



# Audit, Governance & Standards Committee

Thu 25 Oct  
2018  
7.00 pm

Committee Room Two  
Town Hall  
Redditch

**REDDITCH** BOROUGH COUNCIL

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**If you have any queries on this Agenda please contact  
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# **Audit, Governance & Standards**

Thursday, 25th October, 2018

7.00 pm

Committee Room 2 Town Hall

## **Committee**

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### **Agenda**

#### **Membership:**

Cllrs:	John Fisher (Chair)	Mike Rouse
	Mark Shurmer	Craig Warhurst
	(Vice-Chair)	Yvonne Smith
	Salman Akbar	Pat Witherspoon
	Joanne Beecham	
	Michael Chalk	

#### **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 - 12)

#### **4.** Monitoring Officer's Report - Standards Regime (Pages 13 - 16)

#### **5.** Compliance Team Update (Pages 17 - 20)

#### **6.** Grant Thornton Sector Update (Pages 21 - 38)

#### **7.** Audit Fee Letter 2018/19 (Pages 39 - 44)

#### **8.** Grant Thornton Annual Audit Letter 2017/18 (Pages 45 - 62)

#### **9.** Internal Audit Progress Report (Pages 63 - 88)

#### **10.** Internal Audit Charter Update Report (Pages 89 - 108)

#### **11.** Finance Savings Monitoring Report 2018/19 - April to June 2018 (Pages 109 - 112)

#### **12.** HRA Internal Controls - S151 update - To follow

#### **13.** Audit, Governance and Standards Committee's Work Programme (Pages 113 - 114)

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## **Audit, Governance & Standards Committee**

**Monday, 30th July, 2018**

### **MINUTES**

#### **Present:**

Councillor John Fisher (Chair), Councillor Mark Shurmer (Vice-Chair) and Councillors Salman Akbar, Joanne Beecham, Michael Rouse, Craig Warhurst and Pat Witherspoon

#### **Officers:**

Andy Bromage, Clare Flanagan, Chris Forrester, Jayne Pickering and Neil Preece

#### **Democratic Services Officers:**

Jess Bayley and Farzana Mughal

### **1. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors Michael Chalk and Yvonne Smith.

Apologies for absence were also received from Dave Jones, the Independent Member, and Richard Percival from Grant Thornton.

Members were informed that Dave Jones, who was appointed as an Independent Member for Audit, Governance and Standards Committee, had resigned from the Committee as of immediate effect. Members were advised that a report would be prepared in respect of the role of the Independent Member for this Committee, which would be considered at the next meeting in October, 2018.

On behalf of the Committee, the Chair expressed his thanks to Dave Jones for his hard work and commitment. The Committee agreed to write to him to thank him for his valuable contribution to the Committee.

#### **RESOLVED that**

- 1) the role of the Independent Member of the Audit, Governance and Standards Committee be considered at the next meeting of the Committee held on 25<sup>th</sup> October, 2018; and**

.....  
Chair

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- 2) on behalf of the Committee, a letter of gratitude to be sent to Dave Jones (Independent Member) for his support and contribution to the Committee.

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **3. MINUTES OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING ON THE 26TH APRIL 2018**

The minutes of the meeting of the Audit, Governance and Standards Committee held on 26<sup>th</sup> April, 2018 were submitted.

### **RESOLVED**

**that the minutes of the Audit, Governance and Standards Committee meeting held on 26<sup>th</sup> April, 2018 be approved as a correct record.**

## **4. RE-APPOINTMENT OF LEAD FRAUD MEMBER ON THE COMMITTEE**

Members considered the re-appointment of the Lead Fraud Member of the Committee. The Executive Director of Finance and Resources informed the Committee that there was a Compliance Team that would look at any issues around fraud.

The Committee was advised that the role of a Lead Fraud Member was not vital for this Committee. Nonetheless, Members would be informed of any issues relating to fraud when necessary and a Compliance report would be presented to the meeting bi-annually.

### **RESOLVED**

**that the role of the Lead Fraud Member for the Audit, Governance and Standards Committee not be re-appointed**

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## **5. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

The Principal Solicitor presented Members with the Monitoring Officer's Report for consideration.

Members were informed that since the last meeting of the Committee a number of complaints had been received by the Monitoring Officer, in respect of Members' use of social media. Although these did not engage the Code Of Conduct, Group Leaders and the Monitoring Officer felt it was necessary to arrange social media training for all Members to address the concerns raised. The training would take place on 19<sup>th</sup> and 20<sup>th</sup> September, 2018 during political party group meetings. The Committee noted that it was prudent for all Members to attend the training.

Furthermore, Members were informed that training in respect of Corporate Manslaughter had taken place; this involved round-table discussions and Members had found the training useful.

It was noted that Members had raised concerns in relation to the dependence of training providers on the use of PowerPoint presentations and felt that training sessions needed to be more interactive.

The Member Support Steering Group had identified a requirement for further training to be provided to Members in respect of Equalities and Diversity. Officers were currently looking at potential dates to deliver this training later in the year.

### **RESOLVED**

**that the Monitoring Officer's Report be noted.**

## **6. GENERAL DISPENSATIONS REPORT**

The Principal Solicitor presented to the Committee the Dispositions report for Members' consideration. The Committee was informed that Members could apply for a dispensation when they had a pecuniary interest in a matter.

Members considered a dispensation request from Councillors David Bush and Jennifer Wheeler to enable them to participate in discussions and decisions in relation to the Town Centre Partnership and Town Centre Regeneration as they were both non-

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voting Directors appointed to the Redditch Town Centre Partnership's Board.

Members considered an additional dispensation request from Councillor David Bush to enable him to participate in discussions and decisions concerning the Greater Birmingham and Solihull Local Enterprise Partnership as he was appointed as a substitute Member and Director on the GBSLEP Joint Committee Local Supervisory Board.

## **RESOLVED that**

- 1) **any new Individual Member Dispensations (IMDs) requested by Members up to the point of the meeting, and as advised by the Monitoring Officer at the meeting, be granted under section 33 (2) of the Localism Act 2011, to allow those Member(s) to participate in and vote at Council and Committee meetings in the individual circumstances detailed;**
- 2) **the previously granted general dispensation in relation to:**
  - (i) **allowing Members to address Council and committees in circumstances where a member of the public may elect to speak.**
  - (ii) **the adoption of any new or updated**  
  
**be re-granted under section 33 (2) of the Localism Act 2011, to allow Members to participate in and vote at Council and committee meetings when considering these matters.**
- 3) **subject to the caveat set out in paragraph 3.9 of this report in relation to setting the Budget, the Audit, Governance and Standards Committee grants dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of:**
  - a) **the Budget;**
  - b) **Council Tax;**
  - c) **Members' Allowances; and**
  - d) **Council Rents;**



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- e) **Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District;**
- 4) **it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and**
- 5) **it be noted that any new or re-granted dispensations will remain valid until the first meeting of the Audit, Governance and Standards Committee following the next Borough Council Elections in 2019;**
- 6) **a general dispensation be granted to Councillors David Bush and Jennifer Wheeler to enable them to participate in discussions and decisions concerning the Town Centre Partnership and Town Centre Regeneration; and**
- 7) **a general dispensation be granted to Councillor David Bush to enable him to participate in discussions and decisions concerning the Greater Birmingham and Solihull Local Enterprise Partnership.**

## **7. GRANT THORNTON - AUDIT FINDINGS REPORT 2017/18**

Neil Preece, from Grant Thornton, presented the External Audit Findings Report for 2017/18, which outlined the key matters arising from the audit of the Council's financial statement for the year ended 31<sup>st</sup> March, 2018.

Grant Thornton expressed their thanks to the Finance Team for their hard work during the audit. It was reported that although significant improvement had been made, nonetheless, there were further improvements to be made as there was continued pressure to deliver savings to ensure a balanced Medium Term Financial Plan.

The Committee was informed that in the previous year there were concerns around the reporting; however, Grant Thornton was satisfied with the arrangements this year.

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Members were informed that the financial statements were produced in advance of the deadline and a significant improvement on the timescale had been achieved compared to last year. Whilst officers had responded positively, it was recognised that the Council needed to ensure that next year sufficient time was given for a robust and thorough quality review of the accounts.

The key messages arising from the audit of the Council's Financial Statements were that:

- There were no unadjusted misstatements.
- The narrative report was enhanced and expanded in order to meet the code requirements.
- There was a non-rebuttable presumed risk of management over-ride of controls being present in all entries.
- Some of the risks identified locally were the same as the risks in previous years. Audit work had been undertaken to address the risks and there were no significant concerns.
- Audit work had been undertaken in respect of operating expenses and there were no significance issues identified.
- Grant Thornton was satisfied that early payments to the pension fund were compliant with regulations and were appropriately reflected in the financial statements.

It was reported that the key findings were assessed against any significant risks that were identified both prior to and during the review.

Arising from Members' questions, the following responses were made:

- Expenditure and income, showed that employee benefits had increased by £3.083m year on year. This was due to a change in the way the figures were reported this year and Officers had provided explanations for the change in approach.
- Clarity was sought to confirm that the Medium Term Financial Plan was for four years from the period of 2018/19 to 2021/22.
- Initially the Annual Governance Statement did not fully comply with the code requirements and did not make sufficient reference to the Housing Repairs investigation, which was now included as a 'Significant Governance Issue'. Members were advised that the s151 Officer's report would be submitted to the Committee in October, 2018, to detail how the recommendations from previous housing audits have been implemented.

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## **RESOLVED that**

- 1) the Audit Findings Report for 2017/18 be approved; and.**
- 2) the draft letter of representation be approved.**

## **8. AUDITED STATEMENT OF ACCOUNTS 2017/18**

The Committee considered the Statement of Accounts for 2017/18. The Executive Director of Finance and Resources presented the report and informed the Committee that the Statement of Accounts was approved by the Executive Director of Finance and Resources on 30<sup>th</sup> May, 2018 and submitted to Grant Thornton, External Auditors. She further outlined the key issues detailed in the report.

Arising from Members' questions, the following responses were made:

- Briefing papers would be disseminated to Members to update them on the changes in respect of the New Homes Bonus.
- Capital expenditure amounted to £8.9m against a planned budget of £15.4m. This was due to issues with the Housing Revenue Account (HRA), repairs and maintenance. A total of £6m was reserved for future housing projects.

## **RESOLVED**

**that the Statement of Accounts for 2017/18, including the Accounting Policies be approved.**

## **9. INTERNAL AUDIT - ANNUAL REPORT 2017/18**

The Head of the Internal Audit Shared Service presented the Committee with the Internal Audit Annual Report for 2017/18, which outlined the work completed from 1<sup>st</sup> April, 2017 to 31<sup>st</sup> March, 2018.

The Head of Internal Audit Shared Service had concluded that the internal control arrangements during 2017/18 effectively managed the principal risks in a number of areas and could be relied upon to ensure the Council's corporate objectives had been met.

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Managers were asked to provide feedback on system audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire was sent to the responsible manager and an analysis of those returned showed a very high satisfaction with the audit product.

A clear management action plan had been formulated to address the issues identified in the audit area where 'limited' assurance was identified to mitigate the risk. Where audits were to be finalised a comprehensive management action plan would be required and agreed by the s151 Officer.

Members were presented with the Internal Audit Charter. It was advised that the revised charter would be presented to the Committee in October, 2018 for consideration.

The Chair asked if the working relationship with other services were cooperative. The Head of Internal Audit Shared Service clarified that all services were supportive in their dealings with Audit and if services were not cooperating this would be reported to the s151 Officer and would be escalated to senior management.

The Executive Director of Finance and Resources advised that the Committee had responsibility to monitor and ensure all audits were undertaken to make sure that the agreed recommendations and action plans had been implemented.

## **RESOLVED**

**that the Internal Audit Annual Report for the period of 1<sup>st</sup> April, 2017 to 31<sup>st</sup> March, 2018 be noted.**

### **10. INTERNAL AUDIT - EXTERNAL ASSESSMENT 2017/18 PROGRESS REPORT**

The Head of the Internal Audit Shared Service presented the Committee with the Internal Audit External Assessment for 2017/18 Progress Report.

It was reported that all Internal Audit Services were obliged to comply with the Public Sector Internal Audit Standards 2013 and undertake an independent external assessment every five years to ensure compliance with the Standards.

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The Committee was informed that the report was presented to the Client Officer Group in November 2017, and the key outcomes of the assessment were that:

- The service was solid and reliable.
- Nothing was wrong.
- No areas of non-compliance were identified.

The report identified a number of recommendations and suggestions to further enhance the service. All of the elements had been addressed that would benefit the service overall. It was planned that progress against the report would be reported to the Committee twice a year until all the points identified had been satisfied.

It was reported that the first assessment was shared with all partners and a number of key issues that were identified had been addressed.

Members were provided with the action plan outlining the current position. Members requested for the actions to be rag rated in order to monitor the progress.

## **RESOLVED**

**that the Internal Audit External Assessment 2017/18 Progress Report be noted.**

### **11. CORPORATE RISK REGISTER 2018/19**

The Executive Director, Finance and Resources presented the Corporate Governance and Risk Report for 2018/19 for Members' consideration.

The Corporate Risk Register had been developed by the Management Team to address any issues that were of a strategic nature and seen as areas that had potential to impact on the delivery of the Strategic Purposes.

Members noted the scoring criteria and where asked to make any proposed changes or additions that could be monitored. The Chair acknowledged that a lot of work was going on around IT services being updated in order to strengthen the system.

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Members asked if there was anything that they could do in order to mitigate any risk to the organisations. Members were advised that any high risks identified would be reported at every Committee meeting for Members to monitor.

## **RESOLVED**

**that the Corporate Risk Register was noted and no amendments be made.**

### **12. FINANCIAL SAVINGS MONITORING REPORT**

The Executive Director of Finance and Resources presented the Financial Savings Monitoring Report for 2017/18 which included the delivery of the savings projected for the full year against the efficiency plan.

The following areas were highlighted:

- The total savings for 2017/18 was at £1.4m.
- It was prudent to focus on the delivery of the Medium Term Financial Plan going forward.

## **RESOLVED**

**that the financial position for savings as presented in the report be noted.**

### **13. CROSSGATES DEPOT UPDATE**

The Executive Director of Finance and Resources provided Members with an update on the stores at Crossgates Depot. Members were informed that the stores currently had £23,113 worth of dead stock located at the Crossgates Depot. A review of the stock had been carried out to see if the items could be used or sold on any of the Council's properties.

It was reported that the Council could re-use stock items valued at £9,043 which consisted of miscellaneous tools and building sundries. A number of disseminated units, values at £9,676, had been identified where these units could be fitted over the next 12-18 months as kitchens in properties needing replacements.

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## **14. COMMITTEE WORK PROGRAMME**

Members considered the Audit, Governance and Standards Committee's Work Programme for 2018/19. It was noted that the next meeting of the Committee was scheduled to take place on 25<sup>th</sup> October, 2018.

### **RESOLVED**

**that the Audit, Governance and Standard Committee Work Programme for 2018/19 be noted.**

The Meeting commenced at 7.00 pm  
and closed at 8.55 pm

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND  
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25th October 2018

**MONITORING OFFICER'S REPORT – STANDARDS REGIME**

Relevant Portfolio Holder	Councillor Matthew Dormer, Portfolio Holder for Planning, Governance and Partnerships
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 30<sup>th</sup> July 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

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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 There has been one complaint made by a member of the public about a Borough Councillor since the last meeting of this Committee in July. The investigation of this complaint remains ongoing.

Member Training

- 3.4 At the last meeting of the Committee it was reported that social media training would be provided to Members in September at political party group meetings. Since then the date of the group meetings in September changed to allow Members to meet before the rearranged Council meeting in September, the date of which was moved forward to 17<sup>th</sup> September. Social media training will now therefore take place in November 2018.
- 3.5 During the next meeting of the Member Support Steering Group Members are due to discuss any Member training needs for the remainder of the municipal year and the potential to make greater use of some functions on the website using the modern.gov committee administration system. The next meeting of the group will take place after the agenda for this meeting of the Audit, Governance and Standards Committee has been published. Members will therefore be provided with a verbal update on the outcomes of this meeting.
- 3.6 At the Members Support Steering Group meeting, Members will also be invited to explore the potential to reduce the amount of paperwork printed for Committee meetings. This follows the receipt of a number of complaints from Members about the length of recent agenda packs for Committee meetings, with some Members suggesting that paperless meetings or reduced paperwork should be explored.

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- 3.7 A training session in respect of data protection, which provided an update in respect of GDPR, was provided on 11<sup>th</sup> October 2018. This will be the second data protection session this municipal year. Six Members attended a data protection training session in June and seven Members attending the training in October.

Constitution Review Working Party

- 3.8 The Constitution Review Working Party held two meetings in July and August. During these meetings Members reviewed a number of sections of the constitution including the Scheme of Delegations to officers, the Planning Code of Practice and the Members' Role Descriptors. The group's ten recommendations in respect of changes to the Council's constitution were considered and approved by full Council at a meeting on 17<sup>th</sup> September 2018.
- 3.9 The Constitution Review Working Party has been working very effectively in enabling constructive changes to the constitution to be made and in keeping all Members informed.
- 3.10 At least one further meeting of the Constitution Review Working Party is due to be held this municipal year. During this meeting Members will be asked to consider proposed changes to the Licensing Code of Practice and employment appeals processes.

Customer / Equalities and Diversity Implications

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

**4. RISK MANAGEMENT**

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

- Risk of challenge to Council decisions; and
- Risk of complaints about elected Members.

**5. APPENDICES**

None

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

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### **6. BACKGROUND PAPERS**

Chapter 7 of the Localism Act 2011.

Confidential complaint papers (where applicable).

### **AUTHOR OF REPORT**

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# AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

25<sup>th</sup> October 2018

## COMPLIANCE TEAM UPDATE

Relevant Portfolio Holder	Councillor Tom-Baker Price, 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.
- 3.4 It should be noted that from October 2018 DWP will be rolling out joint working on Fraud cases affecting Universal Credit and Local Council Tax Support. This joint working will result in additional work pressures falling onto the Compliance Team and a significant amount of resource will need to be released for fraud investigations.

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- 3.5 The team currently has two trained Fraud Investigators and two assistants.

### 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 the first 6 months of 2018/19

4.2

Work Stream	Additional Income (£000's)
Council Tax discount/exemption compliance	36
Council Tax un-banded properties	14
HBMS Referrals HB Overpayments	26
HBMS Referrals CTS Overpayments	3
NFI Referrals	4
Non-Domestic Rate unrated and underrated property	273
<b>Total</b>	<b>£356</b>

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

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- 4.8 Customers have a legal duty to inform the authority that they are no longer entitled to exemption. Customers must provide this notification within 21 days of the entitlement to exemption ending, where they fail to do so the council may impose an administration penalty of £70.00.
- 4.8 The use of administration penalties would have increased the income to Redditch Borough Council by £6,860
- 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 £35,500.

**5 Legal Implications**

- 5.1 There are no specific legal implications.

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

The team has identified £36,000 in incorrectly claimed Council Tax discounts and exemptions. The team are currently working with the Revenues department to implement procedures to reduce fraud and error within the discounts and exemptions

**6.3 Non-Domestic Rates**

The team has identified an additional £273,000 in Business Rates billing where businesses have not registered for business rates or have expanded in size and not declared it to the council. There is a 3 month backlog at the Valuation Office and we expect this figure to increase by £93,000 after decisions by the Valuation Office.

**6.4 Council Tax missing properties**

The team identified 10 missing properties which have all been valued by the valuation office, amounting to £14,000 per annum. The team have introduced a procedure within the Revenues department to mitigate the risk of missing properties.

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The compliance team is leading a project to link the Council Tax database to the Local Land and Property Gazetteer. This development would allow for the control and oversight of new property developments and decrease the incidence of new properties valuation being delayed or omitted.

### **6.5 National Fraud Initiative**

The team have completed all National Fraud Initiative referrals and identified £4,000 in overpaid Housing Benefit.

The Single Person Discount matching exercise is commencing in October 2018 with datasets to be available for checking and validation from 4<sup>th</sup> Quarter of 2018/19

## **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.

## **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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**GRANT THORNTON – SECTOR REPORT**

<b>Relevant Portfolio Holder</b>	Councillor Tom Baker Price
<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 present a sector update report from Grant Thornton relating to emerging public sector national issues.

**2. RECOMMENDATIONS**

2.1 That the Committee note the update.

**3. KEY ISSUES**

3.1 This report attached at Appendix 1 details a number of key issues that are emerging in the public sector environment that Grant Thornton feel the Council should be aware of. These include:

**3.2 Financial Resilience Index**

CIPFA has proposed a financial resilience index to provide reassurance to councils who are financially stable and to highlight areas that may need further consideration in relation to financial modelling and funding.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The model is purely a proposal at present .

**REDDITCH BOROUGH COUNCIL****AUDIT GOVERNANCE AND STANDARDS COMMITTEE    25<sup>th</sup> OCTOBER 2018**

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**3.3 Social Housing Green Paper**

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

**3.4 Business Rates Pilots**

As Members are aware Worcestershire has submitted a bid to become a Business Rate Pilot for 2019/20. From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services

**3.5 Fair Funding Review**

The government's 'Fair Funding Review' is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils' differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based

3.6 Other emerging issues include the Health and Social Care interface, the Vibrant Economy Index and the new Supply Chain Insights tool.

**3.7 Legal Implications**

None as a direct result of this update

**3.8 Service/Operational Implications**

The impact of any changes would be managed by services delivered by the Council

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

None, as a direct result of this report.

**5. RISK MANAGEMENT**

The Corporate Risk register includes risk associated with changes to national policy

**6. APPENDICES**

Appendix 1 – Sector Update

**7. BACKGROUND PAPERS**

Available from Financial Services

**AUTHOR OF REPORT**

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# Sector Update

Redditch Borough Council

September 2018



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# Introduction



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This report includes a summary of emerging national issues and developments that may be relevant to you as a District Council.

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 [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.

# 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, wider local government and the public sector as a whole. Links are provided to the detailed reports 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



# CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.



# MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- tackling stigma and celebrating thriving communities
- expanding supply and supporting home ownership
- effective resolution of complaints
- empowering residents and strengthening the regulator
- ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:  
<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



# MHCLG – Business rate pilots

The Secretary of State has invited more councils to apply for powers to retain the growth in their business rates under the new pilots. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services.

This follows the success of previous waves of business rates retention pilots, launched in a wide range of areas across country in 2017 and 2018.

The current 50% business rates retention scheme is yielding strong results and in 2018 to 2019 it is estimated that local authorities will keep around £2.4 billion in business rates growth.

Findings from the new round of pilots will help the government understand how local authorities can smoothly transition into the proposed system in 2020.

Proposals will need to show how local authorities would 'pool' their business rates and work collaboratively to promote financial sustainability, growth or a combination of these.

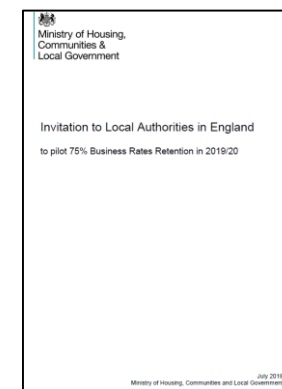
Alongside the pilots, the government will continue to work with local authorities, the Local Government Association, and others on reform options that give local authorities more control over the money they raise and are sustainable in the long term.

The invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution areas and London. Due to affordability constraints, it may be necessary to assess applications against selection criteria, which will include:

- Proposed pooling arrangements operate across a functional economic area
- Proposal demonstrates how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these
- Proposal sets out robust governance arrangements for strategic decision-making around management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements

Any proposals will need to show that all participating authorities have agreed to become part of the suggested pool and share additional growth as outlined in the bid. The Section 151 officer of each authority will need to sign off the proposal before submission.

Proposal for new pilots must be received the MHCLG by midnight on Tuesday 25<sup>th</sup> September 2018.



# Institute of Fiscal Studies: Impact of 'Fair Funding Review'

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government's 'Fair Funding Review' is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils' differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

## Accounting for councils' spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG's funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of 'spending needs' and 'needs indicators', and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

## Accounting for councils' revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

## The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



# National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece’ on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

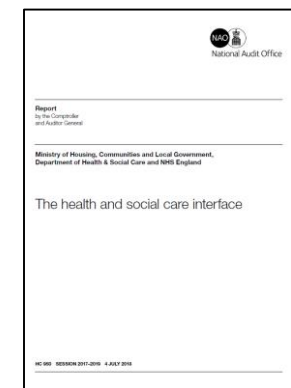
**Financial challenges** – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

**Culture and structure** – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

**Strategic issues** – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:  
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>



# The Vibrant Economy Index

## a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website ([www.granthornton.co.uk](http://www.granthornton.co.uk)) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

### Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea





# 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

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## Grant Thornton website links

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

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

## National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

## Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/728722/BRR\\_Pilots\\_19-20\\_Prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf)

## Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>





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**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE & STANDARDS COMMITTEE 25<sup>th</sup> OCTOBER 2018****GRANT THORNTON AUDIT FEE 2018/19**

Relevant Portfolio Holder	Cllr Tom Baker Price
Portfolio Holder Consulted	N/A
Relevant Head of Service	Jayne Pickering ( Exec Director)
Wards Affected	<b>All</b>
Ward Councillor Consulted	None specific

**1. SUMMARY OF PROPOSALS**

- 1.1 To present to members the Grant Thornton Audit Fee 2018/19. A copy of this document is attached to this report as Appendix A..

**2. RECOMMENDATIONS**

- 2.1 **Members are asked to note and agree the 2018/19 Audit Fee**

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

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £44k which is a 23% reduction on the 2017/18 fee. In addition it is anticipated that the fee in relation to the audit of the Housing Benefit Grant Claim will be £23k.

**Legal Implications**

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

**Service / Operational Implications**

- 3.3 Attached at Appendix A is the 2018/19 Audit Fee Letter . This sets out the timeline for the work that will be undertaken by Grant Thornton and the team that will be involved in the audit for the Council. Officers work closely with the audit team to ensure the accounts and other audit work are carried out in an effective way.

**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE & STANDARDS COMMITTEE 25<sup>th</sup> OCTOBER 2018**

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- 3.4 The work by the Grant Thornton will enable a robust opinion to be made across all the internal control and accounting arrangements that the Council has in place.
- 3.5 The Auditors will also make an assessment of the Councils arrangements to secure value for money to include systems and processes to manage financial risks and improving efficiency.

**Customer / Equalities and Diversity Implications**

- 3.7 None as a direct result of this report

**4. RISK MANAGEMENT**

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

**5. APPENDICES**

Appendix 1 – Audit Fee Letter 2018/19

**AUTHOR OF REPORT**

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Tel: 01527-881400

**Grant Thornton**

An instinct for growth™

Our ref: 2018-19 audit fee

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28 March 2018

Dear Jayne

## Redditch Borough Council Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

## Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £44,629.

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

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

## Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

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

## Value for Money conclusion

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

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

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

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

## Billing schedule

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2018	11,158
December 2018	11,157
March 2019	11,157
June 2019	11,157
<b>Total</b>	<b>44,629</b>

## Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March 2019. On completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July 2019, and work on the whole of government accounts return in July 2019.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June and July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to March 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

## Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Richard Percival	0121 232 5434	<a href="mailto:richard.d.percival@uk.gt.com">richard.d.percival@uk.gt.com</a>
Engagement Manager	Neil Preece	0121 232 5292	<a href="mailto:neil.a.preece@uk.gt.com">neil.a.preece@uk.gt.com</a>
In Charge Auditor	Denise Mills	0121 232 5306	<a href="mailto:Denise.F.Mills@uk.gt.com">Denise.F.Mills@uk.gt.com</a>

## Additional work

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

## Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com).

Yours sincerely



Richard Percival  
Engagement Lead  
For Grant Thornton UK LLP





# **AUDIT GOVERNANCE & STANDARDS COMMITTEE**

25<sup>th</sup> OCTOBER 2018

## **GRANT THORNTON ANNUAL AUDIT LETTER 2016/17**

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

### **1. SUMMARY OF PROPOSALS**

- 1.1 To present to Members the Grant Thornton Annual Audit Letter which summarises the key findings arising from the work carried out at the Council for the year ended 31 March 2018.

### **2. RECOMMENDATIONS**

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

### **3. KEY ISSUES**

#### **Financial Implications**

- 3.1 The Grant Thornton fee for fee for 2017/18 was £62k. This included an additional £5k which related to additional work undertaken. This was met from savings within the accountancy team. The grant fees is a further £18k.

#### **Legal Implications**

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

#### **Service/Operational Implications**

- 3.3 The Annual Audit Letter 2017/18 from Grant Thornton details their findings and recommendations as a result of the work undertaken as part of the final accounts for 2017/18 and reflects the Audit opinion reported to this Committee in July 2018. This approval met the new statutory deadline.
- 3.4 A unqualified opinion was given for the accounts with the Value for Money Judgements given a qualified 'except for' judgment which reflects the improvements made in monitoring and reporting but

**AUDIT GOVERNANCE & STANDARDS  
COMMITTEE****25<sup>th</sup> OCTOBER 2018**

acknowledges the financial sustainability issues the Council has in the medium term financial plan . This was an improvement from 2016/17 when an overall qualified judgement was given in relation to Value for Money. Officers continue to work to address the Councils financial challenges.

**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, 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 - Annual Audit Letter from Grant Thornton 2017/18

**AUTHOR OF REPORT**

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# Annual Audit Letter

*Year ending 31 March 2018*

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Redditch Borough Council  
August 2018



# Contents



**Your key Grant Thornton  
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**Section**

- 1. Executive Summary
- 2. Audit of the Accounts
- 3. Value for Money conclusion

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**Appendices**

- A Reports issued and fees

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# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Redditch Borough Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Governance and Standards Committee as those charged with governance in our Audit Findings Report on 30 July.

## Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1.322 million, which equates to 2% of the gross expenditure for the prior year after adjusting for the HRA revaluation.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 31 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for the underlying gap in the Medium Term Financial Plan and the fact that there are currently no plans to bridge the gap on a sustainable basis. We therefore qualified our value for money conclusion in our audit report to the Council on 31 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit, Governance and Standards Committee in our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Redditch Borough Council in accordance with the requirements of the Code of Audit Practice.

## Respective responsibilities

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

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

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

# Executive Summary

## Key messages

### Financial statements

The financial statements were available for audit before the end of May deadline and we were able to conclude our audit and issue our unqualified audit opinion by the end of July deadline. This is a significant improvement on previous years, reflecting the work carried out by the finance team to achieve this.

We did, however, have some issues with the quality of the working paper supplied and the volume of matters arising from our audit work. Although officers responded positively to our questions and were very helpful, our audit took longer than planned. There is scope for further improvement in the accounts production process. In particular ensuring that there is sufficient time included in the process for effective quality assurance of both the financial statements and the working papers.

We agreed a range of presentational and disclosure amendments to the accounts. We did not find any adjustments that would have resulted to a change in the reported financial position in the draft accounts.

### Value for money conclusion

We are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money in the use of its resources. Our work focused on:

- financial sustainability;
- in year financial reporting to Members; and
- procurement and contract management in the Housing Department.

We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions.

The Council is not in a financially sustainable long term position, and does not have sufficiently developed plans to address this. There is a financial gap of £1.3 million by 2020/21, and use of balances to cover this is not realistic. At the 31 March 2018 the General Fund working balance was £1.8 million.

Although there are savings plans supported by appropriate business cases, these are not sufficient to close the financial gap. The Council has not demonstrated that the underlying deficit is being addressed effectively.

Financial reporting to members continues to improve. The high level savings figures presented to Members are underpinned by appropriate levels of information and analysis. However, Members would be provided with better assurance that the MTFP is on track, if savings and income generation were reported against the MTFP targets, rather than the Efficiency Plan.

There was an independent investigation into the procurement and management of housing repairs contracts. We have concluded that the Council's response to investigating the issue was appropriate and proportionate. We have also noted that improvements have been made to procurement and contract management.

Based on the work we performed we concluded that except for the matter we identified in respect of financial sustainability, the Council had proper arrangements in all significant respects. We therefore gave a qualified 'except for' conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in your use of resources.

### Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered the accounts audit before the earlier deadline of 31 July, which is a significant achievement for officers and the audit team alike. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.
- Providing training – we provided your Officers with bespoke training on Housing Benefit certification, specifically tailored to their needs. We also provided final accounts production training.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports

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

Grant Thornton UK LLP  
August 2018

# Audit of the Accounts

## Our audit approach

### Materiality

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

We determined materiality for the audit of the Council's accounts to be £1,322,000, which is 2% of the Council's gross revenue expenditure for the prior year after adjusting for the HRA revaluation. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality 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.

We set a lower threshold of £66,000, above which we reported errors to the Audit, Governance and Standards Committee in our Audit Findings Report.

### The scope of our audit

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

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the narrative report and annual governance statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we give our opinion.

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

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

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

# Audit of the Accounts

## Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"><li>• gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness</li><li>• obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness</li><li>• evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li></ul>	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p><b>Valuation of property, plant and equipment</b></p> <p>The Council revalues its land and buildings on a five year rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"><li>• reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li><li>• considered the competence, expertise and objectivity of any management experts used</li><li>• discussed with the valuer the basis on which the valuation was carried out and challenged the key assumptions</li><li>• reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding</li><li>• tested revaluations made during the year to ensure they were input correctly into the Council's asset register</li><li>• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li></ul>	<p>Our audit work has not identify any changes to the disclosure of property, plant and equipment.</p>



# Audit of the Accounts

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"><li>• identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li><li>• evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation was carried out.</li><li>• undertook procedures to confirm the reasonableness of the actuarial assumptions made</li><li>• checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li></ul>	<p>Our audit work identified changes to the pension fund disclosures, but these did not affect the net liability as reported in the accounts.</p>

# Audit of the Accounts

## Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2018, meeting the national deadline.

## Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, and provided working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

However, our audit identified a higher number of relatively minor amendments than we would expect. A number of the working papers initially supplied did not provide the requisite assurance, or could not be agreed to the financial statements. While officers responded very positively to our questions the Council needs to ensure that next year sufficient time is allowed for a robust and thorough quality review of the accounts and working papers before they are presented for audit.

## Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit, Governance and Standards Committee on 30 July 2018. These are:

- The Narrative Report was enhanced and expanded in order to meet the Code requirements.
- The Annual Governance Statement did not fully comply with Code requirements and, importantly, did not make sufficient reference to the Housing Repairs investigation, which is now included as a "Significant Governance Issue".
- Note 8 - Expenditure and Income Analysed by Nature, shows that employee benefits have increased by £3.083m (21%) year on year. Our work identified that, for 2016/17 employee costs were reported as £14.450m, but applying the same approach as that followed for 2017/18, the figure would be £16.985m. Officers have restated the previous year and provided explanations for the difference.
- The Fair Value figures for PWLB loans disclosed in Note 16 were incorrect and have been amended from £125.797m to £114.325m. This has no impact on the amount of borrowing shown on the balance sheet.

- Pension fund disclosures were amended to show the correct sensitivity analysis, as required by the Code, and to correct typographical errors.
- The financial statements include disclosure of operating leases where the Council is lessor (Note 34). The total income expected over the life of the leases is £3.447 million (£3.901 million in 2016/17). The 2016/17 financial statements stated "The Council has no operating leases." We have tested the leases underlying this disclosure, with no issues identified, but report the incorrect disclosure in the previous year.

## Annual Governance Statement and Narrative Report

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

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

## Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Redditch Borough Council in accordance with the requirements of the Code of Audit Practice.

We issued our certificate of audit completion with our audit opinion on 31 July 2018.

# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. In arriving at our conclusion, our main considerations were:

- financial sustainability;
- in year financial reporting to Members; and
- procurement and contract management in the Housing Department.

Our key findings were as follows

The Council is not in a financially sustainable long term position, and does not have sufficiently developed plans to address this. There is a financial gap of £1.3 million by 2020/21, and use of balances to cover this is not realistic. The Council has not demonstrated that the underlying deficit is being addressed effectively.

Financial reporting to members continues to improve. However, Members would be provided with better assurance that the MTFP is on track, if savings and income generation were reported against the MTFP targets, rather than the Efficiency Plan.

that the Council's response to investigating the Housing Department's procurement and contract management issues was appropriate and proportionate.

We made the following recommendation:

Officers and Members need to avoid having too many priorities, and to adopt a clear approach on de-prioritisation. The Council needs to make some difficult and challenging decisions in order to ensure it can live within its means in the longer term.

Our consideration of the key risks is set out overleaf.

## Overall Value for Money conclusion

Based on the work we performed, we concluded that except for the matter we identified in respect of financial sustainability, the Council had proper arrangements in all significant respects. We therefore gave a qualified 'except for' value for money conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Value for Money conclusion

## Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Financial sustainability</b></p> <p>How robust is the MTFs and how well developed are savings plans?</p> <p>We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We will follow up recommendations from our 2016/17 Audit Findings Report to determine the progress made in addressing these issues.</p> <p>1) All savings plans are appropriately supported by a business case, all aspects of the savings are identified, it is clear when the planned savings will be delivered and what needs to happen to realise the savings.</p> <p>2) Priority is given by Executive to ensuring that the management restructure is progressed on a timely basis.</p>	<p>1) We tested a number of schemes to identify whether our recommendations had been addressed. We found there are appropriate business cases in place, commensurate with the savings being considered. However, there is still a financial gap in the MTFP of £1.3 million in 2020/21, and use of balances to cover this is not realistic. At the 31 March 2018 the General Fund working balance was £1.8 million. This level of General Fund working balances will only cover the financial gap for a short period and would then leave the Council with very little financial contingency reserves. There are currently no plans to bridge the gap on a sustainable basis. The Council has not demonstrated that the underlying deficit is being addressed effectively.</p> <p>Officers are also aware that, after 2019/20, the HRA rent reduction scheme is scheduled to end, and councils will be able to begin increasing rents again. Officers intend to revisit the HRA Business Plan to make sure that the HRA is sustainable in the longer term, and that reserves don't fall any lower.</p> <p>While there is no financial impact on the current MTFP, the Council Acquisition and Investment Strategy is proposing borrowing £20m from PWLB to finance investments within the local area. Officers will need to prepare a paper for Members that assesses the impact of the revised Statutory Investment Guidance on their plans. In particular, the Guidance is clear that: "Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed." [paragraph 46, Statutory Guidance on Local Authority Investment].</p> <p>The LGA Peer review highlighted the need for the Council to avoid having too many priorities, and to adopt a clear approach on de-prioritisation. The Council needs to make some difficult and challenging decisions in order to ensure it can live within its means in the longer term.</p>	<p>Savings plans are supported by appropriate business cases, however the Council is not in a financially sustainable long term position, and does not have sufficiently developed plans to address this. If the current MTFP is delivered the Council will have insufficient balances to be able to support spending at the proposed level beyond 2020/21.</p> <p>On this basis, we concluded that the Council does not have robust plans in place to ensure it remains financially sustainable..</p> <p>Should the Council decide to proceed with the Acquisition and Investment Strategy a paper will be needed which clearly sets out how the Council is complying with the Statutory Investment Guidance</p> <p>We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions.</p>

# Value for Money conclusion

## Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Financial sustainability (cont.)</b></p> <p>How robust is the MTFs and how well developed are savings plans?</p> <p>We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We will follow up recommendations from our 2016/17 Audit Findings Report to determine the progress made in addressing these issues.</p> <p>1) All savings plans are appropriately supported by a business case, all aspects of the savings are identified, it is clear when the planned savings will be delivered and what needs to happen to realise the savings.</p> <p>2) Priority is given by Executive to ensuring that the management restructure is progressed on a timely basis.</p>	<p>2) The management restructure has not progressed. There are three main factors which have caused delay:</p> <p>a) the proposal to outsource or restructure Redditch Borough Council leisure services which could reduce the number of Heads of Service;</p> <p>b) the investigation into Redditch Borough Council housing procurement. The Head of Service was suspended while the investigation took place. This makes any restructuring very difficult. This investigation process has now concluded.</p> <p>c) Leaders of both Redditch BC and Bromsgrove DC wanted to see the outcome of the LGA Peer Review before making any decisions.</p> <p>The LGA Peer Review highlighted the need to “define a new shared culture from the bottom up” and “establish a single workforce and reduce duplication and time spent navigating two structures and systems of governance”. The management review is an essential part of responding to this challenge.</p>	<p>The management restructure has not progressed as planned, but we are satisfied that there are valid reasons for this. It is however important that the restructure is now progressed as part of the wider response to the issues identified in the LGA Peer Review.</p>

# Value for Money conclusion

## Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>In year financial reporting to Members</b></p> <p>How informative is in year financial reporting to Members?</p> <p>We have previously identified that improvement was needed in reliable and timely financial reporting that supports the delivery of strategic purposes.</p> <p>We said we would follow up recommendations from our 2016/17 Audit Findings Report to determine the progress made in addressing the following issues.</p> <p>3) Further improvement to the overall reporting of savings, including a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions;</p> <p>4) Monitoring of progress against the actions plans supporting the delivery of the Council Plan and quarterly reporting to the Executive.</p>	<p>3) Savings are reported against the Efficiency Plan monitoring report in a one page summary. As such it does not contain much detail, but Members are able to ask questions or see more detail if they wish. Our work demonstrated that Service Managers and accountants have worked together to reduce budgets or increase income projections where appropriate. There are no business cases to support this, but we have seen email correspondence and workings to support the savings figures. The work undertaken is proportionate for the type and amount of savings. We discussed with Officers that, as time moves on, it may now be more appropriate to monitor and report savings and income generation against the MTFP, rather than the Efficiency Plan, as this is more current.</p> <p>4) Corporate Performance is now presented bi-monthly using a new format. The first report was presented to Executive on 6 March 2018. The report is very comprehensive and thorough, and is also easily understandable. This report notes the strategic measures that are currently used to understand the purpose 'keep my place safe and looking good'. These are reported, along with others relevant to the strategic purpose. The Council is now adequately reporting progress against the Council Plan and the key indicators for each strategic purpose to Executive.</p>	<p>Savings reporting continues to improve. The high level figures presented to Members are underpinned by appropriate levels of information and analysis. However, in reporting against the Efficiency Plan officers are reporting against old measures, which are difficult to reconcile to the latest MTFP. It would be more transparent and provide Members with better assurance that the MTFP is on track, if savings and income generation were reported against the MTFP.</p> <p>The Council is now adequately reporting progress against the Council Plan and the key indicators for service areas to Executive.</p>

# Value for Money conclusion

## Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Procurement and contract management in the Housing Department</b></p> <p>There was an independent investigation into the procurement and management of housing repairs contracts.</p> <p>We said we would monitor the investigation and the Council response to determine whether there are any implications for our VFM Conclusion.</p>	<p>Following the identification of anomalies in the housing repairs contracts in 2017 internal and external investigations have been carried out. During these investigations eight members of the Housing Repairs team were suspended.</p> <p>Both investigations are now complete and their findings reported to the Chief Executive and Monitoring Officer. We have been briefed on the findings by the Monitoring Officer.</p> <p>The external investigation concluded that there was no evidence of fraud, but there was a failure to comply with Council regulations and processes.</p> <p>A number of officers have left the Council as a result of this process, and an internal re-organisation has led to a more prominent role in procurement and contract management for the Monitoring Officer.</p>	<p>We considered how the Council has responded to this issue, both with respect to its investigation and ensuring that appropriate arrangements are put in place to strengthen procurement and contract management.</p> <p>We concluded that the Council's response to investigating the issue was appropriate and proportionate. We also noted that improvements have been made to procurement and contract management.</p>

# A. Reports issued and fees

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

## Reports issued

Report	Date issued
Audit Plan	January 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

## Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	57,960	62,460	57,960
Housing Benefit Grant Certification	18,199	TBC	23,291
<b>Total fees</b>	<b>76,159</b>	<b>TBC</b>	<b>81,251</b>

The final audit fee has yet to be agreed. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. This work will be completed in November. Fee variations are subject to approval by Public Sector Audit Appointments Ltd.

## Fees for non-audit services

Service	Fees £
<b>Audit related services</b>	
- Certification of Housing capital receipts grant	1,654 (estimated)
<b>Non-Audit related services</b>	
- CFO insights (TBC)	7,500 (estimated)

## Non-audit services

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





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Date: 25<sup>th</sup> October 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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**THE INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE; WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor Baker-Price
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 2018/19 and residual work from 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”.**

Date: 25<sup>th</sup> October 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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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 to 30<sup>th</sup> September 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 (26<sup>th</sup> April 2018):

**2017/18 AUDIT SUMMARY UPDATES:****Main Ledger**

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

- A detailed and comprehensive security review has been completed and has;:
  - Identified inappropriate access
  - Removed redundant access points
  - Identified unnecessary/redundant access profiles
  - Reduced the number of access profiles to simplify administration
- A sound budget monitoring process continued to be provided by Finance following the decision to postpone the move to the Collaborative Planning budget module.
- With the exception of HRA related journals, processing was timely.

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

- Reconciliations need to be better managed to ensure that these are timely and any delays are promptly identified and corrective action taken. At the time of Audit (January 2018) the HRA reconciliations had only been completed to September 2017.
- It was also noted that journal postings for HRA were irregular between months July – September 2017.
- Supporting evidence for virements is promptly filed electronically to minimise the loss of records

There were two 'medium' and two 'low' priority recommendations reported.

Type of Audit: Full System Audit

Date: 25<sup>th</sup> October 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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Assurance: Significant  
Report Issued: 25<sup>th</sup> April 2018

**Benefits**

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

- The controls in place for managing new claims and changes in circumstances.
- The controls in place for managing hardship schemes.
- The general identification and notification of overpaid benefits, albeit with some issues identified below regarding ongoing recovery action.
- The reconciliation between the Benefits module with other financial systems.
- The implementation of Universal Credit within both authorities, and ongoing management of the benefits service.

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

- Ensuring that overpayment recovery actions are undertaken in a timely and effective manner for all outstanding amounts, and ensuring sufficient actions have been undertaken prior to request for write-off.
- The timely updating and maintaining of performance measures on the Dashboard.
- Ensuring there is a regular formal review of system users.

There were three 'medium' and one 'low' priority recommendations reported.

Type of Audit: Full System Audit  
Assurance: Significant  
Report Issued: 1<sup>st</sup> August 2018

**Debtors**

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

- Raising of invoices/credit notes in line with the Council's approved fees and charges.
- Authorisations of debts written off
- Segregation of duties
- System access

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

- Manual processes outside of the system

There was one 'medium' priority recommendation reported.

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Type of Audit: Full System Audit  
 Assurance: Significant  
 Report Issued: 4<sup>th</sup> June 2018

**Housing Allocations**

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

- The process for measuring and monitoring the allocation of proportion of priority allocations made in relation to all allocations, is in place and performance for a five month period ending January 2018 confirmed that the initial target is being achieved.
- Priority matches made on social/medical grounds were consistently found to be supported by authorised priority reports

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

- An agreed and consistent approach to record keeping is followed to ensure compliance with GDPR
- Consistent approach to evidence retention
- Overcrowding
- Closing cases on ABRITAS
- Priority Matches Security Records

There was a 'high', five 'medium' and a 'low' priority recommendation reported.

Type of Audit: Full System Audit  
 Assurance: Limited  
 Report Issued: 1<sup>st</sup> October 2018

Summary of assurance levels:

<b>2017/18</b>	
Main Ledger	Significant
Benefits	Significant
Debtors	Significant
Housing - Allocations	Limited

Audits completed to draft report stage with discussions continuing with management include:

- Contract Management (Follow Up)

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2018/19 reviews which were at draft report stage as at the 30<sup>th</sup> September 2018 included.

GDPR  
Health and Safety

2018/19 reviews which were on going as at the 30<sup>th</sup> September 2018 included.

Shop Mobility  
Car Parking  
Stores  
Essential Living Fund  
Discretionary Housing Payments  
Council Tax Hardship fund  
Universal Credit  
Treasury Management

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.

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**3.4 AUDIT DAYS**

Appendix 1 shows the progress made towards delivering the 2018/19 Internal Audit Plan and achieving the targets set for the year. As at 30<sup>th</sup> September 2018 a total of 141 days had been delivered against an overall target of 400 days for 2018/19.

Appendix 2 shows the performance indicators for the service. Performance and management indicators were agreed by the Committee on the 26<sup>th</sup> April 2018 for 2018/19.

Appendix 3 shows the tracking of completed audits.

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

**3.5 OTHER KEY AUDIT WORK**

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

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

There has been on going work undertaken in regard to the National Fraud Initiative. 2018/19 there is a planned 2 yearly cycle of data extraction and uploading to enable matches to be reported. The initiative is run by the Cabinet Office. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role at a local level 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.



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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.

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

**Customer / Equalities and Diversity Implications**

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

**4. RISK MANAGEMENT**

- 4.1 The main risks associated with the details included in this report are:
- Failure to complete the planned programme of audit work within the financial year; and,
  - The continuous provision of an internal audit service is not maintained.

**5. APPENDICES**

Appendix 1 ~ Internal Audit Plan delivery 2018/19  
Appendix 2 ~ Performance indicators 2018/19  
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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**REDDITCH BOROUGH COUNCIL**Date: 25<sup>th</sup> October 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 1****Delivery against Internal Audit Plan for 2018/19**  
**1<sup>st</sup> April 2017 to 30<sup>th</sup> September 2018**

<b>Audit Area</b>	<b>2018/19 PLAN DAYS</b>	<b>Forecasted days to the 30<sup>th</sup> September 2018</b>	<b>Days used to 30<sup>th</sup> September 2018</b>
Core Financial Systems (see note 1)	67	9	3
Corporate Audits(see note 2)	47	18	43
Other Systems Audits(see note 3)	232	108	79
<b>TOTAL</b>	<b>346</b>	<b>135</b>	<b>125</b>
 Audit Management Meetings	 20	 10	 8
Corporate Meetings / Reading	9	5	3
Annual Plans, Reports and Audit Committee Support	25	13	5
Other chargeable	0	0	0
<b>TOTAL</b>	<b>54</b>	<b>28</b>	<b>16</b>
<b>GRAND TOTAL</b>	<b>400</b>	<b>163</b>	<b>141</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**

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

**Note 3**

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.

**REDDITCH BOROUGH COUNCIL**Date: 25<sup>th</sup> October 2018**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****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 to KPI 6. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement/Direction of Travel	2018/19 Position (as at 30 <sup>th</sup> September 2018)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 16 Delivered = 2 in draft (8 in progress)	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	35%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	*58%	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	Nil to report	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	Nil to report	When Audit Committee convene
6	'Follow Up' results (2017/18 onwards)	Management action plan implementation date exceeded  (<5%)	1	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	Nil to report	When Audit Committee convene

WIASs conforms to the Public Sector Internal Audit Standards 2013.

\*Service productivity is an aspirational target. Four new staff starting in Q1 has impacted on this figure but we are seeking to increase this as the year continues.

## **AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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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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<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.  The follow up in July 2018 found that all recommendations had been satisfactorily implemented. <b>No further follow ups are required.</b>
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.  A follow-up was undertaken in December 2017, and found that the two action points in relation to the terms & conditions and the management software have been sufficiently addressed. <b>No further follow-ups are required.</b>
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	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.	A follow-up undertaken in June 2018 found that the 1 outstanding recommendation relating to invoice reconciliation had been implemented. <b>No further follow-ups are required.</b>

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<u>Audit</u>	<u>Date</u> <u>Final</u> <u>Audit</u> <u>Report</u> <u>Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High,</u> <u>Medium and Low</u> <u>priority</u> <u>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>
				and security. Follow up in 3 months.			
Contracts - Post Contract Appraisal	17th March 2017	Housing	Limited	This audit reported 5 high priority recommendations and 3 medium priority recommendations relating to performance measures, contract specifications, variations, payments, tender evaluations, insurance, contract documents and meetings. Contract specification, variations and contractor meetings have been satisfied.	Progress on this audit is monitored on an on going basis. Corporate Management (CMT) and the Head of Internal Audit Shared Service are made aware of developments in relation to the recommendations made. <b>No follow-up is required at this stage.</b>		
Performance Measures	3rd May 2017	Corporate	Limited	This audit report made 3 high priority recommendations and 1 medium priority recommendation relating to resilience, timeliness, integrity of information and other aspects of performance. A follow up will take place in 3 months time.	A new system is being put in place to change reporting measures this is currently awaiting agreement to the new approach but should be in place for reporting in March 2018. A follow up to be carried out in May 2018 to look at what is now in place and if it is working	A follow up in May 2018 found that 2 high priority recommendations in relation to resilience and timeliness and the 1 medium priority recommendation in relation to additional information had been implemented. The high priority recommendation in relation to integrity of information was in progress. A further follow up to be scheduled.	
Worcester Regulatory Services	26th May 2017	WRS	Moderate	This audit made 1 high priority recommendation and 2 medium priority recommendations relating to payment for licences granted, cheque payment and application forms. A follow up will take place in 3 months time.	1st follow up took place on 30/8/17 no recommendations have been implemented but work towards had been progressed and there is research looking at moving into electronic application which all districts will have to agree to. A further follow up is being scheduled.	As some of the Partners have changed the way that they collect monies this has been superseded and therefore audit will complete a full review in 12 to 18 mths time. <b>No further follow-ups are required.</b>	

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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>
Palace Theatre	29th June 17	Leisure Services	Significant	1 medium priority recommendation was made in relation to resilience.	Follow up March 2018 found the medium priority recommendation to be partially implemented and is ongoing. A further follow to be scheduled.		
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 took place March 2018 and both recommendations have been satisfied. <b>No further follow up are required.</b>		
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>	The follow up in July 2018 found that the recommendation had been satisfactorily implemented. <b>No further follow up are required.</b>		
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 e-procurement system.	Follow up to be scheduled.		
Homelessness	6th November 2017	Housing	Significant	One medium priority recommendation was made relating to data protection and access to the Arbitras system.	The follow up in June 2018 found that the one medium priority recommendation is in progress. <b>A further follow up will be undertaken in 3 months time.</b>		
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	The follow up in May 2018 found that the three medium recommendations had been implemented and the one high recommendation in relation to		

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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 1<sup>st</sup></u>	<u>Results of follow Up 2<sup>nd</sup></u>	<u>Results of follow Up 3<sup>rd</sup> &amp; 4<sup>th</sup></u>
				under investigations and administrative errors.	the suspense account was in progress. <b>A further follow up will be undertaken in 6 months time.</b>		
Customer Services	14th November 2017	Customer Services	Moderate	The report found 6 recommendations; 5 medium and 1 low relating to minutes of meetings, phone recordings, housing options frontline, complaints system, website, self service computer.	The follow up in May 18 found that out of the 5 medium priority recommendations 4 had been implemented and the 1 in relation to Housing options is in progress. <b>A follow up will take place in 3 months.</b>		
Disabled Facility Grants	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 to be scheduled.		
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, and Induction.	The follow up in March 2018 found that 1 High and 4 medium priority recommendations had been implemented. 1 medium priority in relation to induction was in progress. A further follow up to be scheduled.		
Environmental Waste	27 <sup>th</sup> November 2017	Environmental Services	Moderate	The report found 1 high and 4 medium priority recommendations in	Follow up currently be undertaken.		



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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 1<sup>st</sup></u>	<u>Results of follow Up 2<sup>nd</sup></u>	<u>Results of follow Up 3<sup>rd</sup> &amp; 4<sup>th</sup></u>
				relation to Bulky Waste Receipt Books, Business Waste Charges, Fees and Charges, Bulky Waste quotes and Garden Waste Invoices.			
Payroll	14th February 2018	Finance	Moderate	Reported 1 'high' and 2 'medium' priority recommendations ; sickness reporting and pay, establishment and expense claims form	Follow up in May 2018 found that all recommendations had been implemented. <b>No further follow-up required.</b>		
Records Management	5th January 2018	Corporate	Limited	Reported 5 high and 1 medium priority recommendations; Implementation of the information security policy, inventory of IT equipment, retention and disposal schedule, confidential waste collection, storage of documents on the Orb, and GC Sx email accounts	Will be followed up as part of the 2018/19 GDPR audit.		
Debtors	4th June 2018	Finance	Significant	Reported 1 medium priority recommendation; Manual Processes outside the system	Will be followed up as part of the 2018/19 audit.		
Benefits	30th July 2018	Finance	Significant	Reported 3 medium and 2 low priority recommendations; Overpayment, Write-Offs, Performance Information, Overpayment Classification and User Access Reviews	Will be followed up as part of the 2018/19 audit.		
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: Main Ledger</b>					
<b>Assurance: Significant</b>					
<b>Summary: Full system review</b>					
1	Medium	<p><b><u>HRA reconciliation</u></b></p> <p>The HRA reconciliation was not up to date at the time of audit. When reviewed in January 2018 reconciliations had been completed up to September 2017.</p> <p>Further review also confirmed that journal postings for the HRA were not posted monthly between July – September 2017</p>	<p>Errors arising may not be promptly identified and corrected which may impact upon end of year accounts leading to reputational damage.</p> <p>Inaccurate budgetary position shown leading to incorrect management decisions being taken and possible financial loss.</p>	Reconciliations must be timely.	<p><b>Management Response:</b></p> <p><b>Responsible Manager:</b></p> <p><b>Financial Services Manager</b></p> <p>Agreed to put in place a reconciliation schedule to ensure that they are carried out on a regular basis, as appropriate.</p> <p><b>Implementation date:</b></p> <p>4<sup>th</sup> April 2018</p>
2	Medium	<p><b><u>Reconciliation schedule</u></b></p> <p>A reconciliation schedule is used by Finance as a visual monitor to identify reconciliations that are outstanding. However Audit testing confirmed some 'blanks' on the schedule in particular the payroll reconciliation, which at the time of audit had not been completed at all. – This has been reported separately.</p> <p>The HRA reconciliation is not included on the schedule for monitoring purposes.</p>	<p>Imbalances are not promptly identified leading to possible challenge and reputational damage especially if this causes delays to the completion of the year end Statement of Accounts.</p>	<p>Whilst appreciating there have been changes in staffing and duties during the year, it is important that reconciliations are managed to ensure they remain timely.</p> <p>In addition as the HRA reconciliation is particularly important, this must be added to the schedule for future monitoring purposes.</p>	<p><b>Management Response:</b></p> <p><b>Responsible Manager:</b></p> <p><b>Financial Services Manager</b></p> <p>Agreed to put in place a reconciliation schedule to ensure that they are carried out on a regular basis, as appropriate</p> <p><b>Implementation date:</b></p> <p>4<sup>th</sup> April 2018</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Audit: Benefits</b>					
<b>Assurance: Significant</b>					
<b>Summary: Full systems audit</b>					
1	Medium	<p><b><u>Overpayments</u></b></p> <p>From a random selection of 30 outstanding overpayments for each authority at the time of the audit work, 2 Bromsgrove District Council overpayments and 1 for Redditch Borough Council did not show sufficient evidence of being progressed or resolved.</p>	Risk of financial loss in instances where money is not recovered in a reasonable timeframe, which could potentially result in some reputational damage.	Ensure all outstanding overpayments are monitored, and suitable actions are taken in a timely manner and recorded against the relevant account.	<p><b>Management Response:</b></p> <p>Revised operational measures implemented for HB overpayment – revision to working procedures to ensure timely notification of debt cases not progressing through recovery.</p> <p><b>Responsible Manager:</b> Income Recovery Team Leader</p> <p><b>Implementation Date:</b> 30<sup>th</sup> September 2018</p>
2	Medium	<p><b><u>Write-offs</u></b></p> <p>From a random sample of 15 write-offs processed during the 2017/18 financial year for each authority, 2 write-offs for Bromsgrove District Council and 1 write-off for Redditch Borough Council did not have sufficient evidence to show that suitable recovery actions had been made to attempt to retrieve the outstanding balances.</p> <p>In addition, most write-offs are currently processed at the end of the financial year, rather than as a periodic review during the financial year.</p>	Failure to ensure sufficient actions have been evidenced to recover outstanding monies prior to write-off could result in reputational damage or potential financial loss in instances where monies could have been recovered.	<p>Ensure that sufficient actions have been taken to recover the debts prior to write-off, and are fully recorded on the respective account in achieve maximum income for the Authority.</p> <p>To consider periodic reviews of write-offs to ensure these are completed in a timely manner, and that the year-end process does not become too onerous resulting in delays in completion.</p>	<p><b>Management Response:</b></p> <p>Reminder to team to ensure write off procedures are adhered to and actions are documented.</p> <p><b>Responsible Manager:</b> Income Recovery Team Leader</p> <p><b>Implementation Date:</b> April 2018</p>
3	Medium	<p><b><u>Performance Information</u></b></p> <p>Responsibilities for measures on the dashboard have been defined for both authorities, but several identify staff who</p>	Risk of reputational damage if performance is not transparent and	The Performance Dashboard information should be updated regularly and in a timely	<p><b>Management Response:</b></p> <p>Revised operational measures implemented for HB overpayment. Measures will be updated and monitored</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>no longer work for the organisation.</p> <p>In addition, there is evidence to show many of the measures have not been updated for several months, with the last update showing in August 2017 (as at the time of the audit work).</p> <p>Average processing times recorded were very high at the start of the financial year when a new system was being introduced, and have since reduced. Further reductions may be required to ensure completion of workload within a reasonable timeframe.</p>	correctly and fully reported timely manner.	<p>manner e.g. monthly/ quarterly.</p> <p>Changes to the responsibilities for managing this process should be updated in a timely manner and posts should be identified rather than individuals in order to future proof the process.</p> <p>Reasons for spikes in performance should be investigated and noted on the dashboard for transparency. Should the Service fail to improve performance, there should be an investigation to determine issues affecting the efficiency and effectiveness of the service and how these can be addressed.</p>	<p>on a monthly basis going forwards.</p> <p><b>Responsible Manager:</b> Financial Support Services Manager</p> <p><b>Implementation Date:</b> 1<sup>st</sup> May 2018</p>
<b>Audit: Debtors</b>					
<b>Assurance: Significant</b>					
<b>Summary: Full systems audit</b>					
1	Medium	<p><b><u>Manual processes outside of the system.</u></b></p> <p>Testing did not identify any exceptions. Debts are written off after correct authorisation has been obtained, and, refunds are only made after they have been authorised.</p> <p>However, there are a lot of processes that are completed manually outside of the system such as the recording of debts written off and the screen printing of refunds in order to provide the</p>	If the write off and refunds are not undertaken on a regular basis then there could be reputational damage with the council being seen to hold on to money that is not theirs or show debts that there is no likelihood of recovering.	<p>As part of the finance system review to look at those processes that the debtors team are currently undertaking outside of the system to ensure that these processes can be accommodated by any new process/system introduced.</p> <p>This will help to ensure that a</p>	<p><b>Management Response:</b></p> <p>Fully agree with this recommendation and keen to progress.</p> <p><b>Responsible Manager:</b></p> <p>Senior Revenues Officer//Income Recovery Team Leader</p>

## **AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>information required for reporting. This makes the processes inefficient and resource heavy especially when there are long term absences within the team.</p> <p>In the case of refunds there is no audit trail held within the system.</p>		<p>full audit trail is available and maintained, and, the processes become more efficient to reduce resource pressures when there are periods of long term absence.</p>	<p><b>Implementation date:</b> In line with implementation of new finance system</p>
<b>Audit: Housing - Allocations</b>					
<b>Assurance: Limited</b>					
<b>Summary: Full systems audit</b>					
1	High	<p><b><u>Record Keeping</u></b></p> <p>There is an inconsistent approach regarding record keeping in particular those supporting the allocation of property.</p> <ul style="list-style-type: none"> <li>Records are held electronically on ABRITAS</li> <li>Manual files held in Housing Options</li> <li>Manual (Tenancy) files held at Locality offices</li> </ul> <p>In some instances duplicated records occur. Audit testing was unable to locate supporting records in 3 cases</p> <p>Once a case is closed all manual records that are held in Housing Options are passed to Localities for filing on the Tenancy File. At one Locality office all records are filed on the tenancy file and at another they are all confidentially destroyed as they are assumed to be held on ABRITAS.</p>	<p>There is a risk that prime records could be lost and in the event of a challenge transparency cannot be demonstrated.</p> <p>Risk of a fine under the General Data Protection Legislation under the 'right to be forgotten' requirement of the legislation.</p>	<p>A standard to be determined as to how and where records are to be kept and due to the sensitivity and personal information held how compliance with the General Data Protection Regulation will be achieved in the long and short term.</p>	<p><b>Management Response:</b></p> <p><b>Responsible Manager:</b> Housing Services Manager Housing Options Manager</p> <p><b>Implementation date:</b> September 2018</p> <p>We are currently working with data protection colleagues who will help us to determine the best course of action.</p>

## AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		In addition there is a risk under the General Data Protection Regulation as records cannot be deleted from the ABRITAS system should this be requested by an individual.			
2	Medium	<p><b><u>Evidence Retention</u></b></p> <p>Testing found that:</p> <p><b>Housing Register Applicants</b></p> <p>Evidence to confirm residency and identification was not consistently obtained.</p> <p><b>Housing Register Applicants – Transfers</b></p> <p>There is an inconsistent approach when obtaining supporting evidence and even application forms from existing council tenants. This may be a result of transfer requests being accepted by Locality Offices and the application created directly into ABRITAS system.</p> <p>Whilst accepting residency is confirmed an application form should be completed and id evidence should be provided as standard.</p> <p>In 26% of sample (5 cases) reviewed it was difficult to support the allocation that was made. This was due to the following reasons:</p> <ul style="list-style-type: none"> <li>Inadequate residency and/or identification evidence</li> </ul>	Council properties are inappropriately allocated leading to public criticism lack of transparency and reputation damage if the Council is challenged.	<p>There needs to be a decision taken as to what evidence is to be obtained and how this is to be recorded on the system taking into account the requirements of the General Data Protection regulation.</p> <p>There then needs to be checks to ensure that this is consistently applied by all officers across the Council.</p>	<p><b>Management Response:</b></p> <p><b>Responsible Manager:</b></p> <p>Housing Services Manager Housing Options Manager</p> <p><b>Implementation date:</b></p> <p>December 2018</p> <p>We are currently in the process of revising the allocations policy and this will be determined as part of the changes along with guidance for officers.</p>



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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<ul style="list-style-type: none"> <li>Lack of evidence to confirm tenancy had actually ceased</li> <li>Lack of an application form</li> </ul> <p><b>Housing Allocations (Bronze)</b></p> <p>A review of allocations made to owner occupiers found that in one case:</p> <ul style="list-style-type: none"> <li>The applicant was admitted to the housing register on the basis that she could not cope in her existing property. The application file does not contain details of any evaluation of the existing property and any work/adaptions that could have been made to make life easier. There is also no independent medical evidence provided.</li> </ul> <p>In this case, supporting evidence was not ideal.</p> <p><b>Production of Identification evidence at sign up</b></p> <p>There is an inconsistent approach across the Localities to formally request this at the tenancy sign up.</p> <p>In addition Audit testing did identify some very poor scanned images e.g. passports/driving licences.</p> <p>It is unsure if this is an operator or equipment error but is unsatisfactory where prime documents are involved</p>			

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		and are being used as key evidence.			
3	Medium	<p><b><u>Overcrowding</u></b></p> <p>Limited checks (confirmation through visits or discussions with landlords) are carried out to confirm claims for overcrowding. Housing Register applicants do not always provide tenancy agreements as evidence.</p>	Contrived household situations may not be detected leading to council houses being incorrectly allocated potentially leading to challenge and reputation damage.	Whilst accepting the pressures on resources consideration should be given to introducing sample visits/confirming property size with landlords to provide assurance that claims are genuine.	<p><b>Responsible Manager:</b></p> <p>Housing Options Manager</p> <p><b>Implementation date:</b></p> <p><b>Completed</b></p> <p>The risk is minimum as all Council properties are checked on Saffron to confirm size and tenancy details. Private rented is checked via Zoopla and when there is a disparity officer will either contact the Landlord or carry out a home visit.</p>
4	Medium	<p><b><u>Closing Cases on ABRITAS</u></b></p> <p>Priority cases should be closed on the system in a timely manner to ensure that the status of the application is correctly shown. Failure to do this could lead to inaccurate reports being provided from ABRITAS thus providing poor management information.</p> <p>In 1 case the case was still active even though the applicant had been housed and in another remained active for over a month after being housed.</p>	Inaccurate reports and statistical information is provided leading to ill informed decisions being taken which in turn could lead to challenge.	All officers to be reminded of the necessity to close cases on the system in a timely manner in order to reduce the risk to the Council.	<p><b>Management Response:</b></p> <p><b>Responsible Manager:</b></p> <p>Housing Options Manager</p> <p><b>Implementation date:</b></p> <p><b>Completed</b></p> <p>Housing Options Manager has provided report showing outstanding cases that need completing on Barites. Locality Teams are updating RBC lettings and Housing Options Office is updating RSL lettings.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
5	Medium	<p><b><u>Priority Matches Record Security</u></b></p> <p>The record is not password restricted and access is freely available to Housing Option Staff and staff at Locality Offices. Whilst the record is held on the restricted and shared drive and subject to back up routines there is the potential for error, data integrity loss and inconsistent record keeping.</p>	Scope for error leading to offers of tenancy being made incorrectly / not being made leading to complaint and challenge.	Whilst acknowledging proposed changes to procedures (ABRITAS to be used to allocate all priority matches) it is intended to keep the priority match spread sheet for visual aid purposes. This being the case it is recommended that options are explored for securing this record in order that integrity is maintained.	<p><b>Management Response:</b></p> <p><b>Responsible Manager:</b></p> <p>Housing Services Manager</p> <p><b>Implementation date:</b></p> <p>September 2018</p> <p>It is possible that this spread sheet when the current system is replaced will no longer be used as a working document; in the meantime security of the spreadsheet with the help of IT will be implemented.</p>
6	Medium	<p><b><u>Housing Application Form</u></b></p> <p>The application form makes references to service improvements that were made in 2007. It also makes reference to obtaining application forms from locality offices which is not now the process that is followed.</p>	Information displayed on the application form is out dated & potentially misleading leading to unnecessary challenge/adverse comment and confusion.	Consideration to be given to revising the Housing Application form at the next appropriate time to reflect current working practice.	<p><b>Management Response:</b></p> <p><b>Responsible Manager:</b></p> <p>Housing Options Manager</p> <p><b>Implementation date:</b></p> <p><b>Completed</b></p> <p>Application forms can be obtained from Locality Offices. The form advises customers can take their completed application together with original documents to be photocopied free of charge to a Locality Office. Information in the form gives details of each Locality including opening days and times. Housing Options Manager will ensure all services that provide customers with application forms are using the most up to date version</p>
end					

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**INTERNAL AUDIT CHARTER UPDATE REPORT**

Relevant Portfolio Holder	Councillor Baker-Price
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 Worcestershire Internal Audit Shared Service revised Internal Audit Charter (see appendix 1).

**2. RECOMMENDATION****2.1 The Committee is asked to APPROVE the revised Internal Audit Charter 2018.****3. KEY ISSUES****Financial Implications****3.1 None as a direct result of this report.****Legal Implications****3.2 The Council is required under Regulation 5 of 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 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”.

- 3.4 A key element of the 2013 standards is having a fit for purpose Charter in place. As part of a recent external assessment it was recommended that certain areas could be enhanced in the Charter to achieve better clarity and transparency.

**3.5 Audit Objectives**

- 3.6 The 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.

**3.7 Purpose of Internal Audit Charter.**

- 3.8 WIASS operates an Internal Audit Charter setting out the standards to which it operates for this Council. It acts as a quality control measure defining and providing details in regard to the purpose, authority, and responsibility of the internal audit activity to those in governance.

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- 3.9 The Charter was last reviewed in July 2017 and will continue to be updated to reflect changing requirements in respect of the Audit Service, Standards and external assessment. The updates contained in this version have been documented in the version control of the Charter (8.0).
- 3.10 Due to the continuing changing environment that exists in Local Government the Charter must be seen as a framework for Internal Audit working arrangements. Any changes required to the Charter which are of a material nature will be reported before Committee at an appropriate time. A copy of the Charter will be included annually with the Internal Audit Annual Report and Opinion.

**4. RISK MANAGEMENT**

- 4.1 The main risks associated with the details included in this report are.
- If the Charter is not approved the Internal Audit Shared Service would be forced to operate without an approved Charter which would be contrary to the Public Sector Internal Audit Standards 2013 leading to non compliance with the Standards.

**5. APPENDICES**

- 5.1 Appendix 1 ~ Worcestershire Internal Audit Shared Service Internal Audit Charter

**6. BACKGROUND PAPERS**

None.

**7. Key**

N/a

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**AUTHOR OF REPORT**

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**APPENDIX 1**



# **Worcestershire Internal Audit Shared Service (WIASS)**

## **Internal Audit Charter**

### **Redditch Borough Council**

#### **Definitions**

1. Management refers to the Chief Executive, Executive Directors, Heads of Service and Service Managers
2. Board refers to the Audit, Governance & Standards Committee

This Charter was last reviewed October 2018 and was approved by the Audit Governance and Standards Committee on .....

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**1. Introduction****Purpose**

- 1.1 The purpose of this charter is to define what Internal Audit is and explain its purpose, role and responsibilities.

**Provision of Internal Audit Services**

- 1.2 WIASS covers five district authorities Wychavon, Malvern Hills, Bromsgrove, Redditch and Worcester and one Fire Service, Hereford and Worcester Fire and Rescue Authority. WIASS will provide internal audit services to third parties under contractual arrangements.

Worcester City Council hosts the Shared Service provision under an on-going Administrative Collaborative Agreement. It is governed by a Client Officer Group (COG) which is made up of the district and Fire Service s151 officers each having an 'equal say'. The Client Officer Group meets approximately 4 times a year.

- 1.3 For line management matters internal audit will report to the Corporate Director of Resources (s151 Officer within Worcester City Council) and the Monitoring Officer in their prolonged absence.

**2. Mission and Definition****2.1 Mission:**

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

Additional information can be found on the local intranet site:

<https://staffroom.worcester.gov.uk/internal-audit>

**2.2 Definition:**

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 bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**3. Scope and Authority of Internal Audit Work**

- 3.1 Under the Accounts and Audit Regulations 2015 No. 234 Part 2 Regulation 5:

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*(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

*(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—*

*(a) make available such documents and records; and*

*(b) supply such information and explanations;*

*as are considered necessary by those conducting the internal audit.*

*(3) In this regulation "documents and records" includes information recorded in an electronic form.*

To aid compliance with Regulation 5 of the Accounts and Audit Regulations 2015, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives".

Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives.

3.2 In the course of their reviews internal audit staff, under the direction of the Head of Service, shall have authority in all partner organisations to:-

- at all reasonable times after taking account of audit requirements, enter on any partners' premises or land;
- have access to, and where internal audit deem necessary take into their possession, any records, documents and correspondence relating to any matter that is the subject of an audit;
- require and receive such explanations as may be considered necessary from any officer of the Partner regardless of their position;
- require any officer of the Partner to produce forthwith cash, stores or any other property under their control.

for the Partner in which the internal audit service is being provided.

3.3 Internal Audit work will normally include, but is not restricted to:

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- review and assess the soundness, adequacy, integrity and reliability of financial and non-financial management and performance systems, and quality of data;
  - reviewing the means of safeguarding assets;
  - examine, evaluate and report on compliance with legislation, plans, policies, procedures, laws and regulations;
  - promote and assist the Partner in the effective use of resources
  - examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Partner and recommend arrangements to address weaknesses as appropriate;
  - advise upon the control and risk implications of new systems or other organisational changes.
  - provide a 'critical friend' to assist services to achieve value for money
  - undertake independent investigations into allegations of fraud and irregularity in accordance with the Partner's policies and procedures and relevant legislation
  - at the specific request of management<sup>1</sup>, internal audit may provide consultancy services provided:
    - the internal auditors independence is not compromised
    - the internal audit service has the necessary skills to carry out the assignment, or can obtain skills without undue cost or delay
    - the scope of the consultancy assignment is clearly defined and management<sup>1</sup> have made proper provision for resources within the annual plan
    - management understands that the work being undertaken is not internal audit work.
- 3.4 IA's remit extends across the entire control environment of the organisation and is not limited to certain aspects or elements.
- 4. Responsibility of Management<sup>1</sup> and of Internal Audit.**
- 4.1 At all times internal audit will operate in accordance with the partner's Constitution and legal requirements and all internal audit staff will adhere to recognised Professional Standards and Codes of Conduct and Ethics e.g. the Institute of Internal Auditors' and/or CIPFA as well as the Partner's Codes of Conduct and Anti-Fraud and Corruption Policies.
- 4.2 It is the responsibility of Management to put in place adequate controls to ensure systems meet their objectives and that they are notified without delay of any instances where systems are failing to operate properly. However,

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- where there has been, or there are grounds to suspect that there is risk of a serious breakdown in a significant system, the Head of Service should be informed of the problem and any counter measures already in hand or proposed, as quickly as possible, in order that the Head of Internal Audit Shared Service can decide whether audit involvement is needed.
- 4.3 Similarly, it is the responsibility of Management to put in place adequate controls to prevent and detect fraud, irregularities, waste of resource, etc. Internal Audit will assist Management to effectively manage these risks. However, no level of controls can guarantee that fraud and the like will not occur even when the controls are performed diligently with due professional care. As a consequence all cases of actual or suspected fraud should be reported to the Head of Internal Audit Shared Service forthwith. The Head of Internal Audit Shared Service will then decide the course of action to be taken with due regard to the Partner's Constitution, e.g. Whistleblower's Charter, Stopping Fraud and Corruption Strategy, etc.
- 4.4 Any officer of a partner organisation who has genuine concerns at raising a suspected instance of fraud or malpractice through their normal reporting channels can raise the matter under the Partner's Whistleblower's Charter directly with any of the persons named in the policy document, including the Head of Internal Audit Shared Service. Head of Internal Audit Shared Service will then pursue the matter in accordance with the provisions of the policy document.
- 4.5 Internal audit is not responsible for any of the activities which it audits. WIASS will not assume responsibility for the design, installation, operation or control of procedures. However should any partner/client contract for specialist services within an area then the WIASS staff member assigned will not be asked to review any aspect of the work undertaken until two years have passed from the completion of the assignment.
- 4.6 The Head of Internal Audit Shared Service will ensure that the relevant Head of Service and/or Section 151 Officer is briefed on any matter coming to the attention of internal audit, either through a review or otherwise, that could have a material impact on the finances, create an unacceptable risk or be fraudulent for the Partner as quickly as possible, and will ensure the appropriate Officer of the Authority e.g. Director, Monitoring Officer is regularly briefed on the progress of audits having a corporate aspect. Matters involving fraud or malpractice are to be reported in line with the anti-fraud and corruption policy. The most appropriate action/engagement of the relevant Head of Service will be determined by the HoWIASS depending on the circumstances.

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- 4.7 In order to (1) maintain a broad skills base within Internal Audit and (2) maximise the ability of the team to offset the cost of providing the internal audit function to the Partner, the strategic plan will include a commitment that internal audit obtains income to the Partner from external work either from partnership working and/or selling its expertise. Such activities will be governed by targets set out in the Collaborative Administrative Agreement and will be approved and reported on to the Client Officer Group.

**5. Planning and Reporting**

- 5.1 To meet the objectives above, the Head of Internal Audit Shared Service shall:-
- a) prior to the beginning of each financial year, following consultation with Management<sup>1</sup> and after taking into account comments from Members arising from the reporting process set out below, provide the Committee with:
    - a risk based audit plan forecasting which of the Partner's activities are due to receive audit attention in the next 12 months. The risk based plan will take into consideration a number of risk factors including corporate risk register, service risk register, local knowledge, corporate promises or objectives, key strategic documents e.g. five year plan and any external audit guidance. Where there is a potential difference between strategy/plan and resource this is reported to the Board<sup>2</sup>;
    - a detailed operational plan using a risk based assessment methodology showing how/what resources will be required/allocated in the coming financial year in order to meet the requirements of the Partners strategic plans. The Plans will be flexible and include a small contingency contained as part of the consultancy budget to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Head of Internal Audit Shared Service will bring to the attention of the s151 Officer if this budget is depleted so an additional contingency can be agreed. 'Consultancy', for the purposes of WIASS activity, is defined as work that is of a specialist nature and commissioned/requested in regard to an area of work activity within a service area that is in addition to the agreed partners audit plan. The work can be financial or governance based and the output will provide management<sup>1</sup> with challenges to consider

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depending on its nature. The approach to the assignment can be flexible but follow a similar path in regard to the methodology.

- b) during the course and at the close of each financial year provide the Board<sup>2</sup> with:
  - quarterly progress reports on actual progress compared to the plan and performance indicators. Such reports to highlight serious problems, either affecting the implementation of the plan, or, in the take up of audit recommendations;
  - an annual report summarising the overall results for the year compared to the plan and pointing out any matters that will impact on internal audit's ability to meet the requirements in the strategic plan;
- c) during the course and close of each full systems/risk audit provide the client manager<sup>1</sup> with:
  - a copy of an audit brief and audit information request setting out the objectives and scope of the audit prior to commencement of the audit and a confirmation of resource requirements for the audit.
  - draft recommendations, which will be discussed with the responsible manager<sup>1</sup> prior to sending the draft audit report. The manager<sup>1</sup> is responsible for confirming the accuracy of the audit findings and is invited to discuss the report during the 'clearance' meeting prior to the issue of the draft report.
  - an audit report containing an overview of the quality of the control system, an opinion as to the level of system assurance and detailed findings and recommendations including priority. 'Assurance', for WIASS purposes, is defined as the determination of an overall outcome against a predetermined criteria leading to an applied level giving an overall summary for the work audited.
- d) shortly after the close of each financial year provide for the purposes of the Annual Governance Statement:
  - an annual audit opinion of the Partner's system of controls based on the audit work performed during the year in accordance with the plans at 5.1(a) above and reported in accordance with 5.1(b) and (c) above and on the assurance methodology adopted, and, a statement of conformance with the Public Sector Internal Audit

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Standards and the results of quality assurance and improvement programme.

5.2 Expectations of Clients:

Managers and staff should co-operate with the Auditors, and responses should be made to draft reports as outlined at 3 above. Responses should include an action plan, dates for action and responsibility where actions are delegated. The final 'High' and 'Medium' recommendations will be reported to the Board<sup>2</sup>.

5.3 Audit reports will be drawn up following the internal audit report framework. A matrix type report displaying audit findings, risks and recommendations along with a column for management comments, as per 5.1(c), will be provided to management<sup>1</sup>. The report will also contain an introduction and priority categories for each of the recommendations. A covering report will be attached to the matrix providing details of the partner organisation, circulation, audit scope and objectives, an audit opinion, an executive summary and an audit assurance rating as well as a clear indication of what action is required by management.

5.4 Upon completion of audits, the audit exceptions will be discussed with the relevant line manager and will form the basis of the draft audit reports. The draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings and content. Managers are invited to contact the Auditor if they wish to discuss the report and asked to show their response in the form of an action plan to each recommendation on the draft report. For accepted recommendations, dates for action or implementation are recorded. The managers' responses are recorded in the final reports that are issued to the appropriate Management<sup>1</sup> officers as deemed relevant for the audit.

5.5 In accordance with professional standards, after three/six months from the date of issue of the final report, follow-up audits are undertaken to ensure that the agreed recommendations and action plans have been implemented, or, are in the process of being implemented. A formal follow up procedure / methodology is used to follow up audit reports and reported on an exceptions basis.

5.6 Internal Audit works to the reporting quality standards of:

- draft audit reports to be issued within 5 working days of the clearance meeting;
- management responses received within 10 working days;



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- final audit reports to be issued within 5 working days of the final discussions of the draft audit report and receipt of management responses;
  - final reports to be followed-up initially within 3 to 6 months of the date issue of the final audit report depending on the recommendation priority and residual risk, to ensure that the accepted recommendations due for implementation have been established.
- 5.7 Escalation for late or non return of audit reports will be instigated when after two requests the reports have not been provided by management. The escalation will commence with the s151 Officer being informed of the late return. If the report remains outstanding then the Board<sup>2</sup> will be informed of the inaction with a view to them calling in the Officer to justify the late return.

### **6. 7 Principles of Public Life and how WIASS interprets and applies them.**

1. Selflessness - protecting the public purse and ensuring all actions taken are solely in the public interest.

2. Integrity - completely independent and above undue bias or influence in the work that we do.

3. Objectivity – demonstrate impartiality and fairness in all aspects of our work and when reporting uses only the best evidence without discrimination or bias.

4. Accountability – provide transparency and assurance holding people to account in regard to decisions and actions and provide assurance to those in governance roles.

5. Openness – to promote and ensure through good governance that decisions are taken in an open and transparent manner and no information is withheld from the public unless there are clear and lawful reasons for so doing

6. Honesty – to provide independent assurance to those in governance of confirmation of truthfulness

7. Leadership – through the audit work actively promotes and robustly supports the principles and shows a willingness to challenge poor behaviour wherever it occurs.

For further information on the principles of public life:

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<https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>

**7. Core Principles for Professional Practice and how WIASS interprets and applies them.****1. Demonstrates integrity:**

WIASS works independently, without influence or undue bias. The audit plan is created so that there are no conflicts of interest between the officer and the audit. Potential conflicts of interest are formally checked annually with all members of the WIASS team. Areas of risk for WIASS are identified and mitigated. Potential areas of risk include, but are not limited to, auditors re-auditing Risk Management, NFI, and Regulatory Services in consecutive years and Services that they have transferred from. Officers that have conflicts of interest, or if they are / have been working in the area of audit, will not undertake any audits in the conflicting area for a minimum of three years, safeguarding the officers and WIASS' integrity. Further protection is in place by using randomly selected testing samples and a series of independent review stages. All audit working papers, reports and findings are reviewed and if necessary challenged before being issued to the client by either the Head of Service or Team Leader.

**2. Demonstrates competence and due professional care:**

All reports are reviewed and signed off by either the WIASS Head of Service or Team Leader both of which are highly qualified and governed by professional institution standards. Regular 1-2-1 meetings are held with each officer to ensure progress and personal development. An "open door" culture is adopted throughout WIASS allowing all team members to ask for assistance advice and support at any time. Training (both in-house and external) is available and is provided should it be deemed relevant and appropriate by Head of Worcestershire Internal Audit Shared Service (HoWIASS) / Team Leader.

**3. Is objective and free from undue influence:**

Independence and safeguarding is a key element of internal audit provision. All WIASS staff are vetted via the Basic Disclosure Check, as well as making a Declaration of Interest on an annual basis declaring any potential conflicts of interest with upcoming audit programme and the partners that WIASS work with. No auditor, who has transferred from a Service, will audit that Service for a minimum of three years. The Service is organisationally independent for

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all Partners. Although the HoWIIASS reports directly to the s151 Officers of the Partner organisations the role has direct and unrestricted access to the senior management team and Committee Chair. The Client Officer Group, who governs the Service, meets on a quarterly basis and is made up of the Partner s151 Officers. They each have an equal vote and consider the strategic direction of the Service as well as progress and performance. Further independence and safeguard checks are reported throughout this Charter in the form of checks, actions and process.

4. Aligns with the strategies, objectives, and risks of the organisation:  
The audit plan and its content is discussed with Management<sup>1</sup> and s151 Officers to ensure that risks are identified; appropriate processes, systems and strategies are tested and that areas of risk are monitored and mitigated. Corporate and service risk registers are used along with corporate knowledge and the promises and objectives. Five year plans are also considered as part of the risk profiling and plan definition.
5. Is appropriately positioned and adequately resourced:  
As a shared service, WIIASS is hosted by Worcester City Council, but audit allocations ensure a presence in all authorities that it serves across the year. Resources are monitored and tracked throughout the annual audit plan, with forecasting used as often as possible to prevent resources becoming too stretched resulting in reduced coverage. WIIASS is governed by a Client Officer Group made up from the Partner s151 Officers but also has direct access to Management<sup>1</sup> and the Board<sup>2</sup> Chairs. Delegated powers are used should there be any resourcing issues.
6. Demonstrates quality and continuous improvement:  
Continuous monitoring of the teams performance via trackers is conducted. Quarterly and annual reports are issued to committee and board members demonstrating trends in productivity and value. Individual reviews via 1-2-1 meetings are held monthly with the Team Leader, and include personal development plans for all team members. Improvements and changes will also be made using external assessment as well as internally generated client feedback forms. A self assessment will be completed each municipal year to further provide assurance of quality and improvement. The Service is working with partners to ensure that it continues to provide a 'fit for purpose' Service by developing techniques that will complement requirements, continue to add value and work in a changing environment e.g. critical friend reviews. There is a continuous desire to ensure that the Service changes and adopts best practice methods as identified by the professional institutions e.g. IIA, CIPFA.

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## 7. Communicates effectively

Various forms of communication are adopted (verbal, written, diagram / graph) throughout the review process by all members of the WIASS team. Continued monitoring and improvements to the methodology are conducted, making the report and testing documents clearer for all users. Findings are discussed verbally with management<sup>1</sup> prior to the issue of a formal report. Reports are issued to Officers and Committee<sup>1</sup> on a regular basis.

## 8. Provides risk-based assurance

The audit plans are risk based with reviews being classified from high to low risk. The review scope is risk based which drives the review without creating restrictions on the areas covered. All findings are rated high, medium or low risk. Risks associated with the findings are linked directly to the recommendation and the management action to mitigate it. The review risk is combined to create the overall assurance level of the audit, which will be presented to the client with explanation and reasoning in the form of a report.

## 9. Is insightful, proactive and future-focused

Insightful – where possible WIASS officers with relevant background experience will be assigned to conduct audits in similar fields. Continued monitoring of current “audit and fraud affairs” is distributed to all WIASS team members. A sharing of knowledge is encouraged in the Service and pre engagement research. Identification of best practice is shared amongst the authorities. Reports identify areas that are working well as well as those that require improvement. Reviews look for efficiencies and better ways of working.

Proactive – scoping meetings are held for all audits allowing for changes to the audit scope in line with changes in service delivery and legislation between annual planning and audits starting. There is also an ability to vary the plan should an emerging risk present itself using delegated powers so the audit service can be proactive in providing assurance to those in governance. Consultancy days are built into the plans to allow for pre implementation of new system/process advice.

Future-focused – The Service will scan the horizon for risks and issues that are emerging. Networking using, for example, the Midlands Audit Group is used to help inform the audit plans and consultancy assignments to provide information to the partners before it becomes a potential issue for them. Monitoring of the next generation initiatives from Central Government and having a team of auditors aware of the potential risks and impact along with environmental control issues will assist in adding value for our partners.

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**10. Promotes organisational improvement**

Ethics and culture are key aspects to organisation improvement. WIASS reviews consider ethical and cultural aspects and the potential impact and associated risk. Liaison with s151 Officers, Senior Management Teams and governance boards where applicable to promote continuous organisational development. Audit Reports are issued to management<sup>1</sup> to ensure oversight of the organisation and areas of concern including common themes are looked at and improved on. High and Medium priority findings are followed up after a 3 or 6 month period respectively using an established methodology to ensure that potential risks are being mitigated and there is continuous improvement. Findings will be followed up until such time that they are satisfied. Follow up on findings will be documented and reported to Management, Heads of Service and or the appropriate s151 to give assurance of action and risk mitigation.

For further information please reference:

<https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Core-Principles-for-the-Professional-Practice-of-Internal-Auditing.aspx>

**8. External Relationships****8.1 The main contacts are with:**

- Institute of Internal Auditors
- External Auditors
- Local Authorities in the Worcestershire area
- Local Authorities in the Midlands area
- Organisations within the Exeter Benchmarking Group
- CIPFA (publishers of the systems based auditing control matrices written by Exeter IA section)
- National Fraud Initiative via DCLG and Cabinet Office

But may include other external parties as necessary.

**8.2 Assurance will be accepted and reported from 3<sup>rd</sup> parties as long as WIASS can rely on their work and they are suitably qualified to carry out the**

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assessment. The relevance of the work will also be a consideration in using a 3<sup>rd</sup> party certification e.g. IT integrity testing.

- 8.3 Where work is undertaken on a contractual basis assurance will be provided to 3<sup>rd</sup> parties outside of the partnership as appropriately agreed. The methodology applied to audit 3<sup>rd</sup> party organisations will be the same as the methodology used for the members of the partnership. All of the safeguards used to protect the integrity of the audits carried out for the partnership will be extended to 3<sup>rd</sup> parties as well and appropriate reporting protocols established as part of any contractual agreement. These will be established as part of the engagement with a clearly identified engagement officer and requirements. No contract will be entered into if it is considered that the independence or integrity of the Service will be compromised. If, during the delivery of a contract, it becomes apparent that there is undue influence being brought to bare and/or that the actions of the client is undermining the ethos of internal audit the HoWIASS will inform the Client Officer Group without delay so a strategic decision can be made to avoid any potential reputational damage or compromised independence. Any assurances provided to 3<sup>rd</sup> Parties will be based on the established internal methodology and the defined definitions of the different levels and priorities.
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**Notes**

- a) In the absence of the Head of Internal Audit Shared Service all provisions relating to him/her above will apply to the relevant Team Leader in accordance with the duties allocated by the Head of Internal Audit Shared Service.

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Version Control:	Date of Change	Action	Updated by
1.0	2 <sup>nd</sup> March 2012	Charter for WIASS	AB
2.0	9 <sup>th</sup> August 2012	Update to Charter	AB
3.0	23 <sup>rd</sup> April 2013	Update to Charter re. International Standards	AB
4.0	21 <sup>st</sup> Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 <sup>st</sup> July 2016	Update re. titles and definition of 'consultancy' and 'assurance'.	AB
6.0	April 2017	Full review in line with Standards	HT
7.0	May 2017	COG suggestion: Update of H&WFRS name to reflect legal entity & 'Council's' to 'Partners'.	HT
8.0	June/July 2018	External Assessment recommendations: Update to Mission & Definition Inclusion of 3.4, IA remit Update to 4.6 regarding HIASS responsibility on briefing Inclusion of 5.7, escalation for late and non return audit reports Inclusion of 6 – Principle of Public Life Inclusion of 7 – Core Principles of Public Practice Inclusion of 8.2, assurance from 3 <sup>rd</sup> Parties Inclusion of 8.3, assurance to 3 <sup>rd</sup> Parties	HG, AB, HT

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**REDDITCH BOROUGH COUNCIL****AUDIT GOVERNANCE AND STANDARDS COMMITTEE 25<sup>th</sup> OCTOBER 2018****APRIL – JUNE FINANCIAL SAVINGS MONITORING REPORT 2018/19**

<b>Relevant Portfolio Holder</b>	Councillor Tom Baker-Price
<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 April – June 2018/19. This report presents the savings delivered projected for the full year against those identified in the medium term financial plan (MTFP)

**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 2018/19 as detailed in the MTFP and approved by Council in February 2018.
- 3.2 The statement shows that it is projected that the savings of £721k for 2018/19 are on track to be delivered during the financial year.
- 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 was recommended to be undertaken by this Committee and Grant Thornton further advised that the savings monitoring should be against the Medium Term Financial Plan rather than the efficiency plan as the MTFP is the more recently approved budget projection for the Council. The savings statement attached reflects this approach.
- 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

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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 April – June 2018/19

**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

**REDDITCH - SAVINGS & ADDITIONAL INCOME FROM 18-19 BUDGET ROUND**

Appendix 1

Department	Description of saving	2018-19 £'000	Comments	Quarter 1			
				On target Y/N	Additional (add to to in yr savings) £'000	below target Y/N	Pressure £'000
Business Transformation	Annual Revenue Budget Saving	-177	Review of IT contract spend	Y			
Community Services	accommodation charge	-18	Review of budget required	y			
Community Services	telephones	-4	Review of budget required	y			
Community Services	travellers and unauthorised campers costs	-7	Review of budget required	y			
Community Services	staff savings from reduced mileage and reduced hours	-3	Review of budget required	y			
Community Services	additional income	-2	Review of income generated	y			
Community Services	NNDR	-1	Savings identified	y			
Community Services	accommodation charge	-18	Review of budget required	y			
Corporate	Amalgamate postage budget	-14	Savings identified	Y			
Corporate	RBC staff awards	-3	Savings identified	Y			
Corporate	Insurance	-27	Savings identified	Y			
CAFS	Reduction in Hrs	-5	Savings identified	Y			
CAFS	Additional income	-125	Additional income based on previous year	Y			
Environmental Services	Fuel and Vehicle R&M	-67	Savings identified	Y			
Environmental Services	Materials, equipment and waste disposal	-21	Savings identified	Y			
Environmental Services	Overtime	-6	Savings identified	Y			
Environmental Services	Utilities	-4	Savings identified	Y			
Environmental Services	Contractors and Credit Card Fees	-5	Savings identified	Y			
Environmental Services	Increase in cremation income	-50	Additional income generated	Y			
Environmental Services	Additional work for County Council and inflation of fees	-15	Additional income generated	Y			
Environmental Services	Replacement waste bins	-72	Revenue savings achieved by capitalising all bin replacements	Y			
Corporate	Subscriptions	-4	Savings identified	N			4
Corporate	Subscriptions	-25	Savings identified	Y			
Corporate	Subscriptions	-8	Savings identified	Y			

Department	Description of saving	2018-19 £'000	Comments	On target Y/N	Additional (add to to in yr savings) £'000	below target Y/N	Pressure £'000
Leisure & Cultural Services	savings on spend budgets	-5	Mainstream funding no longer needed received/in place	y			
Leisure & Cultural Services	Furniture purchase for Chamber and CR2/3 - budget allocation is more than required	-4	Savings identified	y			
Leisure & Cultural Services	Vehicle Costs	-3	Savings identified	y			
Leisure & Cultural Services	savings on accommodation costs	-8	Savings identified	y			
Leisure & Cultural Services	Additional income	-20	Increased income generated at Palace Theatre	y			
<b>TOTAL</b>		<b>-721</b>			0		4

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

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### **Work Programme**

#### **25th October 2018 meeting**

##### **Standards**

- Monitoring Officer's Report

##### **Governance**

- Internal Audit – Progress Report
- Internal Audit Charter Update Report

##### **Monitoring**

- Compliance Team Update (6 monthly)
- Sector Update
- Grant Thornton Fee Letter 2018/19
- Redditch Borough Council Annual Audit Letter 2017-18
- Financial Savings Monitoring Report
- HRA Internal Controls - S151 update
- Committee's 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
- Review of the Independent Member
- Committee's Work Programme

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