



# Audit, Governance & Standards Committee

Thu 26 Apr  
2018  
7.00 pm

Committee Room Two  
Town Hall  
Redditch

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# Audit, Governance & Standards

Thursday, 26th April, 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 - 24)

Members are asked to consider the minutes from the meetings of the Audit, Governance and Standards Committee held on 21<sup>st</sup> September 2017 and 1<sup>st</sup> February 2018 respectively.

### 4. Monitoring Officer's Report - Standards Regime (Pages 25 - 28)

### 5. Grant Thornton - Update Report (Pages 29 - 46)

### 6. Grant Thornton - Auditing Standards - Communicating with the Audit, Governance and Standards Committee (Pages 47 - 76)

### 7. Grant Thornton - Certification Work Report 2016/17 (Housing Benefit Subsidy Audit) (Pages 77 - 86)

### 8. Compliance Team Update Report (Pages 87 - 90)

### 9. Internal Audit Progress Report (Pages 91 - 120)

### 10. Internal Audit - Final Audit Plan 2018/19 (Pages 121 - 132)

### 11. Corporate Governance and Risk Update Report (including Section 11 Action Monitoring) (Pages 133 - 134)

### 12. Financial Savings Monitoring Report (Pages 135 - 138)

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## **13.** Committee Work Programme (Pages 139 - 140)

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# Audit, Governance & Standards Committee

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## 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.

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Chair

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**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. EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2016/17**

Members received for consideration Grant Thornton's Audit Findings Report for the 2016/17 Statement of Accounts. Mr Neil Preece and Ms Mary Wren of Grant Thornton presented the report.

Mr Preece advised that the audit was almost complete and that, subject to completion of some minor elements, Grant Thornton had given an unqualified opinion on the accounts and a qualified Value for Money opinion. The accounts had been submitted to Grant Thornton on 27th June; within the current statutory deadline.

Mr Preece reminded Members that with effect from the 2017/18 financial year draft accounts would have to be submitted to the external auditors by the end of May; a month earlier than at present. The external auditors would then have to complete their audits by the end of July, rather than the end of September. Grant Thornton had been working with Officers in preparation for the new statutory



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deadlines. The audit team had some concerns as to whether the Council would be able to produce the accounts to the required standard within the new timeframe, particularly as Officers would be doing this for two authorities. Other authorities had produced accounts within the new timescale but not to the same quality as previously. Concern was also expressed in relation to two key members of staff who had been involved in the production of the 2016/17 accounts, but who would not be at the Council during preparation of the 2017/18 accounts.

In order to address Grant Thornton's concerns Officers advised that they were currently in talks with the Chartered Institute of Public Finance and Accountancy ('CIPFA') regarding a supported software system which could close down accounts at the touch of a button – known as the 'Big Red Button' ('BRB'). Officers were working with CIPFA on a model for this, for procurement in 2018. Members were advised that the BRB had already been piloted in some authorities. Mr Jones queried whether the Council needed to factor in any risk for this, in the event it didn't work. Officers explained the testing process and the support the Council would receive from CIPFA. Paul Field, who had worked on the Council's 2016/17 accounts, and who would shortly be leaving the authority to work at CIPFA, was thanked for his work. Officers added that the Council's new Financial Services Manager, Chris Forrester, was due to start in mid-November. It was also anticipated that there would be a secondment opportunity from Solihull Council for the second member of staff who would be taking maternity leave during the preparation of the 2017/18 accounts.

Mr Preece went on to highlight other key messages from the report, including materiality and the audit findings against significant risks. Officers responded to Members' questions, including the reason for the Council's failure to complete its pension PCF1 returns to the County Council, and Officers' actions in this regard. The invoice issues highlighted under Internal Controls and the Management Response to this was also discussed. Members queried whether sending out a return envelope might assist in the processing issue. Officers responded that there would be a cost involved with this but that they could look into the position. Further clarification was also sought by Members in relation the Journal authorisations' issues.

It was noted that two of the IT control issues identified in the previous year – in relation to absence of proactive reviews of logical access within Civica IBS and E-Financial and the lack of documentation batch administration policies and procedures – had not met the anticipated completion date of the end of August, and were due to be completed at the end of October. Whilst a number

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of adjustments to the draft accounts had been identified during the audit process, Grant Thornton had not identified any adjustments which had not been made within the final set of financial statements, which was positive news.

Mr Preece closed by explaining Grant Thornton's Value for Money findings and agreed recommendations for improvement, and Management's responses to these in the Action Plan appended to the report. Grant Thornton were working with Officers on a number of issues, including the development of RAG rating/narrative within budget monitoring reports to improve in-year financial reporting to Members. Financial sustainability and robustness of the Medium Term Financial Plan, which were seen as weaknesses, were also discussed. Further work was required to show how proposed savings plans of £1m would be met. Officers stated that if there was not a robust business case for the savings these should be identified as 'gaps' in order to avoid giving any false reassurances. Grant Thornton were working with Officers to provide stronger business cases, with business cases to be approved by Officers and then Members.

Members agreed that there needed to be a clear picture of where proposed savings would come from. Officers advised that the Senior Management Team would be undertaking an additional piece of challenge work with all Heads of Service to go through savings, to ensure that the £1m identified was realised. The Quarter 2 savings report would be based on the Solihull Council model and would make clear the background to any savings, including RAG rating details. There would also be a solid business case for all savings and a consistent approach for all business cases from 2018/19 onwards.

Officers referred to the Action Plan for the Financial Statements and accompanying recommendations, and advised that further details of actions would be brought to the next meeting, with progress updates to be given at all subsequent meetings. Members queried what would happen in relation to the Value for Money recommendations and Officer actions for these, which it was agreed would also be monitored at all future meetings. Members further requested that they be provided with a copy of the timetable for production of the 2017/18 financial statements (which they had been given for the 2016/2017 accounts), which Officers agreed to forward on.

**RESOLVED that**

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- 1) **the Audit Findings Report 2016/17, as attached at Appendix 1 to the report, be noted; and**
- 2) **the draft Letter of Representation, as attached at Appendix 2 to the report, be approved.**

## **71. 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 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.**

## **72. 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

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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 follow 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.

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

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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.**

### **73. 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

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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.**

**74. 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.

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.**

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## 75. SECTION 11 UPDATE

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

## 76. 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 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.**

## 77. 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.

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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.

#### 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.



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**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

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Chair

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# Audit, Governance & Standards

Thursday, 1 February 2018

## Committee

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### MINUTES

#### Present:

Councillor Jane Potter (Chair), Councillor Tom Baker-Price (Vice-Chair) and Councillors Natalie Brookes, Michael Chalk, Andrew Fry, Mark Shurmer, Yvonne Smith and David Thain

#### Also Present:

D Jones, R Percival and N Preece (Grant Thornton)

#### Officers:

Andy Bromage, Chris Forrester and Jayne Pickering

#### Democratic Services Officer:

Jess Bayley

#### 78. APOLOGIES AND NAMED SUBSTITUTES

An apology for absence was received on behalf of Councillor Pat Witherspoon.

#### 79. DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 80. MINUTES

The Chair explained that an issue had been raised by the external auditors in respect of the Minutes. To provide time for this issue to be addressed the Chair proposed that the Committee should postpone confirmation of the minutes until the following meeting.

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Chair

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**RESOLVED that**

**the minutes of the meeting of the Audit, Governance and Standards Committee should be re-submitted for consideration at the following meeting of the Committee.**

**81. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

The Executive Director of Finance and Corporate Resources presented the Monitoring Officer's report and in so doing highlighted that no complaints had been received since the last meeting of the Committee. Training was in the process of being delivered to Members at political party group meetings in respect of Social Media and Data Protection and the non-aligned Member had been offered this training on a one-to-one basis. Members could request further training though were advised to refer this to the Member Support Steering Group for consideration.

**RESOLVED that**

**the Monitoring Officer's report be noted.**

**82. INDEPENDENT MEMBER APPOINTMENT - VERBAL REPORT**

The Committee noted that Mr Jones's tenure as the non-voting co-opted Independent Member of the Audit, Governance and Standards Committee was due to end shortly. Following his appointment as the Lead Risk Member for the Committee for a further 12 months, and confirmation that he was willing to remain, Members concurred that Mr Jones should be reappointed as the Independent Member of the Committee for a further four year term.

**RESOLVED that**

**Mr Dave Jones be reappointed as the Independent non-voting co-opted Member of the Audit, Governance and Standards Committee for 2018 – 2022.**

**83. EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2016-17**

The Annual Audit Letter 2016/17 was presented for Members' consideration by Mr Richard Percival from Grant Thornton. Members were advised that this had been produced in October 2017, following decisions made at the previous meeting of the Committee.

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A number of points were highlighted in this report for Members' consideration:

- The annual audit letter provided a commentary in respect of the Council.
- In terms of the Value for Money (VfM) conclusion the auditors were satisfied with the Council's arrangements except in respect of financial reporting and financial sustainability.
- As a consequence the VfM conclusion had been qualified in the Audit Opinion.
- Financial reporting and financial sustainability had also been identified as risks due to identified weaknesses.
- The VfM conclusion applied to 2016/17 and significant improvements had been achieved in both areas since then.
- In some cases the external auditors had identified good financial planning, such as the £480,000 savings identified for Leisure and Cultural Services. However, in other areas there remained the need to deliver savings, such as in respect of the proposed Management Review.
- The government had requested extra work in respect of Housing Benefit Grant Certification and this was reflected in the fees that had been recorded for Members' consideration.

Following the presentation of this report Members discussed some further points in detail:

- The potential for reassurance to be provided in respect of improvements to financial reporting and financial sustainability. Members were advised that this had improved, with managers undertaking in-year monitoring of budgets and improvements in the reconciliation of budgets.
- The changes to monitoring arrangements at quarter three of the financial year, which entailed challenging Heads of Service to consider budget levels alongside savings.
- The work of the Senior Management Team (SMT) in reviewing the Council's budgets on a line-by-line basis.
- The suggestion from Grant Thornton for a RAG rating system to be introduced for monitoring savings. Members were advised that this had not yet occurred, though Officers were intending to do so in 2018/19.
- The unidentified savings that remained in the budget and the action that had been requested from Heads of Service to address this. The Committee was informed that Heads of

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Service were required to submit business cases justifying the need for additional budgets where funding was considered insufficient.

- The improvements that had been made to Performance Monitoring. The first Performance Monitoring report, focusing on the strategic purposes and measures, had recently been presented for the consideration of the Executive Committee and it was intended that these would be presented on a bi-monthly basis.
- The delays in respect of the Management Review, which was scheduled to achieve £250,000 savings. Members were advised that this would still take place though later than anticipated due to unforeseen circumstances.
- The progress that had been achieved with providing managers with direct access to budget reports. Members were advised that this was not possible as the Financial Service Team's software was not user friendly. However, Officers were intending to address this in the long-term.
- The potential for Heads of Service to attend meetings of the Audit, Governance and Standards Committee to explain any overspending and / or poor forecasting for budgets within their remit as well as to discuss unidentified savings.
- The ongoing provision of monthly budget updates to managers and the option for managers to meet with their accountants where necessary.
- The availability of appropriate resources to enable Officers to submit the Council's accounts by the new deadline in the summer in 2018. Officers advised that appropriate resources had been obtained and Members were reassured that the deadline would be met.
- The internal control weakness that had been identified by the external auditors and what this entailed. The Committee was informed that this related to PSN forms which previously had not been submitted on time, though adjustments to the system meant that deadlines were now met.

Members noted that budget reports continued to include gaps where savings had not been realised as anticipated. Budget reports were presented for consideration at meetings of the Corporate Management Team (CMT) to ensure continuing awareness and to provide an opportunity to identify action that could be taken to address any gaps. However, Members commented that further action was needed to enhance the resilience of the Council's financial management processes. In this

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context Members suggested that CMT should be encouraged to develop a clear action plan to deliver the unidentified savings.

## **RECOMMENDED that**

**the Corporate Management Team put together a clear action plan to deliver the unidentified savings in 2017/18.**

## **RESOLVED that**

**the Annual Audit Letter 2016/17 be noted.**

### **84. EXTERNAL AUDIT PLAN**

Mr Neil Preece, from the external auditors Grant Thornton, presented the Audit Opinion Plan 2017/18. In presenting this report a number of matters were emphasised for the Committee's consideration:

- The main consideration when working on the Audit Opinion Plan was materiality. A benchmark was utilised to enable the external auditors to focus on the bigger items and the same methodology had been used for this as in the previous year.
- There were a number of key challenges and risks that had been identified for the Council.
- There were four key risks that had been identified for the authority including; valuation of Council House properties, pension fund liabilities (a common risk for most Councils), employee remuneration and operating expenses.
- The external auditors would pick up on some of the issues raised in the VfM conclusion for 2016/17.

After the report had been presented Members requested clarification on a number of areas:

- The potential for the Council to improve in year financial reporting and the robustness of the authority's Medium Term Financial Plan, in line with the external auditor's VfM recommendations.
- The significant proportion of operational costs for the Council and the reasons why these were higher than employee remuneration. Members were advised that operational costs included expenditure on the Housing Revenue Account (HRA) and housing benefits.

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- The authority's ability to meet the early close timeframe for publication of the audited local government accounts. Officers advised that the Council had a timetable in place and was aiming to meet the new deadline.
- The pension fund for Council staff and the extent to which the Council's contribution could be calculated given that the authority participated in the Worcestershire pension fund alongside other Councils in the county. Members were advised that the actuary calculated contributions based on the number of employees and other key variables.
- The use of FRS 19 to calculate pension contributions.
- The need to take into account not just existing employees but previous employees who had paid into the pension fund when calculating the Council's pension liabilities.
- The risks that had been identified for the Council in the VfM audit. Members were advised that two of these risks followed recommendations that had been made the previous year and a further risk related to recent developments in the Housing Department.
- The VfM audit was conducted by the external auditors in accordance with guidance from the National Audit Office (NAO).
- The potential for assurance to be provided to Members at this stage in the year. Members were advised that it would not be possible for the external auditors to provide assurance until the end of the process when a VfM conclusion would be issued.
- The reason why any misstatements were considered trivial when valued at under £66,000 and how this figure had been identified. Members were advised that the figure was selected based on a calculation of 1 per cent of the Council's gross overall expenditure.
- The extent to which errors involving figures valued at £500 or £1,000 would be identified by the external auditors. The Committee was informed that testing was undertaken based on random sampling. As such, if errors were not identified in one year it was likely they would be identified in a subsequent year.
- The review of the installation of IT software for the Payroll system. Officers explained that currently staff had to undertake work manually, though Officers were working with the software provider in an attempt to streamline this.
- The length of time that it was taking to review this IT software, which had been scheduled for completion by September 2017.



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Members were advised that this was a problem with the system which was also impacting on other local authorities.

- The £66 million gross expenditure on revenue for the Council. Officers clarified that this did not include capital costs and were figures for Redditch Borough Council only, rather than shared costs.
- The size of the HRA account. Officers clarified that this was £26 million.

## **RESOLVED that**

**the 2017/18 Audit Opinion Plan be noted and agreed.**

### **85. INTERNAL AUDIT PROGRESS REPORT**

The Head of the Internal Audit Shared Service presented the Internal Audit Progress Report for Members' consideration and in so doing highlighted that the report had been written in December 2017 and therefore there might have been further developments in some areas since then. During the presentation a number of points were highlighted:

- There were a number of high priorities detailed within the appendices to the report. For all of these high priorities action plans had been produced to enable officers to address key issues.
- A number of the recommendations that had been made in respect of Environmental Waste had been addressed through corrective action before the final report was published.
- Cash collection had been identified as a high priority that had been rolled over from the previous year.
- There was a high priority in terms of resilience for St David's House. There was a clear action plan in place to address some of the issues that had been identified in this audit.
- A number of follow up actions were being undertaken by the Internal Audit team to ensure that recommended actions were being implemented.
- There was a clear escalation process in place which was enacted where recommendations were not implemented.

Following presentation of the recommendations Members discussed various issues in further detail:

# **Audit, Governance & Standards Committee**

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- The number of high priority recommendations and the extent to which this number was acceptable for a local authority. Officers advised that this did not cause undue concern.
- The number of recommendations per audit. Members were advised that this varied according to the focus of the audit.
- Progress with recommendations that had been made in respect of CCTV. Officers advised that Internal Audit had felt that a manual system was not appropriate and officers had since found a way of automating the system.
- The Council's work on a skills matrix for staff and the implications for use of agency staff by the authority in the long-term.
- The content of the suspense account and the need for transparency to achieve assurance that significant funding would not be held in this.
- The changes that had been recommended in relation to business waste charges and the extent to which this had been addressed properly. It was agreed that this should be added to the action plan.
- The continuing receipt of cash payments by the Council and action that could be taken to encourage customers to pay for services in other forms.
- The future introduction of a Local Authority Trading Company (LATC) and the need for robust audit systems to be in place in order to assess the performance of this company compared to the existing service.

## **RESOLVED that**

**the report be noted.**

### **86. INTERNAL AUDIT - DRAFT AUDIT PLAN**

The Head of the Internal Audit Shared Service presented the 2018/19 provisional Internal Audit Plan. The Committee was advised that a different approach had been adopted to developing the plan this year. The content of the plan was risk oriented, taking into account both corporate and service risks. The Internal Audit team had consulted with both the Senior Management Team (SMT) and Heads of Service about the content and time had been taken to ensure that the content related to the Council's strategic purposes. The content of the plan would be reviewed six months after its adoption and would be amended if adjustments were found to be needed. This would ensure that the plan was flexible and

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responded to changing circumstances. Any proposed changes to the plan would be reported for the Committee's consideration.

The same number of days, 400, had been allocated by Internal Audit to auditing the Council's services as in previous years. Work would be prioritised in accordance with whether issues were considered to be low, medium or high priority issues. The content was linked closely to that of Bromsgrove District Council due to the close working relationship of the two authorities in respect of shared services. Where there were shared services attempts had been made to share the allocated budget between the two Councils fairly. However, in some cases more time would be allocated to the internal audit at one Council than at another where a particular service was more prevalent for that authority and this would be reflected in the costs. For example more days had been allocated to auditing car parks in Bromsgrove than in Redditch due to different arrangements being in place in the two districts.

A number of performance indicators had been identified for inclusion in the plan. These were the same as those in place in 2017/18. Reports would be provided to the Committee in terms of performance in relation to these indicators on an ongoing basis.

Members noted that the stores had been identified as a potential risk for the Council and this would be subject to an internal audit during the year. The Committee was advised that the stores were used by Housing and Environmental Services and this was a relatively complex area for review.

The Committee also noted that four days had been allocated to an internal audit of the bus operator's grant. Questions were raised as to why time had been allocated to this following the decision in 2016/17 to end financial support from pre 9.30am travel. Officers advised that this was required to help process grant claims and sign off previous arrangements. Members requested that officers investigate whether this would be needed for inclusion in subsequent plans.

## **RESOLVED that**

- 1) the content of the provision Internal Audit Plan be noted;  
and**
- 2) the Key Performance Indicators be noted.**

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**87. TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS AND MINIMUM REVENUE POLICY PROVISION 2018/19**

The Executive Director of Finance and Corporate Resources presented the Treasury Management Strategy 2018/19. During the presentation of this report the following matters were highlighted for Members' consideration:

- The Council had adopted CIPFA's code of practice in respect of treasury management eight years previously.
- The Capital Financing Requirement (CFR) underlined the Council's need to borrow for capital purposes.
- The local authority, like most Councils, tended to borrow from the Public Loans Works Board (PLWB).
- Due to risks of exposure in respect of liquidity the Council had to ensure that it had access to £3 million in cash within three months.
- Like many local authorities the Council had authorised limits for borrowing as well as operational limits for officers.

After the report had been presented Members discussed a number of areas in detail:

- The reasons why the investments on new borrowing requirements were increasing and what this entailed. Officers explained that this was the Council's forecast borrowing which was needed to support the capital programme. There was an assumption being made that borrowing would need to increase.
- The levels at which the costs of borrowing could fluctuate over time.
- The potential to use the Council's capital receipts to invest in capital spending.
- The potential for Members to be provided with more information about the contents of the Council's Capital Programme.
- The arrangement whereby funding was borrowed from the Housing Revenue Account (HRA) by the General Fund and the potential need to borrow from other sources in the long-term.
- The arrangements by which officers built calculations around sustainability into the Council's Medium Term Financial Plan (MTFP).

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- The need for more borrowing in the long-term to help accommodate the costs arising from the housing growth programme.

## **RECOMMENDED that**

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

## **88. CORPORATE GOVERNANCE AND RISK UPDATE (INCLUDING S11 ACTION PLAN MONITORING)**

The Executive Director of Finance and Corporate Resources explained that the report had been provided to ensure Members received overarching information in respect of corporate governance and risks.

Information had been provided about the Council's accounting policies. Within this policy it was proposed that the minimum limit for accruals would be £5,000. It had been agreed with the Council's external auditors that this would be a reasonable level.

Members were advised that action was being taken to improve on the Council's monitoring of savings. This included taking into account assumption about local demographics. Heads of Service were also being encouraged to review fees and charges on a line by line basis, rather than to impose a standard increase across all services, as well as to undertake benchmarking when setting fees.

## **RESOLVED that**

**the Accounting Policies be approved for use for the closure of the 2017/18 accounts and production of the 2017/18 Statement of Accounts.**

## **89. FINANCIAL SAVINGS MONITORING REPORT**

The Executive Director of Finance and Corporate Resources explained that the report detailed the savings that had been achieved by the Council compared to the aims that had been recorded in the Efficiency Plan. The Council was performing better than had been anticipated in the Efficiency Plan in terms of

# **Audit, Governance & Standards Committee**

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delivering savings. However, some of the predictions detailed in that plan had been very different to the actual savings achieved and improvements needed to be made in forecasting.

Shortfalls had been recorded for Leisure and Cultural Services, the Management Review that had featured in the previous Medium Term Financial Plan and Business Rates.

Questions were raised as to why the Council's income and savings were different to predictions detailed in the Efficiency Plan. To an extent it was noted that this was because the Efficiency Plan had had to be finalised in October 2016 four months before the Council had set its budget. In addition the delay with the Management Review had been unforeseen, but had had to be postponed due to issues that had arisen in respect of the Housing Department.

## **RESOLVED that**

**the financial position for savings in the period April to December 2018 be noted.**

## **90. COMMITTEE ACTION LIST AND WORK PROGRAMME**

The Committee was advised that the representatives from the external auditors, Grant Thornton, would be presenting three reports at the following meeting, rather than the two listed in the work programme. The following reports would be presented by the external auditors:

- External Audit – Update Report.
- External Audit – Informing the Risk Assessment.
- External Audit – Housing Benefits Grant Report.

The Meeting commenced at 7.00 pm  
and closed at 8.40 pm

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

26th April 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 1st February 2018.
- 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 standards regime effective from 1st July 2012. The Act places a requirement on authorities to promote and

## **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

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maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and came into force on 1st July 2012

### **Service / Operational Implications**

#### Member Complaints

- 3.3 Whilst the Monitoring Officer has had enquiries about the role of Members on the Planning Committee and the rules around declarations of interests and issues of bias and/or pre-determination, to which she has responded, no formal complaint of any alleged breach of the Code of Conduct by any particular Member has been made to her.

#### Member Training

- 3.4 No further training has been delivered to Members since the last meeting of the Committee.
- 3.5 Following discussions by the Member Support Steering Group a detailed induction programme is in the process of being developed for new Councillors who will be elected in May 2018. Existing Councillors will be welcome to attend many of these sessions.

### **Customer / Equalities and Diversity Implications**

- 3.6 There are no direct implications arising out of this report. Any process for managing standards of behaviour for elected and co-opted councillors must be accessible to the public. Details of the 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.



**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE**26th April 2018

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**5. APPENDICES**

None

**6. BACKGROUND PAPERS**

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

**AUTHOR OF REPORT**

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**AUDIT & GOVERNANCE COMMITTEE**

Date: 26 April 2018

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

**1. SUMMARY OF PROPOSALS**

- 1.1 To update members on Grant Thornton progress on the Audit and on general issues and developments that may impact on the Council in the future

**2. RECOMMENDATIONS**

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

**3. KEY ISSUES****Financial Implications**

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

**Legal Implications**

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

**Service / Operational Implications**

- 3.3 The report attached at Appendix 1 updates Members on the progress on work undertaken by Grant Thornton since the last Committee meeting. There are no concerns raised by the auditors in their initial work. In addition the appendix includes updates and links to National Issues and Grant Thornton Publications in relation to issues that are relevant to Local Government at the current time.

**AUDIT & GOVERNANCE COMMITTEE**

Date: 26 April 2018

- 3.4 Officers are continuing to work with the auditors to ensure the Council meets its statutory financial obligations

**Customer / Equalities and Diversity Implications**

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

**4. RISK MANAGEMENT**

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

**5. APPENDICES**

Appendix 1 - Grant Thornton Report

**6. BACKGROUND PAPERS**

None

**7. KEY**

N/A

**AUTHOR OF REPORT**

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# Audit Progress Report and Sector Update

Redditch Borough Council

26 April 2018



# Contents

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# Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit, Governance and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at 29 March

## Financial Statements Audit

We have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We have substantially completed our interim audit in February 2018. This includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit are summarised at pages 6 to 7.

We have updated our consideration of materiality since we issued our Audit Plan on 18 January. There is no change to our overall materiality level, but we have set a separate lower materiality level for the disclosure note on senior manager's remuneration. In view of the sensitivity of this note to the reader of the accounts, we have set a materiality level of £100,000.

The statutory deadline for the issue of the 2017/18 audit opinion is 31 July 2018. Our final accounts audit is due to begin on the 4 June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in December 2017 and reported this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

### Meetings

We met with Finance Officers in February and March as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.



# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2017/18.	April 2017	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit, Governance and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2018	Complete
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit, Governance and Standards Committee.	July 2018	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2018	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

# Results of Interim Audit Work

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

	Work performed	Conclusions and recommendations
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements – employee remuneration and operating expenditure.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>Results of our detailed testing will be reported in our Audit Findings Report in July 2018.</p>
<b>Early substantive testing</b>	<p>We have completed early testing in relation to:</p> <ul style="list-style-type: none"> <li>• Employee Remuneration</li> <li>• Operating Expenses</li> <li>• Revenue</li> <li>• Grant Income</li> <li>• Housing benefit</li> </ul>	<p>We have not identified any issues to report in any of the other areas where we have undertaken early substantive testing.</p>

# Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

# Financial sustainability of local authorities 2018

This National Audit Office report reviews financial sustainability across Local Government and examines whether the MHCLG, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities.

The report concludes that current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014, when the NAO last looked at financial sustainability. It also notes that the financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The NAO's view is that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the 2014 review.. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.

## Key findings include:

Financial resilience varies between authorities, with some having substantially lower reserves levels than others. Levels of total reserves in social care authorities as a whole are higher now than in 2010-11. However, there is variation in individual authorities' ability to build up their reserves and differences in the rate at which they have begun to draw them down. Some 10.6% of single-tier and county councils would have the equivalent of less than three years' worth of total reserves (earmarked and unallocated combined) left if they continued to use their reserves at the rate they did in 2016-17.

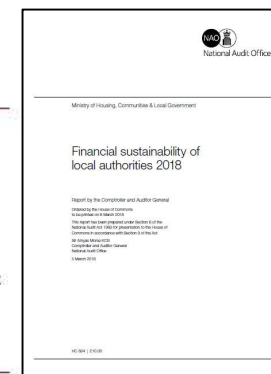
A section 114 notice has been issued at one authority, which indicates that it is at risk of failing to balance its books in this financial year. In February 2018, the statutory financial officer for Northamptonshire County Council issued a section 114 notice, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

MHCLG's work to assess the sector's funding requirements as part of the 2015 Spending Review was better than the work it undertook for the 2013 Spending Review. The Department's advice to ministers in 2015 drew on a more comprehensive evidence base, including data returns from 12 departments.

The government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities. In 2016-17, the Department offered a four-year settlement to all authorities to enable better financial planning. However, there have been many changes to funding streams outside this core offer. The funding landscape following the 2015 Spending Review has been characterised by one-off and short-term funding initiatives.

There is also uncertainty over the long-term financial plan for the sector. The absolute scale of future funding is unknown until the completion of the next Spending Review. The government has confirmed its intention to implement the results of the Fair Funding Review in 2020-21 and to allow local authorities to retain 75% of business rates. However, the implications of these changes are not yet clear.

There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.



# Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

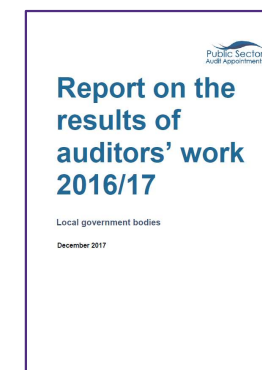
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



# Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

## Statutory Guidance on Local Authority Investments

**Transparency and democratic accountability** – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

**Principle of contribution** – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

**Introduction of a concept of proportionality** – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

**Borrowing in advance of need** – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

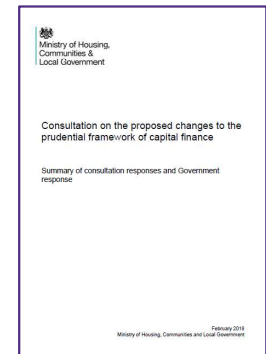
## Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

**Meaning of a charge to the revenue account** – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

**Impact of changing methods of calculating MRP** – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

**Introduction of a maximum economic life of assets** – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



# CIPFA publications - The Prudential Code and Treasury Management Code

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment. The Code is available in hard copy and online.



CIPFA have also published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn

The Code is available in hard copy and online.

# Overview of the General Data Protection Regulation (GDPR)

## What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

## What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25<sup>th</sup> May 2018.

### How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

### What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

## Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

## Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

## Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

## Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?



# Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

## Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



# Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



## The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
  - organisation and category
  - service provider
  - date at a monthly level
- benchmark your spend against your peers
- identify:
  - organisations buying similar services
  - differences in pricing
  - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

## Supply Chain Insights

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# Links

## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

<http://supplychaininsights.grantthornton.co.uk/>

## PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## MHCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

## CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

## National Audit Office link

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>



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**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE & STANDARDS AND COMMITTEE 26<sup>th</sup> APRIL 2018****GRANT THORNTON – AUDITING STANDARDS 2017/18**

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

**1. SUMMARY OF PROPOSALS**

- 1.1 To present Members with the Auditing Standards report for 2017/18 from the Councils External Auditors Grant Thornton.

**2. RECOMMENDATIONS**

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

**3. KEY ISSUES****Financial Implications**

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

**Legal Implications**

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

**Service / Operational Implications**

- 3.3 External Auditors have a duty in planning and performing their audit of the financial statements to understand how Cabinet, supported by the Council's management, and the Audit Committee meets its responsibilities in the following areas:

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

**AUDIT, GOVERNANCE & STANDARDS AND COMMITTEE 26<sup>th</sup> APRIL 2018**

The report attached at Appendix 1 details the management response in relation to the controls that are in place within Redditch Borough Council to ensure that arrangements are in place to support the financial and operational management of the organisation. There are no specific concerns that have been highlighted by the External Auditors.

**Customer / Equalities and Diversity Implications**

3.4 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

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

**5. APPENDICES**

Appendix 1 – Grant Thornton Auditing Standards Report 2017/18

**6. BACKGROUND PAPERS**

Individual internal audit reports.

**7. KEY**

N/a

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Auditing Standards – Communication with the Audit, Governance  
and Standards Committee  
Redditch Borough Council

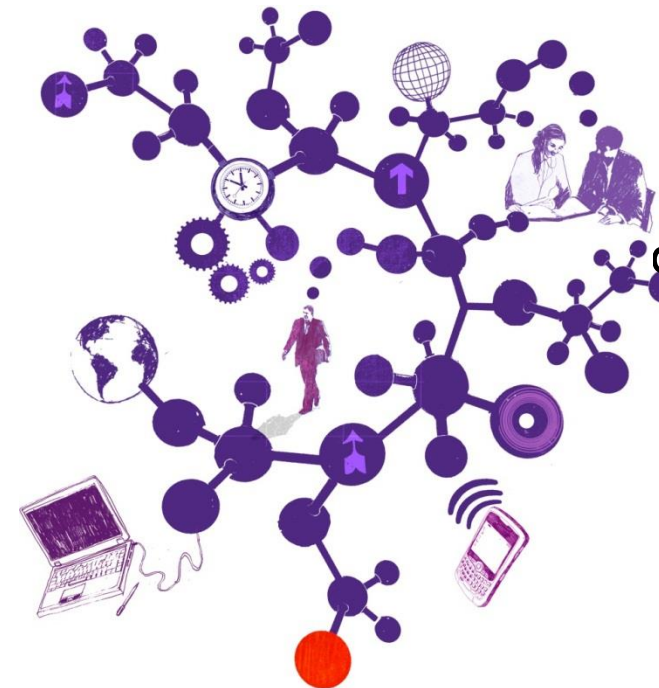
Audit year 2017/18

**April 2018**

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



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# Introduction

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

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

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

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

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

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

# Fraud Risk Assessment

The ISAs define fraud as:

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

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

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

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

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

## Fraud Risk Assessment cont..

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

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

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

# Table 1 Fraud Risk Assessment

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

## Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>2 Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2017? If so how does the Audit, Governance and Standards Committee respond to these?</p>	<p>There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> <li>▪ Council Tax</li> <li>▪ Benefit Fraud</li> <li>▪ Single person discount</li> </ul> <p>However, there is a dedicated benefits investigation team which investigates any fraud and have undertaken a number of successful reviews and prosecutions during 2017/18. The benefits investigations transferred to the DWP in February 2016 but the Council has retained the team to enable other compliance work and Council Tax fraud to be investigated.</p> <p>The Audit, Governance and Standards Committee receives any adhoc fraud reports. There are no material instances of fraud that have been identified during the year.</p> <p>The Audit, Governance and Standards Committee would consider the fraud and the actions put forward by officers to ensure fraud is mitigated in the future.</p> <p>During 2017 management became aware of irregularities in the letting of Housing repairs contracts. Members of that team were suspended pending further investigations. An investigation has now been completed by an independent external person and management is satisfied that there is no evidence that indicates material fraud.</p>

Table 1 Fraud Risk Assessment cont.

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

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>5 How do you encourage, and communicate to, employees about your views on business practices and ethical behaviour? How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> <li>What concerns are staff expected to report about fraud?</li> </ul>	<p>There is a Fraud Strategy and Whistleblowing procedure in place which explain the procedures to follow. These have been reviewed and will be presented to Members during early 2018/19.</p> <p>Employees are aware of the anti-fraud and corruption strategy, details are available on the website.</p>
<p>6 From a fraud and corruption perspective, what are considered to be high-risk posts:</p> <ul style="list-style-type: none"> <li>How are the risks relating to these posts identified, assessed and managed?</li> </ul>	<p>There are not any significantly high-risk posts identified.</p>
<p>7 Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> <li>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</li> </ul>	<p>2016/17 financial statements disclosure of related party transactions does not identify potential fraud risk. Members and Officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>
<p>8 What arrangements are in place to report fraud issues to the Audit, Governance and Standards Committee?</p> <p>How does the Audit, Governance and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>Internal Audit provide the Audit, Governance and Standards Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken. Any adhoc investigations are reported to the Audit, Governance and Standards Committee.</p> <p>The Corporate risk register is reviewed by the Committee and the Member risk champion reports to the Committee at each meeting on updates from managers in relation to departmental registers.</p>



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## Table 1 Fraud Risk Assessment cont.

Question	Management response
9 Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2017? If so, how does the Audit and Ethics Committees respond to these?	We are not aware of any whistleblowing reports. If there was such a report then Members would consider the appropriate course of action.

# Law and Regulation

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

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

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

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

## Table 2 : Law and Regulation

Question	Management response
<p>1 How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The Monitoring Officer will advise the Council's Management team and Councillors as appropriate.</p> <p>The reporting arrangements include sections for both financial and legal implications to ensure managers have considered compliance with laws and regulations. In addition staff have professional training and conduct in place to support compliance.</p>
<p>2 How is the Audit, Governance and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Assurance of complying with the Council's Constitution is provided through the Annual Governance Statement which is reported to Executive.</p>
<p>3 Have there been any instances of non-compliance with law and regulation since 1 April 2017 with any on-going impact on the 2017/18 financial statements</p>	<p>No.</p>
<p>4 Is there any actual or potential litigation or claims that would affect the 2017/18 financial statements?</p>	<p>None.</p>
<p>5 What arrangements does the Council have in place to identify, evaluate and account for litigation and claims?</p>	<p>The legal and finance team liaise on a regular basis to identify and evaluate any potential claims.</p>
<p>6 Have there been any reports from other regulatory bodies, such as HM Revenue and Customs which indicate non-compliance?</p>	<p>No.</p>

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# Going Concern

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

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

## Table 3 : Going Concern

Question	Management response
1 Has a report been received from management forming a view on going concern?	Approved MTFP has a balanced budget for 2018/19 leading management to be confident that the council is a going concern
2 Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The MTFP is the culmination of the years reports and savings programme. As such, it is reflective of the approvals which have been made throughout the year.
3 Are the implication of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes
4 Have there been any significant issues raised with the Audit, Governance and Standards Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	External audit have highlighted that some of the savings have not been identified in a high level of detail as yet, however they are being developed at present.
5 Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No

## Table 3 : Going Concern cont...

Question	Management response
<p>6 Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>Yes</p>
<p>7 Does the Council have procedures in place to assess the Council's ability to continue as a going concern?</p>	<p>Yes – the Council conducts quarterly monitoring and quarterly updates of the savings programme, which at present is delivering greater savings than were initially planned.</p>
<p>8 Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?</p>	<p>No</p>
<p>9 Are arrangements in place to report the going concern assessment to the Audit, Governance and Standards Committee?</p> <p>How has the Audit Governance and Standards Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?</p>	<p>Yes - as part of the year end accounts presentation</p> <p>Audit, Standards and Governance has reviewed the work conducted by external audit on the year end accounts and savings programme as well as the professional opinion of the S151 Officer, and as such is satisfied that it is appropriate to adopt the going concern basis</p>

# Accounting Estimates

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

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

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

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

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

## Table 4: Accounting Estimates

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



# Related Parties

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

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

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

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

## Table 5: Related Parties

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

Table 5: Related Parties cont....

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

# Appendix 1 Accounting Estimates

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

# Appendix 1 Accounting Estimates

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

# Appendix 1 Accounting Estimates

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

# Appendix 1 Accounting Estimates

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

# Appendix 1 Accounting Estimates

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



# Appendix 1 Accounting Estimates

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

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# AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

26<sup>th</sup> April 2018

## HOUSING BENEFIT SUBSIDY AUDIT 2016/17

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	√
Relevant Head of Service	Amanda Singleton, Head of Customer Access and Financial Support
Wards Affected	All Wards
Non-Key Decision	

### 1. SUMMARY OF PROPOSALS

- 1.1 To present to Members the Grant Thornton Annual Housing Benefits Subsidy Claim Audit Letter which summarises the key findings arising from their audit of benefits claims for the year ended 31 March 2017.

### 2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note:**

**2.1.1 The contents of the Audit Letter as included in Appendix 1.**

**2.1.2 The ongoing plans of the service to continuously improve the quality and accuracy of assessment and data input.**

### 3. KEY ISSUES

#### Financial Implications

- 3.1 Housing Benefit Subsidy claimed for 2016/17 totalled £23.2 million.
- 3.2 The Grant Thornton fee for the 2016/17 audit fee is £23,291.
- 3.3 As a result of the audit the Housing Benefit Subsidy claim has been reduced by £558.

#### Legal Implications

- 3.4 The Council has a statutory responsibility to comply with DWP Regulations in respect of the assessment of benefits claims and the subsidy claim.
- 3.5 Our Auditors are required to carry out the audit of the subsidy claim strictly in accordance with DWP guidelines. These guidelines require the extrapolation of error across the claim, regardless of the size of the error found within the testing.

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### **Service/Operational Implications**

- 3.6 During the financial year 2016/2017 officers processed over 12,000 new claims and change of circumstances administering Housing Benefit.
- 3.7 During this time we also went through a full system conversion and encountered down time and processing delays due to this.
- 3.8 Areas of concern identified through this audit were:
- Quality of audit workbook completion. Due to the burden of work it was necessary to put less experienced staff onto the completion of the work works which we must produce for the audit. This impacted on the quality of completion of these complex and difficult spreadsheets.
  - Mis-keying of amounts of income and/or costs. Simple typographical errors when inputting data can have a significant impact and although all staff are required to check their own work, and we also carry out random checks, 100% accuracy is very difficult to achieve.
  - Incorrect treatment of one-off working tax credit payment. This is a training issue to be addressed.
  - Inability to provide evidence in one case, where the link to the document on the Council's document image management system is broken. There was nothing that could be done in this case and we feel that the claim was accurately assessed. We simply could not provide the required document.
- 3.9 Although we still processed at 93% accuracy there is no margin for error within the system and through the audit process each year officers identify key actions for improvement.
- 3.10 Any improvements made as a result of the 16/17 audit will not fully impact until the 18/19 audit.
- 3.11 Improvements identified and being implemented now are:
- Further post assessment quality checking on areas of concern (such as assessments relating to earnings, capital and initial tax credit payments).
  - Closer individual monitoring of performance levels
  - Monitor overpayments created and check classifications.
  - Monitor and cleanse high risk cells.
  - Identify further training needs.

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- Provide training and workshops to staff (especially utilising down time when officers can't process for example year end and when releases are being installed).
- Make reporting changes easier for customers and increase online options
- Improve the use of Civica functionality and explore further automation of jobs. Therefore reducing waste and enabling officers to concentrate on true work. This will then reduce the keying errors we are finding.

3.12 The main errors related to the mis-keying of data into the system. Transposition of numbers and other input errors are not uncommon when inputting data quickly. Specific training to improve accuracy is being provided to all staff.

**Customer / Equalities and Diversity Implications**

3.13 The processing of claims both accurately and quickly is vital to ensure that customers are not disadvantaged. Every effort must be made to minimise error in the system.

**4. RISK MANAGEMENT**

4.1 Use of additional resources to enhance checking routines, as well as regular individual monitoring is necessary to reduce error as well as reduce the work relating to the subsidy audit and the potential for a loss of subsidy.

**5. APPENDICES**

Appendix 1 - Grant Thornton Annual Housing Benefits Subsidy Claim Audit Letter

**6. BACKGROUND PAPERS**

Grant Thornton Annual Housing Benefits Subsidy Claim Audit Letter

**AUTHOR OF REPORT**

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An instinct for growth™

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30 January 2018

Dear Jayne

## **Certification work for Redditch Borough Council for year ended 31 March 2017**

We are required to certify the Housing Benefit subsidy claim submitted by Redditch Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £23.2 million. We identified the following issues from our certification work that we highlight for your attention.

There were eleven lots of additional testing arising from the findings from the previous year. We also found errors in two new areas, and completed additional testing. In 2015/16 we completed 20 lots of additional testing. This year, we tested 409 cases, identifying 28 errors (7% error rate). The level of testing required, and the number of errors found is decreasing, but there is more work and a higher number of errors than we would expect.

Further work was required on the testing completed by officers. Our re-performance of a sample of cases found two cases which officers had assessed as "Pass", but which we determined to be "Fail". This resulted in us increasing our re-performance to all cases tested by officers in this area.

Sample testing found the following issues included in the subsidy claim:

- Earnings incorrectly entered
- Incorrect treatment of a working tax credit payment
- Misclassification of overpaid benefit
- Childcare costs incorrectly calculated
- Earnings not properly evidenced
- Incorrect rent figure

- System error relating to tax credits via ATLAS (transmissions/notifications from the DWP to Local Authorities for the LA to process in claims taken from the DWP's database)
- Incorrect manual adjustments to the claim form

We reported these matters to the DWP. Further details are set out in Appendix A.

We sent the amended claim and our qualification letter to the DWP on 28 November 2017. The DWP may require the Council to undertake further work or provide assurances on the errors we identified.

The indicative 2016/17 audit scale fee, set by PSAA, is £23,291. We are not seeking to vary this fee.

Yours sincerely



Grant Thornton UK LLP



**Appendix A - Details of claims and returns certified for 2016/17**

Claim or return	Initial Value	Amended?	Amendment value	Final Value	Qualified?	Comments
Housing benefits subsidy claim	£23,260,709	Yes	-£558	£23,260,151	Yes	Amendments mainly relate to findings from addressing points in the 2015/16 DWP query letter

**Findings from certification of housing benefits subsidy claim**

**Workbook completion**

PSAA provides workbooks to all audit suppliers to complete in order to ensure consistency and high quality in documentation. Many councils now complete these workbooks using Quality Assessment Officers or Supervisors who have not initially been involved in assessing claims. Auditors then re-perform some of the work which officers have completed. This reduces the cost of the work compared to auditors doing it all, and also gives officers better information on any training needs or quality issues regarding the initial claim assessments.

This year we provided specific workbook completion training to a number of council officers to support enhanced quality. Based on our initial risk assessment we re-performed 30% of the individual claims in the workbooks, a level determined due to the workbooks, in the main, being completed by Assessors who had not previously completed them. However, we found errors in the completion in the Rent Allowance workbook, which led us to increase our re-performance level, eventually to 100%. We identified two cases which officers had assessed as "Pass" when completing the workbooks, but which we assessed as "Fail". We have provided further support and guidance to officers with the aim of further enhancing the quality of workbook completion next year.

**Incorrect earnings**

Testing of the initial sample for Rent Rebates Non-HRA Properties identified two cases where earnings were incorrectly input. All cases with earnings were then tested with no further errors identified. Testing of a sample of 40 cases for Rent Rebates HRA Properties to assess errors identified in previous years identified seven where earnings were input incorrectly.

**Working tax credit payment**

Testing of the initial sample identified one case where benefit was underpaid due to the incorrect treatment of a one-off working tax credit payment. Testing of an additional random sample of 40 cases identified three cases where similar working tax credit errors were found.

**Incorrect treatments of Childcare costs**

Testing of the initial sample identified one case where Childcare costs had been input incorrectly. Testing of an additional random sample of 40 cases identified a further three cases where Childcare costs were treated incorrectly.

**Earnings not evidenced**

Testing of the initial sample found one case where the earnings evidence could not be accessed on the Council's document management system, although supporting notes indicated that a payslip had been seen, they did not state the earnings figures. We therefore concluded that there was insufficient evidence to support this element of the benefit calculation. Testing of an additional random sample of 40 cases had supporting evidence but for one case the earnings figure had been incorrectly input

**Tax credits system error**

Testing of the initial sample found one case with a system error relating to the automated addition of tax credits. Testing of an additional random sample of 40 cases identified a further two cases in which the treatment of tax credits was incorrect.

**Rent figure not updated**

Testing of the initial sample found one case where the rent rate had not been updated for 2016/17. Testing of an additional random sample of 40 cases identified a further three cases where rent had been incorrectly stated.

## Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£23,291	£23,291	£23,291	£0	N/A



# AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

26<sup>th</sup> April 2018

## COMPLIANCE TEAM UPDATE

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	√
Relevant Head of Service	Amanda Singleton, Head of Customer Access and Financial Support
Wards Affected	All Wards

### 1. SUMMARY OF PROPOSALS

This report provides an update on the work of the Council's Compliance Team following the transfer of benefits fraud to the Department of Work and Pensions' (DWP) Single Fraud Investigation Service in February 2016.

### 2. RECOMMENDATIONS

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

### 3. KEY ISSUES

- 3.1 In February 2016 responsibility for benefits fraud investigations transferred to DWP.
- 3.2 Various duties remained with the team at this time such as
- Investigation of Council Tax Support claims
  - Verification of HB claims
  - Processing of Housing Benefit Matching Service (HBMS) referrals
  - National Fraud Initiative (NFI) data matching
  - Police requests for information / liaison
  - Support to DWP in respect of Housing Benefit fraud cases.
- 3.3 The authority has maintained a compliance team to enable the remaining duties to be performed. The role of the compliance team has developed to include; verification of on-going entitlement to Council Tax discounts, exemptions and reductions; and the use of data and intelligence to identify missing and undervalued business premises.

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### 4 Financial Implications

4.1 The table below set out at 4.2 details the results of the work completed by the compliance team during 2017/18.

4.2

Work Stream	Additional Income (£)
Council Tax un-banded properties	1,721
HBMS Referrals	14,934
NFI Referrals	15,322
Council Tax exemption compliance	23,839
Non-Domestic Rate unrated and underrated property	883,118
<b>Total</b>	<b>£938.934</b>

4.3 The total income comprises additional Council Tax, Non-Domestic rates and Housing Benefit overpayments identified by the team.

4.4 The Council Tax income is shared across precepts within the authority, approximately 13% of the additional income is retained by Redditch Borough Council.

4.5 Non-Domestic Rates income is shared between Local and Central Government. Approximately 40% of the additional income is retained by Redditch Borough Council.

4.6 HBMS and NFI referrals result in additional Council Tax being debited, and the creation of Housing Benefit overpayments. Council Tax is retained as detailed at 4.4. Housing Benefit Subsidy allows the council to claim an additional 40% or 100% on Housing Benefit overpayments collected meaning income of £1.40 or £2 is generated for the authority per pound.

4.7 The income from Council Tax exemption compliance has been generated from targeted reviews of cases where customers have failed to disclose changes to their entitlement to Council Tax exemptions. Customers have a legal duty to inform the authority that when they are no longer entitled to exemption. Customers must provide this notification within 21 days of the entitlement to exemption ending.

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- 4.8 The use of administration penalties would have increased the income to Redditch Borough Council by £8,050.
- 4.9 A review of Council Tax Discounts undertaken by The Audit Commission estimated that in 4% of cases there is no entitlement to discount. Presently 12,663 dwellings within Redditch are subject to a Council Tax discount, reduction or exemption.
- 4.10 A targeted review of discounts, reductions and exemptions with the imposition of financial penalties in appropriate cases has the potential to realise income to the council of up to £35,000.

**5 Legal Implications**

- 5.1 There are no specific legal implications.

**6 Service/Operational Implications****6.1 Council Tax Discounts & Exemptions**

- 6.2 The Compliance Team will be supporting the development of a programme for the full review of discounts and exemptions from May 2018. Consideration will be given to the adoption of financial penalties where entitlement to discounts and exemptions is shown to have ended.

**6.3 Non-Domestic Rates**

- 6.4 Work to identify missing and undervalued business premises is ongoing. The Compliance Team is undertaking a postcode review of the Redditch Borough in order to identify missing and underrated premises.
- 6.5 The area has been segregated at a postcode level. Multiple data; including business directories, aerial maps, planning records, licensing records, and internet listings are interrogated in order to identify business premises which are not subject to Non-Domestic rates, or where improvements not reflected in the businesses rateable value have been made. These cases are reported to the valuation office agency who will determine whether an amendment to the rating list should be made.

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**6.6 Council Tax missing properties**

The Compliance Team will be leading on the integration of the Council Tax and Non-Domestic Rates systems with the Local Land and Property Gazetteer. This integration will allow the two data sets to be compared to ensure that all domestic dwellings are subject to Council Tax. This is especially important where there is a degree of new development within an area, as there has been within Redditch, as there is the potential for single dwellings to be missed when they are completed at different rates.

**7 Customer / Equalities and Diversity Implications**

7.1 The identification of overpayments, or incorrectly claimed discounts and exemptions requires the authority to raise demands for payment of Council Tax and Housing Benefit overpayments. The work to recover these debts can result in financial hardship.

7.2 All debts are recovered in accordance with the Council's recovery policy which includes provisions for recovery from vulnerable debtors and those with mental health conditions or exception needs.

7.3 Where potential financial hardship is identified officers would work with the individuals to put suitable arrangements and support in place.

**8 RISK MANAGEMENT**

8.1 The work of the team is to reduce the risk of lost income to the authority and forms part of the authorities risk management strategy.

**9 APPENDICES**

None

**10 BACKGROUND PAPERS**

None

**AUTHOR OF REPORT**

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Date: 26<sup>th</sup> April 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. RECOMMENDATIONS**2.1 **The Committee is asked to RESOLVE that the report be noted.****3. KEY ISSUES****Financial Implications**

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

**Legal Implications**

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

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**Service / Operational Implications**

- 3.3 The involvement of 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 01<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 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 (1<sup>st</sup> February 2018):

**2017/18 AUDIT SUMMARY UPDATES:****Payroll**

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

- Starters and leavers processes
- Statutory Deductions
- Use of reports from the system

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

- The organisation chart
- Sickness reporting
- Expense form grey fleet declarations

In addition to this assurance could not be given over

- the collation and monitoring of grey fleet documentation as the system was still in development at the time of the audit; and
- Redditch Borough Council's reconciliations were not up to date although extensive work had been undertaken to sort out reconciling differences.

There was one 'high' and two 'medium' priority recommendations reported.

Type of Audit:	Full System Audit
Assurance:	Moderate
Report Issued:	13 <sup>th</sup> February 2018

**Council Tax**

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

- Integration to the use of one system (Open Revenues) for both authorities

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- Reporting and administration checks to open the debt at the beginning of the financial year.
- Discounts and exemptions applied correctly
- Council Tax bands applied correctly
- Registration and changes can be made easily via web/telephone or face to face by the customer
- Clear process regarding establishing new properties
- Reconciliations to the ledger are complete and up to date
- Service performance is recorded, monitored and reported
- Database is updated regularly with the reports from the valuation office to ensure accurate billing
- Compliance Team are working with Revenues team regarding missing properties and reporting of fraud.

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

- NFI fair processing notification and compliance for GDPR with discount/exemption forms
- Sign off and check of reconciliations by a senior member of finance.

There were two 'medium' priority recommendations reported.

Type of Audit:	Full System Audit
Assurance:	Significant
Report Issued:	15 <sup>th</sup> February 2018

NNDR

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

- Integration to the use of one system (Open Revenues) for both authorities
- Reporting and administration checks to open the debt at the beginning of the financial year.
- Discounts and exemptions are being applied correctly
- The correct national multipliers are being applied
- Clear process regarding establishing new properties
- Reconciliations to the ledger are complete and up to date
- Service performance is recorded, monitored and reported including NNDR3 returns
- Database is updated regularly with the reports from the valuation office to ensure accurate billing
- Compliance Team are working with Revenues team regarding missing properties and reporting of fraud.

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

- Webpages show differences between the authorities and have aspects missing to aid with customer access to services
- Forms compliance with GDPR
- Reviews of exceptions, reliefs and discounts
- Sign off and check of reconciliations by a senior member of finance.

There were four 'medium' priority recommendations reported.

Type of Audit:	Full System Audit
Assurance:	Significant
Report Issued:	15 <sup>th</sup> February 2018

Creditors

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

- Payments are made in line with internal procedures
- Change of supplier details are monitored and checks are undertaken prior to the changes being processed
- Non Purchase order invoices

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

- Efficiency of the overall creditors procedures

There was one 'medium' priority recommendation reported.

Type of Audit:	Full System Audit
Assurance:	Significant
Report Issued:	16 <sup>th</sup> March 2018

Records Management

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

- Work undertaken by the Information Management team to actively promote correct storage of hard copy and electronic data with individual teams was well received with positive feedback. Employees had implemented suggestions and these were working.

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

- The Information Management policy needs some additional areas adding to it to ensure it covers records management and confidential

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waste handling. There needs to be clearer application of this policy based on it's relevance to different services and job roles across the Council.

- Storing and handling information in line with the Data Protection Act 1998, including where information is shared between different partners.
- Retention and disposal of all types of records.
- Communication and implementation of the records management and information security processes to staff working at all levels across the Council.

The Information Management team responded promptly to address some of the immediate risks identified by the auditor during the fieldwork stage of the audit for example changing document security settings on the Orb and reviewing the use of GCSx emails.

There were five 'high' and one 'medium' priority recommendations reported.

Type of Audit: Full System Audit  
 Assurance: Limited  
 Report Issued: 5<sup>th</sup> January 2018

Summary of assurance levels:

<b>2017/18</b>	
Payroll	Moderate
Council Tax	Significant
NNDR	Significant
Creditors	Significant
Records Management	Limited

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

- Housing – Allocations
- Main Ledger
- Benefits
- Contract Management (Follow Up)

2017/18 reviews which were on going as at the 31<sup>st</sup> March 2018 included.

- Transformation
- Debtors

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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, 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 31<sup>st</sup> March 2018 a total of 349 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 27<sup>th</sup> 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.

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**3.5 OTHER KEY AUDIT WORK**

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

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

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:

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- 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

**6. BACKGROUND PAPERS**

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

**7. KEY**

N/a

**AUTHOR OF REPORT**

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Date: 26<sup>th</sup> April 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 1****Delivery against Internal Audit Plan for 2017/18**  
**1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018**

Audit Area	2017/18 PLAN DAYS	Forecasted days to the 31 <sup>st</sup> March 2018	Days used to 31 <sup>st</sup> March 2018
Core Financial Systems (see note 1)	108	108	91
Corporate Audits(see note 2)	81	81	41
Other Systems Audits(see note 3)	157	157	181
<b>TOTAL</b>	<b>346</b>	<b>346</b>	<b>313</b>
Audit Management Meetings	20	20	17
Corporate Meetings / Reading	9	9	6
Annual Plans and Reports	12	12	10
Audit Committee support	13	13	3
Other chargeable	0	0	0
<b>TOTAL</b>	<b>54</b>	<b>54</b>	<b>36</b>
<b>GRAND TOTAL</b>	<b>400</b>	<b>400</b>	<b>349</b>

**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. If there is little demand for certain budgets this is reflected in the overall usage, however, it does not necessarily reduce the coverage of the overall plan.

**Note 3**

Due to the nature of some of the reviews additional resource was allocated resulting in additional days.

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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.

	<b>KPI</b>	<b>Trend/Target requirement/Direction of Travel</b>	<b>2017/18 Position (as at 31<sup>st</sup> March 2018)</b>	<b>Frequency of Reporting</b>
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 18 Delivered = 18  plus 4 in draft	When Audit, Governance and Standards Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	87%	When Audit, Governance and Standards Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	74.33%	When Audit, Governance and Standards Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward  (minimal)	11	When Audit, Governance and Standards Committee convene
5	No. of moderate or below assurances	Downward  (minimal)	10	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)	15x issued Returns: 9x 'excellent' 1x 'good' 2x 'satisfactory'	When Audit, Governance and Standards Committee convene

WIASS conforms to the Public Sector Internal Audit Standards 2013.

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**APPENDIX 3**

**Planned Follow Ups:**

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

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

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<b><u>Audit</u></b>	<b><u>Date Final Audit Report Issued</u></b>	<b><u>Service Area</u></b>	<b><u>Assurance</u></b>	<b><u>Number of High, Medium and Low priority Recommendations</u></b>	<b><u>Results of follow Up</u></b> <u>1<sup>st</sup></u>	<b><u>Results of follow Up</u></b> <u>2<sup>nd</sup></u>	<b><u>Results of follow Up</u></b> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></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.	<p>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.</p> <p>The Head of Service has been researching how access rights can be improved due to the nature of the system. A solution has been proposed and is awaiting confirmation that this can be implemented.</p> <p>30<sup>th</sup> January 2018</p> <p>The team introduced a new system in the CCTV monitoring centre to resolve the issue of the same operator approving and authorising the creation of the data file. In addition it also removes the current system where the operator puts in the Team Leader initials as the authoriser. It is an automated process which burns the ID into the disc to confirm an audit compliance check has been undertaken. <b>No further follow up required</b></p>

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up</u> <u>1<sup>st</sup></u>	<u>Results of follow Up</u> <u>2<sup>nd</sup></u>	<u>Results of follow Up</u> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
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 towards the contract expiry date April 2018.
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.
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	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		

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up</u> <u>1<sup>st</sup></u>	<u>Results of follow Up</u> <u>2<sup>nd</sup></u>	<u>Results of follow Up</u> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
				evaluations, insurance, contract documents and meetings. Contract specification, variations and contractor meetings have been satisfied.	recommendations made.		
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. <b>A follow up will take place in 3 months time.</b>	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 to 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. <b>A follow up will take place in 3 months time.</b>	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. <b>A further follow up is being scheduled.</b>		
Risk Management	24th May 2017	Executive Director	Limited	This audit made 5 medium priority recommendations relating to corporate risk management strategy, risk management group, risk register updates, portfolio holder monitoring and training.	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.		
Palace Theatre	29th June 17	Leisure Services	Significant	1 medium priority recommendation was made in relation to	Follow up taken place and currently being reviewed by management.		

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up</u> <u>1<sup>st</sup></u>	<u>Results of follow Up</u> <u>2<sup>nd</sup></u>	<u>Results of follow Up</u> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
				resilience.			
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.	Follow up taking place.		
Building Control	10th August 17	Planning and Regeneration	Significant	1 medium priority recommendation was made in relation to the year end financial statement. <b>A Follow up will take place at the next production of the Annual Accounts May 18</b>	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.	Under consideration for follow up.		
Homelessness	6th November 2017	Housing	Significant	One medium priority recommendation was made relating to data protection and access to the Arbitras system.	May-18		
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	May-18		

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up</u> <u>1<sup>st</sup></u>	<u>Results of follow Up</u> <u>2<sup>nd</sup></u>	<u>Results of follow Up</u> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
				meetings, phone recordings, housing options frontline, complaints system, website, self service computer.			
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.	The follow up in February 2018 found that the three recommendations are in progress. The amount of work required to fully implement two of the recommendations means that this work although progressing is taking time in order to get it correct. The other recommendation needs to be placed before Members before it is fully implemented. A further follow up will take place in July 2018.		
Land Charges	19th October 2017	Legal Services	Moderate	The report found 1 high and 1 medium priority recommendation in relation to Reconciliation of payments and updating the local land charges register.	The follow up in February 2018 found that both the high and medium priority recommendations had been satisfactorily implemented. No further follow ups are required.		
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.	Under consideration for follow up.		



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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up</u> <u>1<sup>st</sup></u>	<u>Results of follow Up</u> <u>2<sup>nd</sup></u>	<u>Results of follow Up</u> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
Environmental Waste	27 <sup>th</sup> 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.	Under consideration for follow up.		
Payroll	14th February 2018	Finance	Moderate	Reported 1 'high' and 2 'medium' priority recommendations ; sickness reporting and pay, establishment and expense claims form	Apr-18		
end							

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**APPENDIX 4**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<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>
<b>Significant Assurance</b>	<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>
<b>Moderate Assurance</b>	<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>
<b>Limited Assurance</b>	<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>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

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<b>Priority</b>	<b>Definition</b>
<b>High</b>	<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>
<b>Medium</b>	<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>
<b>Low</b>	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Audit: Payroll</b>					
<b>Assurance: Moderate</b>					
<b>Summary: Full system review</b>					
1	High	<p><b>Sickness reporting and pay</b></p> <p>The old system of sickness reporting for Sickness pay was reliant on payroll being kept up to date on the situation. This was either via receipt of sick notes or managers informing them via email or face to face. Over long periods of sickness where sick notes could be delayed it was difficult to determine if an employee was still off sick or back at work and payments could be made in error.</p> <p>The new system enables a manager to use the HR21 system for sickness reporting and attaching of sick notes. The new system if used correctly and consistently will allow for segregation of duties but there are a few areas which need to be considered.</p> <ul style="list-style-type: none"> <li>• Responsibility for sick notes</li> <li>• Information received outside of the system</li> <li>• Procedures for those with no computer access</li> <li>• Responsibility for ensuring the reliability of the data within the HR 21 system (exception reporting)</li> </ul> <p>At the time of the audit the two systems were being used during the roll out of the new system.</p> <p>The system for reporting sickness is not currently robust enough and is reliant on the Payroll Section receiving sick notes or being informed that a person is still off sick. If no sickness dates are placed in the payroll system it will automatically pay the officer as it assumes they are back at work.</p>	<p>Financial loss if someone is paid who is off sick and outside of their occupational sick pay period and in the event of breach of Data Protection.</p>	<p>Once the system has been fully implemented in relation to sickness reporting to ensure that segregation of duties are implemented through the system as far as possible.</p> <p>a) Sick notes must not be sent to payroll, they must either be attached to the sickness record within HR21 or for a short period of time sent to HR who can then update the relevant records. This will ensure that they do not go astray and the Council does not breach Data Protection rules.</p> <p>b) Where there is a business need to work outside the system (the exception not the rule) then clear guidelines must be established around what is and what is not being completed outside the system.</p>	<p><b>Responsible Manager:</b> Financial Services Manager/ Human Resources and Development Manager</p> <p><b>Implementation date:</b> Done</p> <p>A) This has been implemented by way of corporate message and guidance. With assistance and monitoring from the HR and Payroll departments. Both departments to advise of process and ensure managers collect sick notes and follow process of scanning and attaching to self service and return the original to the employee.</p> <p>B) The following areas have agreed business needs to work outside system: - PA's - Enviro services - R&amp;M - Leisure centres All these areas are fully trained and will be entering this into the KSP screen in Chris 21 which is the background screen used in Hr21. This resolves earlier issues of sickness being deleted and it affecting payroll.</p> <p>C) The exception reporting will be picked up as previously by payroll in way of a bespoke report that should be run at end of month to identify sickness 'hanging/ waiting for approval' in the</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				c) Responsibility for exception reporting to be allocated and the exception reporting to be used to identify training needs.	system. Payroll then email managers to ensure this takes place.
2	Medium	<p><b>Establishment</b></p> <p>An organisation structure is available on the orb. This structure had been agreed to the information held within the Chris21 at a point in time however testing of bona fide employees found that the organisation structure had not been kept up to date.</p> <p>In addition testing found that no official leavers form had been received for 1 out of 4 leavers checked. However an email had been received so the employee was terminated on the correct date.</p>	As there is no longer a separate Human Resource and Payroll Establishment and Payroll are reliant on receiving the correct information in a timely manner then there could be financial loss if someone that has left is still being paid.	If the organisation structure is to be used as a management tool for Budget setting and as an establishment control ensuring that all employees are bona fide then it needs to be kept up to date and reviewed at least at the end of the year as part of the budget setting process. Clear ownership of this to be established.	<p><b>Responsible Manager:</b> Human Resources and Development Manager</p> <p><b>Implementation date:</b> 01/04/18</p> <p>Currently trialling a spreadsheet of monthly changes per service area rather than Contract Amendment Forms where managers will be sent an establishment list and enter any changes to contract on the spreadsheet, to be checked by HR and then returned to payroll for processing. This will include terminations.</p> <p>HR Advisors and Finance officers will be attending DMTs to discuss budgets and establishments, and have also been given access to establishment reports for their areas.</p> <p>We believe this will decrease the risk of data being input incorrectly as all departments will be working from the same data provided by the owner (the service manager). This will also support ICT in starters and leavers</p> <p>Eventually once trialled and implemented we will look at ways we can uplift this data into chris21 without manual intervention.</p>
3	Medium	<p><b>Expense claims form</b></p> <p>Although the electronic expense claim states that an employee is confirming that they have a valid driving license, MOT and Business Motor Insurance there is nothing in the</p>	Potential reputational damage and financial loss under the Corporate Manslaughter Act 2007.	To update the HR21 Self Service expenses claim form to include a statement regarding the road worthiness of the vehicle.	<p><b>Responsible Manager:</b> Human Resources and Development Manager</p>

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		statement regarding the road worthiness of the vehicle.			<p><b>Implementation date:</b> 31/03/2018</p> <p>Form has been designed and will go live in Feb 18, with corporate guidance from Health and Safety Team. Responsibility is dissolved to line managers, however HR will run reports to find out who hasn't brought in required documents. Emails will be generated to the managers on expiry dates of relevant documents.</p> <p>The road worthiness statement we felt best sat on the mileage form and is ticked each time a form is completed rather than on the annual document checklist.</p>
<b>Audit: Council Tax</b>					
<b>Assurance: Significant</b>					
<b>Summary: Full systems audit</b>					
1	Medium	<p><b><u>Webforms NFI FPN</u></b></p> <p>The following Webforms accessed on the Council's website on 25/10/17 did not include reference to a NFI fair processing notification including that the data collected being used in a data matching exercises for the prevention and detection of fraud as required by the Data Matching Code of Practice issued by the Cabinet Office:</p> <ul style="list-style-type: none"> <li>• Single Person Discount;</li> <li>• Disabled;</li> <li>• Serious Mental Impairment;</li> <li>• Carers; and</li> <li>• Council-tax-student-discount-form.</li> </ul> <p>The Webform related to those in Detention did include a relevant notification.</p>	Non compliance with the Data Matching Code of Practice issued by the Cabinet Office potentially leading to either reputational damage, financial penalty or failure to be able to participate in NFI data matching exercises which is a mandatory requirement.	All Revenues forms used for the collection of personal data to be reviewed to ensure that they include a NFI fair processing notification and are future proofed with the impending requirements of General Data Protection Regulations (GDPR).	<p><b>Responsible Manager:</b></p> <p>Financial Support Services Manager</p> <p>Programme for review of forms and documentation is in place, and revised forms will be in use from first quarter of 2018/19</p> <p><b>Implementation date:</b></p> <p><b>May 2018</b></p>

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**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
2	Medium	<p><b><u>Reconciliation.</u></b></p> <p>No checking and sign off of reconciliations by a senior member of the finance team since quarter 2. The Accountancy Assistant is new to carrying out these reconciliations and took over in September 2017</p>	<p>Risk that the reconciliations are not correctly carried out and that the member of staff fully understands what they are reconciling. Potential for incorrect financial information being missed or misleading information being reported.</p>	<p>That a check and sign off is carried out by a senior member of the Finance team in the same time period of the reconciliation being completed.</p>	<p><b>Responsible Manager:</b></p> <p>Financial Services Manager</p> <p>This will be addressed and signed off on a regular basis going forwards.</p> <p><b>Implementation date:</b> February 2018</p>
<b>Audit: NDR</b>					
<b>Assurance: Significant</b>					
<b>Summary: Full systems audit</b>					
1	Medium	<p><b><u>Website Pages</u></b></p> <p>There are aspects missing to aid the customer with self service.</p> <p>Redditch has a change of address form with no email address and no dialling code for the telephone number. There is also no link to the self service online portal.</p>	<p>Risk of providing out of date information and causing customers to take up resources through staff time when they could self serve potentially leading to reputation damage.</p>	<p>To update and review the web pages to enable customers to self serve.</p>	<p><b>Responsible Manager:</b></p> <p>Financial Support Services Manager</p> <p>Web development is continuing and updates to website will be made from August.</p> <p><b>Implementation date:</b> <b>August 2018</b></p>
2	Medium	<p><b><u>Forms</u></b></p> <p>All forms which request information need to be reviewed to ensure compliance with the General Data Protection Regulations (GDPR) for May 2018.</p>	<p>Potential risk of not complying with requirements of the data protection legislation.</p>	<p>Review and alter forms to comply with General Data Protection Regulations.</p>	<p><b>Responsible Manager:</b></p> <p>Financial Support Services Manager</p> <p>Programme for review of documentation will commence in Final Quarter of 2017/18</p> <p><b>Implementation date:</b> <b>April 2018</b></p>

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**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	Medium	<p><b><u>Reviews of exemptions, reliefs and discounts</u></b></p> <p>No planned reviews have been carried out and there is no plan in place to carry out the reviews currently.</p> <p>It has been discussed with the compliance team however it is not a current priority in their planned work.</p>	<p>There is a risk that exemptions, reliefs and discounts are being applied either incorrectly or are continuing past their 'end' date, potentially leading to a financial loss.</p>	<p>To implement a plan of reviews.</p>	<p><b>Responsible Manager:</b></p> <p>Financial Support Services Manager</p> <p>Plan for review of exemptions, reliefs is in place and will be rolled out from May 2018</p> <p><b>Implementation date:</b></p> <p><b>1<sup>st</sup> May 2018</b></p>
4	Medium	<p><b><u>Reconciliation check</u></b></p> <p>No checking and sign off of reconciliations by a senior member of the finance team since quarter 2. The Accountancy Assistant is new to carrying out these reconciliations and took over in September 2017.</p>	<p>Risk that the reconciliations are not correctly carried out and that the member of staff fully understands what they are reconciling. Potential that incorrect financial information being missed.</p>	<p>That a check and sign off is carried out by a senior member of the Finance team in the same time period of the reconciliation being completed.</p>	<p><b>Responsible Manager:</b></p> <p>Financial Services Manager</p> <p>This will be addressed and signed off on a regular basis going forwards.</p> <p><b>Implementation date:</b></p> <p>February 2018</p>
<b>Audit: Creditors</b>					
<b>Assurance: Significant</b>					
<b>Summary: Full systems audit</b>					
1	Medium	<p><b><u>Efficiency of the creditor's process.</u></b></p> <p>Post raising of a purchase order, the current process of goods receipting, processing and paying invoices is resource heavy on the creditor's team and this can then effect other areas of the process. For example, not being able to programme in regular tasks such as disputed invoice monitoring and increasing the Council's percentage of invoices paid within 30 days.</p> <p>Internal Audit acknowledges that the Financial Services Manager has implemented interim controls in the high risk areas to mitigate the risk to a tolerable level, for</p>	<p>Possible reputational damage if creditors are paid late or invoices are paid without goods having been receipted.</p>	<p>That the overall Creditors procedures are reviewed and consideration is given to whether the current system remains fit for purpose.</p> <p>Once the review has been undertaken the procedures are enforced throughout the Council in order to make the process more efficient and reduce any risks that the Council is exposed to.</p>	<p><b>Responsible Manager:</b></p> <p>Financial Services Manager</p> <p>I agree with the recommendation to undertake a full review of working practices, and the current system to ensure a robust approach to risk while enabling the council to carry out its day to day activities.</p> <p><b>Implementation date:</b></p> <p>August 2019</p>



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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	
		example review of invoices that are processed without an order, and that work is continuing to further reduce risk.				
<b>Audit: Records Management</b>						
<b>Assurance: Limited</b>						
<b>Summary: Full systems audit</b>						
<b>Update on Progress 12/12/17</b>						
1	High	<p><b><u>Implementation of the Information Security Policy</u></b></p> <p>There were on-going discussions about the relevance of the Information Security policy to certain employees whose role is not computer-based. There was no definitive guidance or criteria on which sections of the policy do/do not apply.</p> <p>There is a recognised risk of short term employees, or agency staff, starting within services, and the IT service not knowing about their appointment, so consequently they don't receive the Information Security policy or relevant training on this.</p>	<p>Financial risk. Breach of the Data Protection Act 1998 by employees who have not received adequate training and instruction on the application of the policy to their role resulting in the Information Commissioners Office fining the Council.</p> <p>Reputational risk to the Council if any data breaches occur and are made public.</p>	<p>Dissemination of this policy to be looked at with regard to services that are at risk of staff starting work without receiving and agreeing to the Information Security policy.</p> <p>Shared services to either be subject to this policy or checks undertaken to ensure that they work to their own information security policy.</p>	<p><b>Responsible Manager:</b> <b>ICT Operations Manager/HR Manager</b> ICT will continue to deal with known employees through netconsent and the policy will be incorporated into the induction process.</p> <p><b>HR Manager</b> To ensure agencies (Matrix) are aware of responsibilities regarding data security, for all temporary staff contracts.</p> <p><b>Implementation date:</b> To be fully implemented by 30<sup>th</sup> April 2018.</p>	<p>The Information Security Policy is being reviewed and amended. This policy will also include confidential waste collection.</p> <p>Information Management/IT are working with HR to include the Information Security policy in the induction for all new starters.</p>
2	High	<p><b><u>Inventory of IT Equipment</u></b></p> <p>There was no comprehensive inventory of all of the ICT equipment (PCs, laptops, printers) available, in use, or returned.</p> <p><b><u>Disposal of electronic equipment</u></b></p> <p>There was a discrepancy between a waste transfer collection note from rePC for items collected on 7.4.17, and the items recorded on their audit sheet as being 'destroyed' by the contractor. More items were collected than recorded as being disposed of (4 PCs and 1 monitor).</p>	<p>Financial risk from theft, loss of equipment and poor stock control. Possible overspending on duplicate orders or replacing IT equipment when items could be re-used.</p> <p>Unnecessary physical storage space storing indefinitely items that may not work.</p>	<p>Inventory of all IT equipment to be compiled covering all sites. This to be kept up to date with new, returned and disposed of equipment.</p>	<p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> ICT asset management system now in place. Software detects PC's and laptops and associated peripherals. Individual pieces of equipment are asset tagged and this info is logged on system. Software also detects software installed. All received equipment is asset tagged logged on to system and identified through all stages i.e. stores, build, or deployed.</p> <p><b>Implementation date:</b> 1.9.17</p>	<p>Information Management/IT team are looking to have IT equipment collected by accredited companies (e.g. ADISA -Asset Disposal &amp; Information Security Alliance) and this will be added to the Information Security Policy.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	
		The two companies that have been used to dispose of IT equipment were not found to be ADISA (Asset Disposal & Information Security Alliance) accredited although this was not a requirement at the time.	Risk of loss or theft of equipment that has not been data cleansed. Resulting in non-compliance with the Data Protection Act 1998 and possibility of a fine from the Information Commissioners Office.	Monitoring of the IT equipment collection by reconciling the waste transfer notes for collection with the audit sheets produced at destruction. A procedure to be put in place if discrepancies are highlighted.  Formal criteria to be implemented to ensure that reputable companies are used to dispose of IT equipment.	<b>Responsible Manager:</b> <b>ICT Operations Manager</b> Procedure introduced if any discrepancies are highlighted. <b>Implementation date:</b> 19.10.17  <b>Responsible Manager:</b> <b>ICT Operations Manager</b> Working with procurement to tender the contract for disposal of electronic equipment to include all accreditations required. <b>Implementation date:</b> January 2018	
3	High	<b><u>Retention and disposal schedule</u></b>  The current schedule is in need of review and update. Information listed for some teams was incorrect or out of date. Out of 5 services checked 3 were found to keep records beyond the criteria given in the retention and disposal schedule.  There are no formal procedures for the monitoring of compliance with the retention schedule.	Risk of non-compliance with the Data Protection Act 1998 and with the General Data Protection Regulations being introduced May 2018 potentially leading to financial and reputational risk.	Review and update of the retention and disposal schedule.          Reminders to staff of it's availability and use.	<b>Responsible Manager:</b> <b>ICT Operations Manager</b> It is the responsibility of the information asset owner to keep the retention and disposal schedule entries up to date according to legislation and or business need. They are reminded of this at every (annual) DP training session, Managers forums and when we are completing any intervention with individual teams. <b>Implementation date:</b> Complete – already in place.  <b>Responsible Manager:</b> <b>ICT Operations Manager</b> Staff are reminded at every individual annual DP training as well as during any individual team intervention. The retention and disposal schedule is available on the ORB and periodic announcements are put out on the Oracle. <b>Implementation date:</b> Complete – already in place.	No additional updates.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				Implementation of regular checks on compliance with the retention and disposal schedule.	<p><b>Responsible Manager:</b>  <b>ICT Operations Manager</b>                      Annual audit of a selection of teams' retention standards.</p>
4	High	<p><b><u>Confidential waste collection</u></b></p> <p>No formal procedure or documented policy on the collection of confidential waste, including collection from outlying sites.</p>	<p>Risk of loss of official or sensitive information (e.g. personal or financial information) and non-compliance with the Data Protection Act 1998 potentially resulting in a fine from the Information Commissioners Office and reputational damage.</p>	<p>Policy and procedures to be introduced to cover handling and disposal of confidential waste including; storage, handling and transportation between sites.</p> <p>Review the current provision to ensure it meets requirements.</p>	<p><b>Responsible Manager:</b>  <b>ICT Operations Manager</b>                      Confidential waste collection added to the Information security Policy  <b>Implementation date:</b>                      1.12.17</p> <p><b>Head of Customer Access &amp; Financial Support</b></p> <p>Written procedure notes to be put in place to ensure the secure handling of confidential waste by caretakers and contractors.</p> <p>Procedure to include disposal of confidential waste at offices outside of the Town Hall</p> <p>Procedures to be reviewed in line with corporate policy.</p> <p><b>Implementation date:</b>                      1<sup>st</sup> Dec 2017</p> <p><b>Responsible Manager:</b>  <b>ICT Operations Manager</b>                      Resolved, all confidential waste bins are now locked.  <b>Implementation date:</b>                      1.10.17</p>

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
5	High	<p><b><u>Storage of documents on the Orb</u></b></p> <p>It was found that security settings for the Orb may not have been set to provide full security when it came to viewing particular files that contained personal information.</p>	<p>Potential risk of non-compliance with the Data Protection Act 1998 leading to reputation damage and financial penalty.</p>	<p>File security on the Orb to be reviewed to ensure correct security and permissions are set.</p>	<p><b>Responsible Manager:</b> <b>Director of Finance &amp; Resources, s.151 Officer</b> Inform all managers to review security of personal data.</p> <p><b>Implementation date:</b> Immediate</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Audit of permissions on ORB. <b>Implementation date:</b> November 2017</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Staff are reminded of their responsibilities in managing their information securely to include security and permissions for individual documents at every (annual) DP training session, Managers forums and when we are completing any intervention with individual teams.</p> <p><b>Implementation date:</b> Complete – already in place.</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> A review of all current data on the ORB will be carried out to look at the future use of the ORB, best use of the ORB, and for storing information.</p> <p><b>Implementation date</b> April 2018</p>

No additional updates.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	
6	Medium	<p><b><u>GCSx email accounts</u></b></p> <p>A sample of 10 employees across both Councils were interviewed about their GCSx email use:</p> <ul style="list-style-type: none"> <li>• 4 out of 10 did use the secure email for sharing data – 2 of these stated they rarely used them.</li> <li>• 4 out of 10 accounts are no longer used to share data and are not required.</li> <li>• 2 out of 10 have a personal secure email but could use generic team email.</li> </ul> <p>Of the 4 out of 10 employees currently sharing data, all were sharing data with other public bodies such as the police, social services and NHS. None of the four were aware of any protocol in place regarding use of the GCSx accounts and information sharing with these organisations.</p>	<p>Data and/or financial loss. Paying for GCSx accounts that are not used. Also reputation damage if loss occurred using an unsecured network when exchanging information.</p>	<p>Review of the GCSx user accounts to identify any not used.</p> <p>Ensure staff are working to information sharing protocols where personal and sensitive information is being shared outside the Authority with third parties and sufficient controls are in place to ensure the Council understands how the third party use the data.</p>	<p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Review of GCSX's account completed and unused accounts removed. Annual review scheduled. <b>Implementation date:</b> 31.7.17</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Shared service agreements in place and a register held. <b>Implementation date:</b> 1.10.17</p>	<p>A review of accounts has been undertaken and the list updated.</p>
end						

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REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 26<sup>th</sup> April 2018**THE 2018/19 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 Internal Audit Operational Plan for 2018/19;
- the performance indicators for the Worcestershire Internal Audit Shared Service for 2018/19

**2. RECOMMENDATIONS**2.1 **The Committee is asked to approve the 2018/19 Audit Plan**2.2 **The Committee is asked to approve the Key Performance Indicators.****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

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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 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 Internal Audit Plan for



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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 meets its strategic purposes, delivers its promises and has been directly linked the various aspects to identify the 'golden thread' in regards to the objectives and risk identification to Service delivery. It was brought before the Audit and Governance Committee in draft format on the 1<sup>st</sup> February 2018 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 draft plan of work before the Audit and Governance Committee in February 2018 which was been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes it allowed 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.

### 3.5 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

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

**3.6 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.

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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

**AUTHOR OF REPORT**

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**AUDIT & GOVERNANCE COMMITTEE**Date: 26<sup>th</sup> April 2018**APPENDIX 1****Summary of Days per Overall Audit Group for 2018/19.**

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

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 26<sup>th</sup> April 2018**Internal Audit Plan 2018/19**

<b>Audit Area</b>	<b>Corporate Link</b>	<b>Risk Register Reference</b>	<b>Plan Priority</b>	<b>Include in 2018/19 Plan</b>	<b>Outline Resource Required</b>
<b>FINANCIAL</b>					
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
<b>Sub TOTAL</b>					<b>52</b>
<b>CORPORATE</b>					
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: 26<sup>th</sup> April 2018

<b>Audit Area</b>	<b>Corporate Link</b>	<b>Risk Register Reference</b>	<b>Plan Priority</b>	<b>Include in 2018/19 Plan</b>	<b>Outline Resource Required</b>
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
<b>Sub TOTAL</b>					<b>47</b>
<b>SERVICE DELIVERY</b>					
<b>Customer Access and Financial Support:</b>					
<b>Welfare Support:</b>					
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
<b>Universal Credit</b>					
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
<b>Planning and Regeneration Service</b>					

**REDDITCH BOROUGH COUNCIL****AUDIT & GOVERNANCE COMMITTEE**Date: 26<sup>th</sup> April 2018

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
<b>Community Service</b>					
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
<b>Environmental</b>					
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
Transport (Fleet Management)	Keep my place safe and looking good	Head of Service request	Medium	<input checked="" type="checkbox"/>	10
<b>Leisure and Culture</b>					
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
<b>Housing</b>					
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
<b>Sub TOTAL</b>					<b>175</b>

REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE COMMITTEE**Date: 26<sup>th</sup> April 2018

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
<b>Other Operational Work</b>					
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 (Dial-a-Ride)	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	4
<b>Sub TOTAL</b>					<b>72</b>
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
<b>Sub TOTAL</b>					<b>54</b>
<b>TOTAL CHARGEABLE</b>					<b>400</b>

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 Councils. 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.

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



**REDDITCH BOROUGH COUNCIL****AUDIT & GOVERNANCE COMMITTEE**Date: 26<sup>th</sup> April 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.

	<b>KPI</b>	<b>Trend/Target requirement/Direction of Travel</b>	<b>2018/19 Position (as at XXXXXXXX)</b>	<b>Frequency of Reporting</b>
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

WIASA conforms to the Public Sector Internal Audit Standards 2013.

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REDDITCH BOROUGH COUNCILAUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE26<sup>th</sup> APRIL 2018CORPORATE GOVERNANCE AND RISK – S11 MONITORING

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

**1. SUMMARY OF PROPOSALS**

The report provides an update to the S11 recommendations.

**2. RECOMMENDATIONS**

- 2.1. It is recommended that the Audit Governance and Standards Committee note the progress to the S11 recommendations

**3. KEY ISSUES****3.1 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.

- 3.2 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:

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE****26<sup>th</sup> APRIL 2018**

- 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. It is anticipated that Grant Thornton will assess the Councils delivery of the S11 recommendations.

**Legal Implications**

- 3.3 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**

- 3.4 None, as a direct result of this report

**Customer / Equalities and Diversity Implications**

- 3.5 None, as a direct result of this report.

**4. RISK MANAGEMENT**

Effective financial management is included in the Corporate Risk Register.

**5. BACKGROUND PAPERS**

CIPFA recommended template for the Statement of Accounts

**AUTHOR OF REPORT**

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 Email: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk)  
 Tel: (01527) 881400

REDDITCH BOROUGH COUNCILAUDIT GOVERNANCE AND STANDARDS COMMITTEE26<sup>th</sup> April 2018PROJECTED FINANCIAL SAVINGS MONITORING REPORT 2017/18

<b>Relevant Portfolio Holder</b>	Councillor John Fisher
<b>Portfolio Holder Consulted</b>	-
<b>Relevant Head of Service</b>	Jayne Pickering – Exec Director Finance and Resources
<b>Ward(s) Affected</b>	All Wards
<b>Ward Councillor(s) Consulted</b>	No
<b>Key Decision / Non-Key Decision</b>	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 £266k. 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****26<sup>th</sup> April 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	426	-126	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	162	-82	Savings to be achieved as identified within the shared service and migration to one system across both Councils.
Cross Organisational	Organisational Management Review	135	32	103	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	273	-98	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	613	-413	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
<b>TOTAL NEW SAVINGS / USE OF BALANCES /</b>		<b>1,240</b>	<b>1,506</b>	<b>-266</b>	

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

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**Work Programme****26th April 2018 meeting**

Minutes from both the meeting of the Committee held on 21<sup>st</sup> September 2017 and on 1<sup>st</sup> February 2018.

**Standards**

- Monitoring Officer's Report

**Governance**

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

**Monitoring**

- Compliance Team Update (6 monthly)
- Corporate Governance and Risk Update (including S11 Action Plan Monitoring)
- Financial Savings Monitoring Report
- Corporate Risk Register
- Committee Work Programme

**30<sup>th</sup> July 2018 meeting****Standards**

- 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)
- Re-appointment of Lead Fraud Member on the Committee (Note: Lead Risk Member role appointed to until September 2018).
- Financial Savings Monitoring Report
- Committee Action List and Work Programme

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

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**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

**31<sup>st</sup> January 2019 meeting****Standards**

- 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