.
- The system for monitoring and managing bulky and garden waste collections.
- The monitoring of service performance and budgetary control across both authorities.
- The monitoring and management of outstanding payments on account, including noticeable improvements in managing non-payment of garden waste service customers.

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

- Controls over the handling of cash payment, with specific regard to bulky waste collections.
- The charging of services to business and garden waste customers.
- The basis for providing quotes to residential customers for bulky waste collections that are outside the scope of the standard pricing structure.
- The management sign-off process for formally approving discretionary changes to business waste charges.
- Inventory management arrangements for recording returned bin stocks, and the process for checking stock levels with formal approval of variations on the electronic stock system.

There was 1 'high', 4 'medium' and 4 'low' priority recommendations reported.

Type of audit:	Full Systems Audit
Assurance:	Moderate
Report issued:	27 th November 2017

Treasury Management

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

- Treasury management is undertaken in line with statutory and internal procedures.
- Money not immediately required is invested prudently and funds are available for use by the authorities when required.
- There is sufficient information held to constitute a full audit trail for all transactions in and out of the Council's bank accounts.
- All transactions are recorded in the Council's financial system.
- There are sufficient I.T controls in place around segregation of duties for BACS transactions.

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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

- Although the reconciliation process has now been formalised it is not currently being reviewed or signed off by an independent person.

There was 1 'medium' priority recommendation reported.

Type of audit:	Full Systems Audit
Assurance:	Significant
Report issued:	22 nd September 2017

Cash Collection

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

- Staff greet customer's and handle their payments professionally, confirming details and process efficiently.
- The postal cheque process has appropriate controls in place.
- Procedure documents were up to date and staff are aware of where to find them and what was contained in them.
- Cashiers are carrying out investigations to the suspense account

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

- Monitoring and clearing of suspense account
- Monitoring of refund transactions
- Documentation of evidencing investigation to 'overs' and 'unders'
- Some administration errors within the new system of holding scanned documents.

There was 1 'high' and 3 'medium' priority recommendations reported.

Type of audit:	Full Systems Audit
Assurance:	Moderate
Report issued:	14 th November 2017

Customer Services - One Stop Shops/Reception Services channel shift

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

- Customers were greeted politely and professionally and their enquiries were listened to and directed appropriately
- Calls to switchboard were being directed quickly to the services requested by the customer; they were also dealing with customers who were unsure to get them to the correct service.
- Good frontline support was being given by the larger services; Council Tax and Benefits.

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

- Some good use of self service through website such as online form for environmental services

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

- Mixed approach with phone recording messages across services; some have nothing, some are lengthy
- Housing Options frontline service is inconsistent with coverage both for face to face and telephony. There was a creation of repeat visitors due to lack of communication from case officer and the web pages encouraged the customer to visit the Town Hall.
- Complaints system is not being utilised for lessons learnt and a number of open complaints have not progressed with little information.
- Use and promotion of self-serve computer by cashiers
- Website can be confusing and difficult to find some services, some service webpages give little information, some are confusing for online self-service.
- Recording minutes of service meetings

There were 5 'medium' and 1 'low' priority recommendation reported.

Type of audit:	Full Systems Audit
Assurance:	Moderate
Report issued:	14 th November 2017

Housing - St David's House

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

- Income collection against the correct fees and charges
- Collection of income within policies and procedures
- Day to day care operation

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

- Resilience of carrying out important tasks such as Care Returns
- Staff handbooks not updated since 2005
- Compliance of reporting hospitality to Democratic Services
- Resilience of Procurement card arrangements during sickness and absence
- Clear training matrix regarding staff
- Complete induction paperwork of staff

There was 1 'high' and 5 'medium' priority recommendations reported.

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Type of audit: Full Systems Audit
 Assurance: Moderate
 Report issued: 4th October 2017

Individual Election Registration System

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

- Having a documented public engagement strategy and registration plan in place for the annual canvass.
- Investigating applications to register that contain conflicted or missing information.
- Requesting additional personal identification where information provided is not sufficient for an application in order to reduce the risk of fraud.
- Undertaking activities to promote voter engagement and electoral registration.
- Producing guidance on the electoral registration process that is clear, concise and user friendly.

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

- Keeping the printed registers up to date.
- Information recorded when the printed register is viewed by the public.

The Elections team were trialling the use of electronic tablets to collect information for the 2017 annual canvass as an alternative to canvassers completing hard copy forms (although these were still available to use as a back up). The feedback on use of these was generally positive, although there were some technical issues related to how information is recorded to be sorted out with the software provider Xpress before they are used again. At the end of the canvass it was noted that when tablets are returned to the office to be kept in the locked cupboard, they need to be manually cleared to remove any elector details remaining on the tablet. This is not an automated process so will be incorporated into the end of canvass procedures. The team were aware that a number of the documented procedures required reviewing and updating, and recognised they will now need to include use of the tablets.

There was one 'medium' and one 'low' priority recommendation reported.

Type of Audit: Full System Audit
 Assurance: Significant
 Report Issued: 2nd January 2018

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Summary of assurance levels:

2017/18	
Homelessness	Significant
Disabled Facilities Grant	Moderate
Land Charges	Moderate
Waste Management	Moderate
Treasury Management	Significant
Cash Collection	Moderate
Customer Services	Moderate
St David's House	Moderate
Individual Electoral Registration	Significant

An audit completed to draft report stage but due to changing circumstances further work will be undertaken in quarter 4 is:

Housing - Allocations

Audits completed to draft report stage and awaiting management response include:

Council Tax
 NNDR
 Records Management
 Payroll

2017/18 reviews which were on going as at the 31st December 2017 included.

- Transformation
- Benefits
- Creditors

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

Critical review audits 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, significant legislative updates or a comparison required 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,

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

however, a final percentage figure will be reported in the annual report. The outturn from the reviews will be reported in summary format as part of the regular reporting as indicated at 3.3 above.

Follow up reviews are an integral part of the audit process. 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 general direction of travel and the risk exposure. An escalation process is continuing to be developed involving CMT and SMT to ensure more effective use of resource in regard to follow up and reduce the number of revisits that are currently necessary to confirm the recommendations have been satisfied.

3.4 AUDIT DAYS

Appendix 1 shows the progress made towards delivering the 2017/18 Internal Audit Plan and achieving the targets set for the year. As at 31st December 2017 a total of 287 days had been delivered against an overall target of 400 days for 2017/18.

Appendix 2 shows the performance indicators for the service. Performance and management Indicators were agreed by the Committee on the 27th April 2017 for 2017/18.

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.

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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

There has been on going work undertaken in regard to the National Fraud Initiative. 2016/17 saw the 2 yearly cycle of data extraction and uploading to enable matches to be reported. The initiative is over seen by the Cabinet Office. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this investigative exercise in Redditch Borough Council.

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.

5. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2017/18

Appendix 2 ~ Performance indicators 2017/18

Appendix 3 ~ Tracking analysis of previous audits

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

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

6. BACKGROUND PAPERS

Individual internal audit reports which are held in the internal audit service.

7. KEY

N/a

AUTHOR OF REPORT

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

REDDITCH BOROUGH COUNCILDate: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 1****Delivery against Internal Audit Plan for 2017/18**
1st April 2017 to 31st December 2017

Audit Area	2017/18 PLAN DAYS	Forecasted days to the 31 st December 2017	Days used to 31 st December 2017
Core Financial Systems (see note 1)	108	92	70
Corporate Audits(see note 2)	81	63	34
Other Systems Audits	157	142	157
TOTAL	346	297	261
Audit Management Meetings	20	15	12
Corporate Meetings / Reading	9	6	5
Annual Plans and Reports	12	9	8
Audit Committee support	13	8	1
Other chargeable	0	0	0
TOTAL	54	38	26
GRAND TOTAL	400	335	287

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.

Date: 1st February 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****Appendix 2****PERFORMANCE INDICATORS 2017/18**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2017/18. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. governance indicators. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement/Direction of Travel	2017/18 Position (as at 31st December 2017)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 18 Delivered = 14 plus 5 in draft	When Audit, Governance and Standards Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	72%	When Audit, Governance and Standards Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	75%	When Audit, Governance and Standards Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	5	When Audit, Governance and Standards Committee convene
5	No. of moderate or below assurances	Downward (minimal)	8	When Audit, Governance and Standards Committee convene
6	'Follow Up' results (Using 2017/18 reviews onwards)	Management action plan implementation date exceeded (<5%)	Nil to report	When Audit, Governance and Standards Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	10x issued Returns: 7x 'excellent' 1x 'good'	When Audit, Governance and Standards Committee convene

WIASS conforms to the Public Sector Internal Audit Standards 2013.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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 (i.e. where no action has commenced by the agreed implementation date) will be reported to the Committee.

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

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

<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>Results of follow Up</u> <u>1st</u>	<u>Results of follow Up</u> <u>2nd</u>	<u>Results of follow Up</u> <u>3rd & 4th</u>
CCTV	31/03/2016	Head of Community Services	Critical review	Challenge points and good practice in relation to Training and the CCTV system.	A follow up was undertaken in September 2016 and found although both recommendations have been actioned however there is more progress to be made relating to access rights to CCTV and a new anti-social behaviour policy.	Follow up originally scheduled for April 2017, however, delayed until May 17 due to staff resource issues in Community Services.	Audit met with both responsible managers on 10.05.17 and was informed position was the same as previous follow up. Restructure is still to take place and the Anti-social behaviour policy to be finalised. Further follow up date Nov 17.
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.	A follow up took place in December 2016 which found that 4 recommendations are still in progress relating to the use of Matrix, the procurement procedures, outcomes set for the use of agency staff and processing invoices. One recommendation is still to be actioned reliant on the outcome of a recommendation.	Audit met with the Director of Finance and Resources on 10.05.17. The review of Matrix is still in progress. As several recommendations rely on the matrix review being completed no official follow up will take place until completed. Further follow up date Nov 17	Audit met with Director of Finance and Resource on 4/1/18. The Matrix contract has been extended for 12 months therefore follow up will be scheduled for March.
Allotments	16/08/2016	Head of Leisure and Cultural Services	Limited	1 'high' priority recommendation in regard to the overall management of allotment services	A follow up took place in February 2017 finding one recommendation relating to the allotment action plan was in progress. Further follow up in 3 months.	A follow up took place in May 2017 and found that the one recommendation was on going with two action points still in progress relating to the use of SLA and the use of a new management information software. Further follow up date Nov 2017.	Due to the current project in relation to possible changes to the future provision of this service the follow up has been delayed pending the outcome of the project.
One Stop Shop/Customer	28th September	Community Services	Significant	Three medium priority recommendations	A follow up was undertaken in February 17 finding 1	The outstanding points were picked up as part of the	

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

<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>Results of follow Up</u> <u>1st</u>	<u>Results of follow Up</u> <u>2nd</u>	<u>Results of follow Up</u> <u>3rd & 4th</u>
Services	2016			were made relating to training, minutes of meetings and safety of staff. Two low priority recommendations were made relating to assistance for translators and for data management.	recommendation relating to training has been implemented, and 2 recommendations relating to documenting meetings and safety of staff are in progress. Follow up 6 months.	2017/18 audit review of the area. Minutes of meetings was carried forward and reported as an outstanding matter. No further follow ups will be undertaken as monitoring will take place through the 2017/18 audit.	
Community Centres	6th February 2017	Leisure and Cultural Services	Limited	This audit report reported 1 high priority recommendation relating to debt monitoring and 6 medium priority recommendations relating to documents, invoices, cancellations and security. Follow up in 3 months.	A follow up was undertaken in May 2017 and found that 5 recommendations were implemented and 2 were in progress relating to booking forms and invoice reconciliation. A further follow up will take place in Nov 2017.	Due to the current project in relation to possible changes to the future provision of this service the follow up has been delayed pending the outcome of the project.	
Contracts - Post Contract Appraisal	17th March 2017	Housing	Limited	This audit reported 5 high priority recommendations and 3 medium priority recommendations relating to performance measures, contract specifications, variations, payments, tender evaluations, insurance, contract documents and meetings. Contract	Progress on this audit is monitored on an on going basis. No official follow-up is required at this stage. Corporate Management and the Head of Internal Audit Shared Service are made aware of developments in relation to the recommendations made.		

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

<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>Results of follow Up</u> <u>1st</u>	<u>Results of follow Up</u> <u>2nd</u>	<u>Results of follow Up</u> <u>3rd & 4th</u>
				specification, variations and contractor meetings have been satisfied.			
Performance Measures	3rd May 2017	Corporate	Limited	This audit report made 3 high priority recommendations and 1 medium priority recommendation relating to resilience, timeliness, integrity of information and other aspects of performance. A follow up will take place in 3 months time.	A new system is being put in place to change reporting measures this is currently awaiting agreement to the new approach but should be in place for reporting in March 2018. A follow up should be carried out in May 2018 to look at what is now in place and if it is working		
Worcester Regulatory Services	26th May 2017	WRS	Moderate	This audit made 1 high priority recommendation and 2 medium priority recommendations relating to payment for licences granted, cheque payment and application forms. A follow up will take place in 3 months time.	1st follow up took place on 30/8/17 no recommendations have been implemented but work towards had been progressed and there is research looking at moving into electronic application which all districts will have to agree to. A further follow up will take place in 6 months		
Risk Management	24th May 2017	Executive Director	Limited	This audit made 5 medium priority recommendations relating to corporate risk management strategy, risk management group,	This area will be fully reviewed in 2018/19 as Management are currently organising training to embed and enforce the newly approved Risk Management Strategy.		

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

<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>Results of follow Up</u> <u>1st</u>	<u>Results of follow Up</u> <u>2nd</u>	<u>Results of follow Up</u> <u>3rd & 4th</u>
				risk register updates, portfolio holder monitoring and training.			
Palace Theatre	29th June 17	Leisure Services	Significant	1 medium priority recommendation was made in relation to resilience.	Jan-18		
PitcherOak Golf Course	29th June 17	Leisure Services	Significant	2 Medium priority recommendations were made in relation to documentation and the location of the safe.	Jan-18		
VAT	10th August 17	Finance	Full	No recommendations were made. No follow up is required			
Building Control	10th August 17	Planning and Regeneration	Significant	1 medium priority recommendation was made in relation to the year end financial statement. A Follow up will take place at the next production of the Annual Accounts May 18	May-18		
Procurement	30th August 17	Finance/Legal	Moderate	This audit report made 5 medium priority recommendations relating to the strategy, training, procuring of agency staff, frameworks and resilience of eprocurement system.	Feb-18		
Homelessness	6th	Housing	Significant	One medium priority	May-18		

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

<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>Results of follow Up</u> <u>1st</u>	<u>Results of follow Up</u> <u>2nd</u>	<u>Results of follow Up</u> <u>3rd & 4th</u>
	November 2017			recommendation was made relating to data protection and access to the Arbitras system.			
Cash Collection	14th November 2017	Cash Collection	Moderate	The report found four recommendations; 1 high and 3 medium relating to the suspense account, refund checks, over and under investigations and administrative errors.	May-18		
Customer Services	14th November 2017	Customer Services	Moderate	The report found 6 recommendations; 5 medium and 1 low relating to minutes of meetings, phone recordings, housing options frontline, complaints system, website, self service computer.	May-18		
DFGs	28th September 2017	Community Services	Moderate	The report found 1 high priority and 2 medium priority recommendations in relation to Records retention and security, Registration of Land Charges and Private Sector Home Repairs Assistance policy.	Jan-18		
Land Charges	19th October 2017	Legal Services	Moderate	The report found 1 high and 1 medium priority	Jan-18		

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

<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>Results of follow Up</u> <u>1st</u>	<u>Results of follow Up</u> <u>2nd</u>	<u>Results of follow Up</u> <u>3rd & 4th</u>
				recommendation in relation to Reconciliation of payments and updating the local land charges register.			
Treasury Management	22nd September 2017	Financial Services Manager	Significant	The report found 1 medium priority recommendation in relation to reconciliations	Will be followed up as part of the 2018/19 audit		
St David's House	Housing	4th October 2017	Moderate	The report found 1 high and 5 medium priority recommendations in relation to Care Cost Returns, Handbooks, Hospitality Reporting, Procurement Card, Training, Induction.	Jan-18		
Environmental Waste	27th November 2017	Environmental Services	Moderate	The report found 1 high and 4 medium priority recommendations in relation to Bulky Waste Receipt Books, Business Waste Charges, Fees and Charges, Bulky Waste quotes and Garden Waste Invoices.	Mar-18		
end							

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>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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>

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Homelessness					
Assurance: Significant					
Summary: Full system review					
1	Medium	<p><u>Data Protection - Electronic Records</u></p> <p>The version of the Arbitras system currently in use (v3.2) does not have the functionality to delete data from a record when it is no longer required for the purposes for which the data was initially collected. There have been no updates to the Arbitras system since the introduction of the choice based lettings scheme.</p> <p>There are now plans to obtain the latest version of Arbitras with implementation from April 2018. The latest version will allow compliance with the new Homeless Reduction Bill requirements and with the General Data Protection Regulation which requires the facility for subject 'to be forgotten.'</p>	<p>Personal and / or sensitive data is held for longer than is required for the purpose that it was collected potentially leading to non compliance with current Data protection Act 1998 requirements and from May 2018 non compliance with the General Data Protection Regulation. Non compliance could result in reputational damage and / or financial penalty.</p>	<p>The Council to ensure that a scheduled cleansing of Arbitras data is put in place to ensure that personal data currently held on the system which is no longer required for the purpose for which it was collected is deleted.</p> <p>Data collection documents and privacy notices to be reviewed and updated in line with the requirements of the General Data Protection Regulation by its implementation in May 2018.</p>	<p>To be undertaken prior to implementation of new Homeless system in April 2018.</p> <p>Responsible Manager: Housing Options Manager</p> <p>Implementation date: April 2018</p>
Audit: Disabled Facilities Grants & Home Repairs Assistance Lifetime Loans					
Assurance: Significant					
Summary: Full systems audit					
1	Medium	<p><u>Records retention and security</u></p> <p>Some of the Disabled Facilities Grants and Home Repairs Assistance loan application files held are being stored for longer than the Council's document retention and disposal schedule permits.</p> <p>A number of hard copy application forms containing personal information are kept in filing cabinets at Redditch Town Hall. The cabinets are lockable but have no keys so are kept unlocked.</p>	<p>Personal information is being stored that the Council does not need.</p> <p>Non compliance with the Council's Information Security Policy, the Data Protection Act and risk of legal challenge. Possibly leading to financial loss and reputational damage.</p>	<p>All manual files to be reviewed and disposed of or retained according to the Council's document retention policy.</p> <p>This process to be undertaken on a risk basis.</p> <p>Files containing personal information to be kept securely in accordance with the Council's Information Security Policy.</p>	<p>Responsible Manager: Strategic Housing Manager</p> <p>We will take the necessary steps to address this after securing initial advice/support from relevant colleagues in info management.</p> <p>Implementation date: End Nov 17</p>

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
2	High	<p><u>Registration of repayment amounts as land charges</u></p> <p>For the period 2006-2010 a number of Disabled Facilities Grants and Home Repairs Assistance lifetime loans were not registered as land charges. A list has been compiled, from original applications for each financial year, to show which applications need charges applying. Work has started on Home Repairs Assistance lifetime loans; determining whether these were ever registered on the Land Registry or Local Land Charges Register. Some have since been added to the local land charges register where they were missing. Some properties were identified as having changed ownership before the charge was registered so the money can never be recovered. There are still several lists of properties from 2006-2010 that need charges verifying to enable the Council to secure repayments.</p>	<p>Financial loss. Properties being sold without Disabled Facilities Grants and Home Repairs Assistance loan money being repaid to the Council.</p>	<p>Work to be completed on verifying and registering land charges for the Disabled Facilities Grants and Home Repairs Assistance lifetime loans that have been identified as requiring repayment.</p>	<p>Responsible Manager: Strategic Housing Manager</p> <p>We are aware of this issue and steps have previously been taken to try to address the historical backlog with some success. However we also recognise that we need to focus on getting this work completed in a concerted way, with support from colleagues in legal services.</p> <p>Principal Solicitor</p> <p>Implementation date: End September 2017.</p>
3	Medium	<p><u>Private Sector Home Repairs Assistance Policy</u></p> <p>The Private Sector Home Repair Assistance Policy does not reflect that Home Repairs Assistance loan limit that is now £10000 per applicant.</p>	<p>Practice may be incorrect if the document is used as a point of reference on how to carry out tasks. Reputational risk to the Council if they are not following criteria.</p>	<p>Review and update the Private Sector Home Repair Assistance policy.</p>	<p>Responsible Manager: Strategic Housing Manager</p> <p>We accept that the policy needs refreshing to bring it in line with the current position.</p> <p>Implementation date: End Nov 17</p>

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Land Charges					
Assurance: Moderate					
Summary: Full systems audit					
1	High	<p><u>Reconciliation of payments</u></p> <p>There is no overall reconciliation between searches carried out and income received.</p> <p>Payments that are received by the land charges team over the phone can be matched to the search. However some searches may be paid for by BACS and as searches are processed as they come in, no check is made for payment prior to the search being done.</p> <p>A number of payments are made directly into the bank account then coded to land charges accounts for Redditch Borough Council or Bromsgrove District Council by Finance. Finance can check against remittance invoices that payments have been received but they can only do this for large companies.</p> <p>Payments may also sit in the suspense account and then have to be identified by cashiers (who would not know what searches have been completed), but unless they are the flat fee for a full search they can be difficult to identify so may remain in the suspense account indefinitely.</p> <p>Land charges staff have no access to financial systems to check and see if a payment has been received. The only check the team can do is if it's a payment they have taken and they record it in the day book.</p>	<p>Customers could be receiving a free service when a charge is legitimately due thus impacting income streams. Income that has been received never reaches the land charges account because it cannot be identified in the suspense account, and, refunds could be paid without the original amount having been accounted for potentially leading to financial loss and reputational damage if money cannot be clearly identified and accounted for.</p>	<p>To achieve transparency, maximise income and to identify and rectify any potential discrepancies introduce a regular reconciliation.</p>	<p>Responsible Manager:</p> <p>Finance Manager Principal Solicitor</p> <p>Implementation date:</p> <p>End of January 2018</p> <p>The principal solicitor and land charges team met with the senior accountancy officer on 3.10.17 to work out the best way to do reconciliation. The senior accountancy officer is going to look at this over the next couple of months and come back to the land charges team with how this can be done. In the meantime the land charges team will continue to record the searches in the 'day books'.</p>
2	Medium	<p><u>Updating the local land charges register</u></p> <p>There is no specific timescale for the register updates. However they should be registered promptly to keep the register, and consequently</p>	<p>Potential for reputational and litigation risk if incorrect information is supplied in search</p>	<p>Updating the register with current information to be made a priority task in the team with a clear strategy agreed to</p>	<p>Responsible Manager:</p> <p>Principal Solicitor</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>reported information, up to date. With the ongoing problems with IDOX e.g. system being unavailable, system freezing and information not being saved after input, it has not been possible for updates to be registered consistently within a few days of receipt.</p> <p>An example case identified during walkthrough testing showed that it was received by the Local Land Charges team on 4.7.17 and the update was completed on 22.7.17. Backlogged correspondence awaiting input had also built up as a consequence of the system not being available and was dated between May and July 2017.</p>	<p>results as a result of the register not holding the most up to date information.</p>	<p>effectively deal with the backlogged correspondence. Performance measures to be agreed for the future in regard to register update requirements.</p>	<p>Implementation date:</p> <p>Immediate – from 22nd August 2017</p> <p>The land charges team now process notifications as soon as they are received, on a daily basis and as a priority task.</p>
Audit: Waste Management					
Assurance: Moderate					
Summary: Full systems audit					
1	High	<p><u>Bulky Waste – Cash Payment Receipt Books</u></p> <p>Customers using the bulky waste service are able to pay for their service in cash to the Place staff members at the time of collection. Receipts should be given to customers to confirm payment. Cash is then returned to the Business Support team for reconciliation with job records and banking.</p> <p>The receipt books in use are not headed controlled stationery, i.e. they are standard receipt books that can be purchased from any retail store.</p> <p>Several of the receipt books could not be located at the time of the audit.</p> <p>Of the receipt books held, they all had pages missing, i.e. where the counterfoils had been removed as well as the original customer copies.</p>	<p>Potential risk of fraud and financial loss where monies received cannot be tallied to receipts and bankings.</p>	<p>Only controlled stationery to be used by the Place teams, i.e. headed with the relevant Council details.</p> <p>All receipt books to be retained and counterfoils kept.</p> <p>Receipt books to be reconciled on a regular basis with bankings. Discrepancies and missing receipts to be investigated without delay.</p> <p>To limit and monitor the current use of cash payments and to consider options for moving to a cashless system.</p>	<p>Management Response:</p> <p>1). Controlled Stationery was acquired and implemented with our crews in late July.</p> <p>2). A system is being drawn up to implement monthly reconciliations of the receipt books by Business Support Unit, and the method of operating Bulky Collections has changed; reducing the number of staff and vehicles involved, which will support closer control of receipt books and greater ownership by staff in their use.</p> <p>3). Under our commercialism agenda, we are looking at opportunities to introduce a cashless option using card readers to support remote operations in addition to the current options for payment at the point of booking this service.</p> <p>Responsible Manager: Environmental Senior Improvements Officer</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					<p>Implementation date: 1). Completed July 2017. 2). October 2017. 3). On-Going.</p>
2	Medium	<p><u>Business Waste Charges</u></p> <p>Testing of a random selection of 30 business waste invoices shows discrepancies between the schedule of charges and the invoices raised.</p> <p>Most invoices were for the correct overall charge, but the split between the rental charge and the disposal charge was incorrect. For Redditch Borough Council the collection charge is variable, resulting in a slight discrepancy in what VAT should be charged.</p>	<p>Incorrect VAT accounting, which has an impact on the VAT returns to HMRC for the authority and for business clients, resulting in financial cost to the authority for amending the discrepancy, and reputational damage with customers.</p>	<p>To assess the financial and reputational impact of inaccuracies with the split of charges and the VAT.</p> <p>To make a decision to determine whether customers will be re-issued with the correct invoice charges, or whether this discrepancy is to be written off.</p> <p>To ensure the Business Support team are issued with the correct split of charges for the financial period, and that these charges are used correctly.</p>	<p>Management Response: 1). Further checks will be implemented to review invoices and determine if this is a large scale issue or a small number of errors. This will then be used to determine the appropriate course of action to safeguard our financial position and reputation with businesses.</p> <p>2). Processes will be reviewed to determine if this is a training/knowledge issue around how invoices are raised and VAT applied, and ensure measures are implemented to prevent future errors regarding application of VAT.</p> <p>Responsible Manager: Environmental Senior Improvements Officer</p> <p>Implementation Date: 1). October-November 2017 2). October 2017</p>
3	Medium	<p><u>Fees & Charges</u></p> <p>Discounts to the Business Waste service can be applied at the discretion of the Environmental Services Supervisor, for example in instances of poor service to customers.</p> <p>There is no formal process for reviewing and signing-off the application of discounts by management personnel, to ensure these are applied correctly.</p>	<p>Potential for lack of consistency and transparency in applying discounts to the service cost, potentially resulting in reputational damage.</p>	<p>Management personnel to monitor the charges to customers to ensure that variations to the standard charge rate are applied in a suitable, correct and consistent manner.</p>	<p>Management Response: Review and formalise the rationale used to make discounts to ensure consistency, and implement a review process to ensure this is being applied correctly.</p> <p>Responsible Manager: Environmental Senior Improvements Officer</p> <p>Implementation date: December 2017</p>

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
4	Medium	<p><u>Bulky Waste Quotes</u></p> <p>Bulky Waste collections are predominantly charged for on a defined unit basis.</p> <p>However some larger items which are out of the normal scope of charges will be quoted for directly with the Place teams. Quotes are typically based on time taken to deal with the collection by the operatives, and are determined by the Place team at the time of the on-site visit.</p>	<p>Potential for lack of consistency in charging for items not defined in the charging policy, resulting in reputational damage for inconsistent charging, and financial loss should the teams quote incorrectly.</p>	<p>To consider implementing a more formal charging policy for quoted bulky waste collection works, perhaps using the 'unit' approach, whereby unit price changes can be agreed as part of the annual Fees & Charges review.</p>	<p>Management Response: Quotes are not definable to the extent outlined in the recommendation, as they are designed to factor in increased costs of a number of factors that impact on the time and safety of carrying out works. This can include staircases, narrow doorways, distance to carry items, work to dismantle items prior to removal, etc.</p> <p>As detailed in issue 1. There have been recent changes to how we deliver our Bulky Collection Service, which reduce the number of people involved in providing this service, and so will aid improved consistency.</p> <p>To mitigate the identified risk, we will ensure staff are aware of the core pricing system for standard bulky collections, and review the modification to these prices applied over the next two months to determine if additional measures are needed.</p> <p>Responsible Manager: Environmental Senior Improvements Officer</p> <p>Implementation date: October – November 2017</p>
5	Medium	<p><u>Garden Waste Invoices – Charge Period Descriptions</u></p> <p>The invoices raised for garden waste charges do not identify the service charge period. This is resulted in some confusion with customers believing they would receive a continued service without requiring payment for future periods.</p>	<p>Lack of clarity regarding charges for customers resulting in reputational damage. Potential breach of Invoice legislation requiring details of the service charge period to be clearly identified.</p>	<p>To ensure all garden waste invoices clearly state the period for which the service charge relates.</p>	<p>Management Response: We will ensure all future invoices confirm the timescales of the service provided.</p> <p>Responsible Manager: Environmental Senior Improvements Officer</p> <p>Implementation date: October 2017</p>

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Treasury Management					
Assurance: Significant					
Summary: Full systems audit					
1	Medium	<p><u>Treasury Management Reconciliations</u></p> <p>The quarterly Treasury Management reconciliations are not signed off by either the officer preparing them or the reviewer.</p>	<p>There is a potential risk of errors and irregularities being overlooked and no prompt action being taken to correct them. This in turn could lead to internal and external criticism over the handling of Treasury Management.</p>	<p>Ensure that reconciliations are checked, signed and dated by both the preparing officer and a reviewer.</p>	<p>Accept. Quarterly reconciliation to be signed by person preparing the reconciliation and reviewed and signed by either the Chief Accountant or Senior Accounting Technician.</p> <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: From Q3 reconciliation to be signed off January 2018</p>
Audit: Cash Collection					
Assurance: Moderate					
Summary: Full systems audit					
1	High	<p><u>Redditch Suspense Account</u></p> <p>Redditch suspense account is still carrying continuously high amounts and it is never cleared. As at 22nd September 2017 £42942.02.</p>	<p>Potentially transactions are being left and not investigated enough to be coded in its correct location this could cause a knock on effect with income and potential for incorrect chasing of monies which have been paid but sat in Suspense lead to reputational damage.</p>	<p>To introduce a specific monitoring procedure for the cashiers suspense account once cashiers have done all they can.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: Jan 2018 Financial Services Manager to review management of suspense account to consider options for transactions to be accounted correctly by finance and have a better joint working. Suspense Account to be monitored by Senior Customer Support Officer on a monthly basis and flagged with Financial Services Manager to raise concern if unusually high.</p>
2	Medium	<p><u>Refund Transactions</u></p> <p>Currently no refund reports are being monitored or reviewed. The refund function is used by all cashiers and used for various functions such as voids/vulnerable people payments as well as actual refunds</p>	<p>There is a risk that unnecessary transactions are being performed and could lead to a potential loss of money or fraudulent action which could potentially lead to reputational damage</p>	<p>To run a monthly report checked by management to ensure that this function is being used correctly and to highlight training needs if this function is being over used.</p>	<p>Responsible Manager: Senior Customer Support Officer</p> <p>Implementation date: Jan 2018 A monthly report to be run and checked by SCSO, identify if being used frequently and discuss with officers as part of their 1to1s. Address training requirements.</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	Medium	<p><u>Overs and Unders</u></p> <p>No evidence of investigation of 'overs' and 'unders' in Redditch</p>	<p>Risk of loss of money but there is also an inconsistent approach in what is now a shared service potentially leading to errors causing financial loss.</p>	<p>Have a consistent approach across both authorities and demonstrate clearly when there has been an investigation into the variances. Create a computer file which can then be accessed by appropriate officers across all sites. Only retain necessary documentation for financial aspects for 6 years.</p>	<p>Responsible Manager: Senior Customer Support Officer Implementation date: Jan 2018 Align processes across Bromsgrove and Redditch to ensure recording overs and unders in the same way. SCSO to review weekly and address any identified issues with officers and address training requirements.</p>
4	Medium	<p><u>Administrative errors</u></p> <p>Audit testing identified a number of administrative errors at Redditch outer offices; 1 bank slip with no corresponding number to bag, 2 with file errors, 3 no bank slips scanned in, 1 no G4S slip scanned in, 1 adding up incorrect on bank slip and entered incorrectly on daily spreadsheet.</p>	<p>Risk that inaccurate information is provided or there is a lack of supporting evidence if trying to prove banking and collection. This could lead to a potential financial loss.</p>	<p>Allocated Customer Service Officer to monitor the scan files to ensure they are tidy and have the required documents, re-emphasis in a team meeting on the importance of scanning clear documents.</p>	<p>Responsible Manager: Senior Customer Support Officer Implementation date: Jan 2018 Monthly check to ensure scanned files are tidy and have the required information. Training as appropriate with teams. Review 3 months – consider whether check could be completed by Cashier or CSO.</p>
Audit: Customer Services					
Assurance: Moderate					
Summary: Full systems audit					
1	Medium	<p><u>Minutes of Meetings</u></p> <p>Meetings with the other services e.g. Benefits, are not being formally documented to act as an action log and reference point.</p> <p>Meetings had started to be documented but with the re-structure meetings have been put on hold. They are due to pick back up again shortly and the Senior Customer Support Officer will be taking responsibility.</p>	<p>Potentially a reputational risk if information has been provided and not relayed. Potentially could cause miscommunication and a poor customer service experience leading to a damage of trust between departments and poor customer relationships</p>	<p>To ensure minutes of meetings are documented going forward.</p>	<p>Responsible Manager: Senior Customer Support Officer Implementation date: Jan 2018 SCSO to save minutes where they can be accessed by all. Regular meetings to be held monthly with Revenues, Benefits, Housing, Environmental Services. SCSO to use information to plan CSO resources effectively.</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
2	Medium	<p><u>Phone Message Recordings</u></p> <p>Housing Options and Planning have phone lines which have no recording and just ring out until either it gets answered or goes to voicemail.</p> <p>Revenues and Benefits both have lengthy recorded messages with a number of options.</p>	<p>Risk to causing repeat calls to other numbers such as switchboard. The customer may not know what number they are through to and potentially not have their enquiry handled potentially leading to complaint or reputational damage.</p>	<p>Review the use of recorded messages; consider short recordings for those currently without one to enable the customer to know that they are ringing the correct service.</p>	<p>Responsible Manager: Assistant Customer Support Manager Implementation date: Jan 2018 Review Revs and Bens messages and liaise with Assistant Financial Support Managers to make necessary changes. Head of CAFS to meet with Head of Planning and Housing to discuss improvements of phone lines. Follow up actions to be passed through to Assistant Customer Support Manager</p>
3	Medium	<p><u>Housing Options</u></p> <p>Observation demonstrated an issue where resources are potentially strained in Housing Options. Initially no one was covering the desk and there was no one available to take calls. There was an issue of sickness on this day. However the officers are carrying a caseload and are covering frontline enquiries. The enquiries observed identified 2 that were repeat calls due to not receiving communication from their officer.</p> <p>The web pages encourage the customer to come into the Town Hall which then creates more face to face customers.</p>	<p>Risk within the service of pressure being put on certain individuals potentially leading to an over and above workload, stress and potential sickness. Potential risk that the customers are not being dealt with causing frustration on the customer part leading to complaint and reputational damage.</p>	<p>A deeper review to be undertaken to examine the requirements of the housing options team to enable better presence for dealing with frontline enquiries.</p>	<p>Responsible Manager: Assistant Customer Support Manager Implementation date: Dec 2018 Head of CAFS to meet with head of housing to discuss pressure on service and impact on customer service. Follow up actions to be passed to Assistant Customer Support Manager</p>
4	Medium	<p><u>Complaints system</u></p> <p>On 29/9/17 there were 47 complaints open and 5 were from 2016. There was little in the way of notes on the complaints to state where they are at.</p> <p>8 out of 57 closed complaints going back to April 2017 had comments in relation to what will improve/lessons learnt from. 5 of these were Environmental Services.</p> <p>There were 7 open complaints that would need to be re-assigned as the assigned member of</p>	<p>Risk that complaints aren't getting dealt with and customers are not being listened to. Issues that may not be dealt with which could lead to further complaints, involvement of ombudsmen's and external authorities leading to potential reputational damage.</p>	<p>Review of the complaints system to ensure better updates and use as a management tool to be able to improve services and identify trends.</p>	<p>Responsible Manager: Assistant Customer Support Manager Implementation date: March 2018 Review complaints system and make necessary improvements, to link with launch of Customer Service Principles. Complaints and Compliments to be included in Strategic dashboard.</p>

REDDITCH BOROUGH COUNCIL

Date: 1st February 2018

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		staff is no longer available to deal with the compliant.			
5	Medium	<p><u>Website</u></p> <p>Generally the website for both authorities, as they use the same layout, is confusing as technically there is more than one front page using the tabs across the top.</p> <p>After reviewing the popular services there was a mix of easy/not so easy to find. The main aspects were available on the first screen.</p> <p>Council Tax had a number of screens and it wasn't clear about using the self-serve portal.</p> <p>Housing Options didn't give much information or any clear options of contact apart from to come into the Town Hall.</p> <p>There were good examples of linking into self-serve such as Environmental, with clear encouragement to use the web based form.</p> <p>The benefits parts linked into the online portal at various points</p>	<p>The effect of not giving clear information which can create repeat contact via face to face or telephony causing a strain on resources who are then unable to carry out other tasks leading to potential failure within services. This will lead to reputational damage</p>	<p>A review of the website would be the ideal however in the short term review of Council Tax and Housing Options pages should be undertaken in order to encourage self-service.</p>	<p>Responsible Manager: Assistant Customer Support Manager Implementation date: Feb 2018 Review pages with the most traffic and look at improving functionality of the website to enable customers to self-serve. Priority for Revenues and Housing. Longer term to improve both websites support needed across all relevant teams and departments.</p>
Audit: St David's House					
Assurance: Moderate					
Summary: Full systems audit					
1	High	<p><u>Care Cost Returns</u></p> <p>The Registered Manager is the only one currently able to carry out the returns for care costs this should be done weekly but is being carried out as and when. The Registered Manager is still doing this task even though she is currently off sick. The last return was completed for the week of the 7th July at the time of audit.</p>	<p>There is a risk that care costs are not collected at all or correctly which will lead to a financial loss and potentially incorrect reporting to Worcestershire County Council on the Care returns.</p>	<p>Others officers are trained and given time to complete the weekly Care Returns to provide resilience in times of long term absence or an employee leaving the employment of the council.</p>	<p>Responsible Manager: Children's and Families Service Manager Implementation date: 31st October 2017. Another Officer has now been trained in this but another person will also be trained in case of any absence.</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
2	Medium	<p><u>Handbooks</u></p> <p>Both the management and staff handbook had not been reviewed since 2005 according to the hard copies held in the Administration office</p>	<p>Incorrect or out of date procedures could lead to the carrying out tasks incorrectly leading to the mishandling of tenants and their belongings leading to non compliance and reputational damage.</p>	<p>Review and update handbooks to ensure that current practises are those that are past onto new staff and there is consistency through out the process.</p>	<p>Responsible Manager: Children's and Families Service Manager</p> <p>Implementation date: 30th November 2017 Due to all policies and procedures having to be revised and developed we will need to complete this task before we renew the staff handbook.</p>
3	Medium	<p><u>Hospitality Reporting</u></p> <p>Although there is nothing untoward demonstrated in the hospitality book 4 items were a repeated gift; the procedure states that officers should not receive repeated gifts. There is no evidence of the book being checked by a senior officer.</p> <p>Procedure in the handbook has not been reviewed since 2005. Democratic Services has not received any documentation with regard to gifts received at St David's House to be placed on their register.</p>	<p>There is a risk of the acceptance of gifts against policy, which could be seen a bribery or corruption leading the council to reputational damage</p>	<p>Review of hospitality procedure and liaising with Democratic Services to ensure compliance with Council Policy for the registering of gifts received.</p>	<p>Responsible Manager: Children's and Families Service Manager</p> <p>Implementation date: 31st October 2017 A team meeting has been arranged at St David's for the beginning of October 2017 this will include going through the policy and set up proper procedures with staff. Will also be liaising with democratic services beforehand to ensure we are following the process correctly.</p>
4	Medium	<p><u>Procurement card</u></p> <p>There is only 1 procurement card held by the Registered Manager for this area. The Registered Manager is currently off sick, the petty cash of £40 can be used but this is not ideal if an urgent purchase is required.</p>	<p>Unable to purchase necessary equipment or provisions urgently when required leading to being unable to carry out a task relating to care needs. Leading to reputational damage.</p>	<p>Consideration given to at least the Assistant Manager having a Procurement card in the absence of the Registered Manager.</p>	<p>Responsible Manager: Children's and Families Service Manager</p> <p>Implementation date: 31st October 2017 After reviewing how St David's is working, it would be beneficial for the deputy manager, the administration assistant and the cook to have procurement cards. Have been liaising with Finance about this.</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
5	Medium	<p><u>Training</u></p> <p>There is currently no clear matrix to show what training staff have had and what is required so that someone could easily identify what training is to be undertaken in the absence of the registered manager.</p> <p>It should be noted however that individual certificates of training are held on the officer's personal file.</p>	<p>Risk of untrained staff carrying out tasks which could lead to incorrect handling of residents potentially causing injury or illness to themselves and others leading to complaints and reputational damage</p>	<p>To ensure a clear training matrix is in place with training completed by each individual officer and the training review dates.</p>	<p>Responsible Manager: Children's and Families Service Manager</p> <p>Implementation date: The training matrix is now in place, however there is a large amount of mandatory training that staff will need to do which could take some time. The plan is for staff to undertake this over the next 6 months – end March 2018</p>
6	Medium	<p><u>Induction</u></p> <p>Testing found that in 1 out of the 5 staff files sampled the induction checklist had not been completed and signed.</p>	<p>Risk of staff member not having the correct knowledge potentially leading to non compliance. and reputational damage</p>	<p>Ensure all staff inductions are complete and signed and dated by the Inductor and inductee.</p>	<p>Responsible Manager: Children's and Families Service Manager</p> <p>Implementation date: <i>31st October 2017</i> Every staff member will be having a one to one supervision over the next 6 weeks. It is planned that their induction checklist will be checked and the signing off of these shall be done during this time if required.</p>
Audit: Individual Election Registration					
Assurance: Significant					
Summary: Full systems audit					
1	Medium	<p><u>Data Protection</u></p> <p>A list of people who had viewed the register at Parkside was found in a poly pocket within the hard copy full register itself, therefore available to members of the public. The information recorded included names, addresses and signatures of people who had previously viewed the register.</p>	<p>Financial risk and reputational risk.</p> <p>Possible breach of the Data Protection Act 1998 resulting in a financial penalty and adverse publicity.</p>	<p>Determine whether this information needs to be recorded. If there is a legitimate business need to record and retain this information store it securely, otherwise dispose of it in confidential waste.</p>	<p>Responsible Manager: Electoral Services Manager</p> <p>It has been decided that there is no need to keep this data, so a list will no longer be kept.</p> <p>Implementation date: Completed.</p>
end					

AUDIT & GOVERNANCE COMMITTEEDate: 1st FEBRUARY 2018**THE 2018/19 PROVISIONAL INTERNAL AUDIT PLAN 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	Chris Forrester – Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the Redditch Borough Council Provisional Internal Audit Operational Plan for 2018/19;
- to confirm the performance indicators for the Worcestershire Internal Audit Shared Service for 2018/19

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to consider the Audit Plan and subject to any comments / proposed changes the Plan be noted**
- 2.2 **The Committee is asked to consider and note the Key Performance Indicators.**

3. KEY ISSUES**Financial Implications**

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

AUDIT & GOVERNANCE COMMITTEEDate: 1st FEBRUARY 2018**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”.

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

Service / Operational Implications

- 3.3 Internal Audit Aims and Objectives

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

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

- 3.4 Formulation of Annual Plan

WIASS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. The Internal Audit Plan for 2018/19, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE****Date: 1st FEBRUARY 2018**

council's risk management, performance management, other assurance processes as well as organisational objectives and priorities. It has been based upon the risk priorities per the Corporate and Service risk registers. Large spend budget areas have also been considered, and, direct association has been made to the organisational objectives and priorities. The draft Internal Audit Plan for 2018/19 has been agreed with the s151 Officer and has been considered by Senior Management Team. It has been formulated with the aim to ensure Redditch Borough Council meet its strategic purposes, delivers it's promises and has directly linked the various aspects to identify the 'golden thread' in regards to the objectives and risk identification to Service delivery. It is brought before the Audit and Governance Committee in draft format as the involvement of the Committee 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.

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

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

By bringing a provisional plan of work before the Audit and Governance Committee in February 2018 which has been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes it allows Members to have a positive input into the audit work programme for 2018/19 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer. Due to the continuing changing environment that exists in Local Government the plan must be seen as a framework for Internal Audit work for the forthcoming year. There is a need for improved flexibility in the plan due to a changing risk profile as well as emerging risks. To ensure flexibility there is the possibility that the plan will be updated during the year in order to address such challenges. It is planned that a six month review before Senior Management Team will take place to ensure the audit plan remains risk focussed and any required changes can be considered.

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 1st FEBRUARY 20183.5 Resource Allocation

The Internal Audit Plan for 2018/19 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. A summary of the days as well as the detailed plan provision has been included with the Internal Audit Plan for 2018/19 at **Appendix 1**. A number of areas have been included in the plan but due to the resource available priorities have been applied in regard to the plan delivery. Those areas that are considered to have a 'high' priority will be targeted first in regard to the plan delivery. Other areas which are identified as 'medium' priority have been considered. An assessment has been made whether to include in the plan based on the overall risk and governance profile. The Head of Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 400 day allocation is based on transactional type system audits and remains the same number of days as being delivered during 2017/18.

Due to the changing internal environment, ongoing transformation and more linked up and shared service working between Redditch and Bromsgrove the plan has been organised in a smarter way in order to exploit the efficiencies that this type of working provides. Although the audit areas will have an allocation of audit days the reviews will continue to be more cross cutting than before and will encompass the different service perspectives that the Services need to deliver (e.g. Customer Services impacts on the majority of service areas so the audit will reflect this). All or part of the budgeted days will be used on a flexible basis depending on the risk exposure the end result being better corporate coverage and ownership of the audit outcomes.

Due to both external and internal audit findings the financial systems have been included as audit areas as it is considered certain risks remain in these areas. It is hoped that in time a 'watching brief' approach can be adopted when there is a confidence in embedded process, control and anti fraud measures thus leading to a reduction in the allocated days. Operational support days are included to give a little flexibility and contingency in the plan e.g. consultancy but are necessary to support the delivery of the plan as a whole.

The Provisional Internal Audit Plan for 2018/19 is set out at **Appendix 1**.

AUDIT & GOVERNANCE COMMITTEEDate: 1st FEBRUARY 20183.6 Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2018/19 will be closely monitored by the Head of the Internal Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the s151 officers from client organisations, on a quarterly basis and to the Audit Committee on a quarterly basis.

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

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

4. RISK MANAGEMENT

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

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

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

5. APPENDICES

Appendix 1 ~ Internal Audit Plan 2018/19

Appendix 2 ~ Performance indicators 2018/19

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUDIT & GOVERNANCE COMMITTEE

Date: 1st FEBRUARY 2018

AUTHOR OF REPORT

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

AUDIT & GOVERNANCE COMMITTEEDate: 1st FEBRUARY 2018**APPENDIX 1****Summary of Days per Overall Audit Group for 2018/19.**

Planned Days	2018/19
Core Financial Systems	52
Corporate Work	47
Service Delivery	175
Other Operational Work	72
Sub Total	346
Audit management meetings	20
Corporate meetings / reading	9
Annual plans, reports & Committee support	25
Total Audit Days	400

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 1st FEBRUARY 2018**Provisional 2018/19 Internal Audit Plan**

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
FINANCIAL					
Debtors*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	6
Main Ledger/Budget Monitor/Bank Rec	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	8
Creditors*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	6
Treasury Management	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	6
Council Tax*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	8
Benefits*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	10
NNDR*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	8
Sub TOTAL					52
CORPORATE					
IT Audit* (GDPR)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	8
Risk Management*	Fundamental to strategic purpose delivery	S151 request	Medium	<input checked="" type="checkbox"/>	6

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 1st FEBRUARY 2018

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
Health and Safety* (Fire and water risk assessments)	Fundamental to strategic purpose delivery	Non compliance with Health and Safety	Medium/ High	<input checked="" type="checkbox"/>	13
Procurement* (Compliance and Process)	Fundamental to strategic purpose delivery	Head of Service request	Medium	<input checked="" type="checkbox"/>	10
Shared Service Delivery* (PPL - Procurement undertaken on behalf of RBC)	Fundamental to strategic purpose delivery	N/a	Low/Medium	<input checked="" type="checkbox"/>	10
Sub TOTAL					47
SERVICE DELIVERY					
Customer Access and Financial Support:					
Welfare Support:					
Essential Living Fund*	Strategic Purpose: Help me to be financially independent	BEN -Impact of the Welfare Reforms Act	Medium	<input checked="" type="checkbox"/>	5
Discretionary Housing Payments*	Strategic Purpose: Help me to be financially independent	BEN -Impact of the Welfare Reforms Act	Medium	<input checked="" type="checkbox"/>	5
Council Tax Hardship Fund*	Strategic Purpose: Help me to be financially independent.	BEN - Impact of Introduction of local Tax Scheme	Medium	<input checked="" type="checkbox"/>	4
Universal Credit					
Resource implications within the Council and potential implications*	Strategic Purpose: Help me to be financially independent. Strategic Purpose: Help me to live my life independently	BEN - Fail to adequately resource the service to meet demand	Medium	<input checked="" type="checkbox"/>	10
Planning and Regeneration Service					
Emergency Planning and Business Continuity resilience	Fundamental to strategic purpose delivery	CR - Business Continuity Plans fail to operate effectively in an incident	Low/Medium	<input checked="" type="checkbox"/>	

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 1st FEBRUARY 2018

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
Community Service					
Shop Mobility and Dial a Ride (Income anti fraud measures)	Strategic Purpose: Help me to live my life independently	Emerging Risk - Potential for fraud and misappropriation of funds	Medium	<input checked="" type="checkbox"/>	14
Environmental					
Car Parking (Value for Money contract)	Ensuring a sustainable council	Fail to adequately maintain and manage car parking and on street enforcement	Low/Medium	<input checked="" type="checkbox"/>	4
Stores and customer links	Fundamental to strategic purpose delivery	Head of Service request	Medium	<input checked="" type="checkbox"/>	23
Land Drainage (Value for Money contract)	Keep my place safe and looking good	Head of Service request	Low	<input type="checkbox"/>	
Transport (Fleet Management)	Keep my place safe and looking good	Head of Service request	Medium	<input checked="" type="checkbox"/>	10
Leisure and Culture					
Arms Length Company (Project consultation and residual risk to Council)	Provide good things for me to see, do and visit	Head of Service request	High	<input checked="" type="checkbox"/>	40
Housing					
Focus/ Scoping to be agreed with Senior Management Team	Ensuring a sustainable council Keep my place safe and looking good	Deputy Chief Executive request	High	<input checked="" type="checkbox"/>	60
Sub TOTAL					175

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 1st FEBRUARY 2018

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
Other Operational Work					
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	28
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	10
Completion of prior year's audits	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	12
Report Follow Up (all areas)	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	15
Statement of Internal Control	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	3
Bus Operators Grant	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	4
Sub TOTAL					72
Audit Management Meetings	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	20
Corporate Meetings / Reading	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	9
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	25
Sub TOTAL					54
TOTAL CHARGEABLE					400

Notes:

*As part of the increasing joint and shared service working between Bromsgrove District Council and Redditch Borough Council the audit budgets and areas will feature in both internal audit plans and be consolidated to deliver a single piece of work covering both Council's. Where practically possible the days will be split equally between the plans. Weighting will, however, be applied if it is considered the focus of the work will major on one Council.

AUDIT & GOVERNANCE COMMITTEE

Date: 1st FEBRUARY 2018

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

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 1st FEBRUARY 2018**Appendix 2****PERFORMANCE INDICATORS 2018/19**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2018/19. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. KPI 4. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement/Direction of Travel	2018/19 Position (as at XXXXXXXX)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 16 Delivered = XX	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	XX	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	XX	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	XX	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	XX	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (<5%)	XX	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	XX	When Audit Committee convene

WASS conforms to the Public Sector Internal Audit Standards 2013.

This page is intentionally left blank

REDDITCH BOROUGH COUNCIL

AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE

1st February 2018

CORPORATE GOVERNANCE AND RISK - PROPOSED ACCOUNTING POLICIES 2017-18

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

1. SUMMARY OF PROPOSALS

This report presents the proposed accounting policies to be used for the closure of the 2017/18 accounts. These are prepared in line with CIPFA's Code of Practice on Local Authority Accounting in the UK 2017/18 (the Code). Adopting the proposed policies will support timely production of the annual Statement of Accounts.

The report also provides an update to the S11 recommendations

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that :-

- 2.1. **The Accounting Policies set out in Appendix A be approved for use for the closure of the 2017/18 accounts and production of the 2017/18 Statement of Accounts.**
- 2.2 **The progress in relation to the S11 recommendations be noted**

3. KEY ISSUES

- 3.1 In order to comply with International Accounting Standards, the Council needs to disclose the accounting policies it has applied to all material balances and transactions, in compiling its annual Statement of Accounts These relate to the accounting practices, as set down in the Code, which all local authorities follow.
- 3.2 It is considered good practice to obtain member approval for the accounting policies that are to be adopted and will assist with production of the draft accounts by 31 May 2018. The aim is to have the audited accounts complete by 31st July 2018. The policies are attached at Appendix A with the changes from the previous policies highlighted in the appendix.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****1st February 2018**

3.6 Preparation of draft accounts is required to come forward to 31 May following the relevant year end, for financial years 2017/18 onwards. At the same time, the audited statements will need to be published by 31 July following the relevant financial year end.

3.7 S11 Recommendations

As members are aware 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 in 2015/16. 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.

3.8 The S11 recommendations from addressed 2 areas. The preparation of the accounts recommendations have been resolved however there remain a couple of improvements identified in relation to the budget monitoring. These include :

- The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions. The Auditors have recognised that improvements have been made on this recommendation however there remain further actions that they have identified to ensure the Council has robust plans in place. These include:
 - Clearer monitoring of savings plans to include an assessment of risk and mitigation
 - Monitoring arrangements of the Council Plan actions to be progressed

Action :

- *Best practice report to be developed to provide enhanced savings monitoring report from quarter 2 to include risk assessment of achievement of savings*
- *Further sensitivity analysis in relation to demand on services and demographic assumptions to be considered for future reviews of the Medium Term Financial Plan.*
- *Business case framework developed to ensure a consistent approach to inform and capture future savings*

Officers are continuing to implement improvements to ensure the recommendations are delivered for the Council

Legal Implications

3.9 The Code constitutes 'proper accounting practices' to be followed by a local authority under the terms of section 21 of the Local Government Act 2003

Service/Operational Implications

3.8 None, as a direct result of this report

Customer / Equalities and Diversity Implications

3.9 None, as a direct result of this report.

4. RISK MANAGEMENT

Effective financial management is included in the Corporate Risk Register.

5. APPENDICES

Appendix A -2017/18 Proposed Accounting Policies

6. BACKGROUND PAPERS

CIPFA recommended template for the Statement of Accounts

AUTHOR OF REPORT

Name: Zoe Martin – Chief Accountant
Email: z.martin@bromsgroveandredditch.gov.uk
Tel: (01527) 881643

This page is intentionally left blank

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2017 which require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

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

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

- The council has set a de-minimis level for accruals of creditors and debtors that are calculated manually in order to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and is currently set at £5,000. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt.

Exceptions to this de minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made
- Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £500
- Accruals posted based on orders that have been goods receipted on the E-Financials system

- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis

ii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iii) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

iv) Charges to Revenue for Non-Current Assets

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

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

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

v) Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

**vi) Employee Benefits
Benefits Payable During Employment**

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

Termination benefits

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

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

Post Employment Benefits

Employees of the Authority are members of the below pension scheme:

- The Local Government Pensions Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF)

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

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

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors).
- The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability, ie net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the WPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii) Events After the Reporting Period

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

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

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

xviii) Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows: □

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

ix) Financial Instruments**Financial Liabilities**

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

Available-for-sale assets

The Council has no available for sale assets

x) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

xi) Heritage Assets**Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

Heritage Assets are those with cultural, environmental or historical significance that make their preservation for future generations important.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xxi in this summary of significant accounting policies.

xii) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

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

xiv) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

xv) Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. (England and Wales).

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi) Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Notes are only included where items are considered to be material by value or nature.

xvii) Overheads and Support Services

In the Financial Statements overheads are reported under the Strategic Purpose where they are managed which is usually Enabling the Authority.

xviii) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie, it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- school buildings - current value, but because of their specialised nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings - the s151 Officer has reviewed the use of the Major Repairs Allowance as depreciation for Housing Revenue Account properties, and considers this to be a reasonable estimate for depreciation cost. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets. Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer and is between 15-100 years.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

xix) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

Job evaluation was implemented during 2016-17 and backpay was included where appropriate. There is no provision for backpay or equal pay claims.

Contingent Liabilities

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

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

Contingent Assets

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

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

xx) Reserves

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

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

xxi) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii) Shared Services

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

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

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

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

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

xxiii) Value Added Tax (VAT)

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

REDDITCH BOROUGH COUNCILAUDIT GOVERNANCE AND STANDARDS COMMITTEE 1ST FEBRUARY 2018APRIL – DECEMBER FINANCIAL SAVINGS MONITORING REPORT 2017/18

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 2017/18. This report presents the savings delivered projected for the full year against the efficiency plan.

2. RECOMMENDATIONS

- 2.1 That the Committee note the final financial position for savings as presented in the report and at Appendix 1.

3. KEY ISSUES

- 3.1 This report provides a statement to show the savings projected for 2017/18 linked to the efficiency plan. The efficiency plan was approved in October 2016 and the budget set in February 2017 reflected the savings proposed that were in addition to the efficiency plan. This report gives more detail in relation to the savings made compared with the report that is presented to Executive.
- 3.2 The statement shows that it is projected that the efficiency plan will be exceeded by £57k. It is clear that despite the overall savings being in excess of the plan some of the initial savings proposed have not been realised during 2017/18. Officers are continuing to work through the ways that the further savings can be delivered to meet the plan in future years. The savings and additional income are under review to be included in the budget projections for 2018/19.
- 3.3 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

REDDITCH BOROUGH COUNCIL**AUDIT GOVERNANCE AND STANDARDS COMMITTEE 1ST FEBRUARY 2018**

Appendix 1 details the savings to be achieved and projected outturn position for each.

3.4 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.

3.5 **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 2017/18

7. **BACKGROUND PAPERS**

Available from Financial Services

AUTHOR OF REPORT

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

SAVINGS TO DELIVER THE EFFICIENCY PLAN 2017/18

Area	Cost reduction / Additional income growth/ Alternative Service Delivery	2017/18	Income projection 2017/18	Projected Variance	Comments April - September
		£'000	£'000	£'000	
Cross Organisational	Increases in income and growth (including compliance in relation to Council Tax)	300	525	-225	Additional income was identified to deliver the figure included in the efficiency plan. The income projections were approved as part of the MTFP which superceeded the efficiency plan.
Cross Organisational	Alternative Models of Service Delivery - Reviewing the provision of services with the aim to redesign and work with other partners to deliver savings	300	0	300	The commercial work that is being undertaken by officers will not deliver additional income or savings in 2017/18. Other savings have been achieved to ensure that the shortfall on income is mitigated
Customer Access & Financial Support	Improved efficiencies by moving to a new system for Revenues and Benefits	80	63	17	Savings to be achieved as identified within the shared service and migration to one system across both Councils.
Cross Organisational	Organisational Management Review	135	27	108	A number of service reviews have delivered management savings. Further savings to be realised from a wider management review
Cross Organisational	Reduce waste in system	175	257	-82	Additional savings were included in the MTFP in relation to reducing waste from processes and systems. These saving projections were approved as part of the MTFP which superceeded the efficiency plan.
Cross Organisational	Reset budget from baseline of 2015/16	200	425	-225	Additional savings were included in the MTFP in relation to resetting the budget from previous years. These saving projections were approved as part of the MTFP which superceeded the efficiency plan.
Additional Business Rate Growth	Based on assumptions of additional growth from sites across the District – regeneration of the town centre	50	0	50	The additional business rate take is not yet known and will be reviewed when the formal return is submitted to Government in December. A prudent approach has been taken at quarter 2 to show no growth for 2017/18
TOTAL NEW SAVINGS / USE OF BALANCES /		1,240	1,297	-57	

This page is intentionally left blank

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**1st February 2018

Work Programme**1st February 2018 meeting****Standards**

- Monitoring Officer's Report

Governance

- Independent Member – Appointment
- External Audit Plan 2017-18
- External Audit – Annual Audit Letter 2016/17*
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2018/19
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2018/19

Monitoring

- Corporate Governance and Risk Update (including S11 Action Plan Monitoring)
- Financial Savings Monitoring Report
- Committee Action List and Work Programme

26th April 2018 meeting**Standards**

- Monitoring Officer's Report

Governance

- External Audit – Update Report*
- External Audit - Informing the Risk Assessment (Communicating with those charged with governance 2016/17 Housing Benefit grant report)
- Internal Audit – Progress Report
- Internal Audit – Final Audit Plan 2018/19

Monitoring

- Re-appointment of Lead Fraud Member on the Committee (Note: Lead Risk Member role appointed to until September 2018).
- Compliance Team Update (6 monthly)
- Corporate Governance and Risk Update (including S11 Action Plan Monitoring)
- Financial Savings Monitoring Report
- Committee Action List and Work Programme

30th July 2018 meeting**Standards**

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****1st February 2018**

- Monitoring Officer's Report
- General Dispensations Report

Governance

- External Audit – Audit Findings Report 2017/18*
- Audited Statement of Accounts 2017/18
- Internal Audit – Annual Report 2017/18

Monitoring

- Corporate Governance and Risk Update (including S11 Action Plan Monitoring)
- Financial Savings Monitoring Report
- Committee Action List and Work Programme

25th October 2018 meeting**Standards**

- Monitoring Officer's Report

Governance

- Internal Audit – Progress Report

Monitoring

- Compliance Team Update (6 monthly)
- Re-appointment of Lead Risk and Fraud Members on the Committee
- Corporate Governance and Risk Update (including S11 Action Plan Monitoring)
- Corporate Governance and Risk Update (including S11 Action Plan Monitoring)
- Financial Savings Monitoring Report
- Committee Action List and Work Programme

31st January 2019 meeting**Standards**

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****1st February 2018**

- Monitoring Officer's Report

Governance

- External Audit – Update Report*
- External Audit – Grant Claims Certification Work Report*
- External Audit – Annual Audit Letter 2017/18*
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2019/20
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2019/20

Monitoring

- Corporate Governance and Risk Update (including S11 Action Plan Monitoring)
- Financial Savings Monitoring Report
- Committee Action List and Work Programme

The items accompanied by a “*” sign are currently subject to consultation and may change.

This page is intentionally left blank