



Audit, Governance & Standards Committee

Mon 29 Jul
2019
7.00 pm

Committee Room Two
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

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Audit, Governance & Standards

Committee

Monday, 29th July, 2019

7.00 pm

**Committee Room 2 - Town Hall
Redditch**

Agenda

Membership:

Cllrs:	John Fisher (Chair)	Ann Isherwood
	Mark Shurmer	Nyear Nazir
	(Vice-Chair)	Yvonne Smith
	Salman Akbar	David Thain
	Tom Baker-Price	
	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 - 10)

4. Public Speaking

To invite members of the public who have registered in advance of the meeting to speak at the Committee.

5. Monitoring Officer's Report - Standards Regime (Pages 11 - 14)

6. General Dispensation Report (Pages 15 - 20)

7. Regulation of Investigatory Powers Act 2000 (RIPA) Report (Pages 21 - 26)

8. External Audit - Audit Findings Report 2018/19 - To follow

9. Grant Thornton (external audit) Audit Fee Letter 2019/20 - To follow

10. Audited Statement of Accounts 2018/19 - To follow

11. External Assessment Update Report (Pages 27 - 44)

12. Internal Audit - Annual Report 2018/19 (Pages 45 - 76)

13. Internal Audit Plan 2019-20 (Pages 77 - 88)

Audit, Governance & Standards

Committee

Monday, 29th July, 2019

14. Financial Savings Monitoring Report (Pages 89 - 92)

15. Corporate Governance and Risk Update To follow

16. Audit, Governance and Standards' Work Programme 2019/20 (Pages 93 - 94)



Audit, Governance & Standards Committee

Thursday, 25 April 2019

MINUTES

Present:

Councillor John Fisher (Chair), Councillor Mark Shurmer (Vice-Chair) and Councillors Salman Akbar, Joanne Beecham, Roger Bennett, Yvonne Smith, Craig Warhurst and Pat Witherspoon

Officers:

Martyn Bradley, Andy Bromage, Clare Flanagan, Chris Forrester, Farzana Mughal, Neil Preece and Deb Poole

Democratic Services Officer:

Farzana Mughal

41. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Michael Chalk and Mike Rouse. Members were advised that Councillor Roger Bennett was in attendance as a substitute for Councillor Mike Rouse.

42. DECLARATIONS OF INTEREST

There were no declarations of interest.

43. MINUTES OF THE MEETING HELD ON 7 MARCH 2019

The minutes of the meeting of the Audit, Governance and Standards Committee held on 7th March, 2019 were submitted. It was noted that Councillor Pat Witherspoon was in attendance at this meeting.

.....
Chair

Audit, Governance & Standards Committee

Thursday, 25 April 2019

RESOLVED

that the minutes of the Audit, Governance and Standards Committee meeting held on 7th March, 2019 be approved as a correct record and signed by the Chair, subject to the above amendment.

44. MONITORING OFFICER'S REPORT - STANDARDS REGIME

The Principle Solicitor presented the Monitoring Officer's report, and in doing so explained that since the last meeting of the Committee in March 2019, there had been one complaint received from a member of the public about a Borough Councillor which was in the process of being investigated. A further update in relation to this complaint would be provided at the following meeting of the Committee.

RESOLVED

that the Monitoring Officer's Report be noted.

45. PUBLIC SPEAKING AT COMMITTEE MEETINGS

The Principle Solicitor presented a report which invited Members to determine arrangements for public speaking at meetings of the Audit, Governance and Standards Committee. Members were informed that at a meeting of Council on 25th February, Members had agreed to introduce public speaking at certain Committee meetings where formal public speaking arrangements were not already in place.

It was noted that public speaking arrangements were already in place for some Committees, including Council, the Executive Committee and Planning Committee. However, at other public meetings public speaking rights were not formalised and could only be exercised at the discretion of the Chair.

The background to this change was that a complaint had been received from a member of the public who had called for formal public speaking to be introduced at all public Committee meetings. The complaint had been considered by the Constitutional Review Working Party, who had decided to recommend to Council that formal public speaking should be introduced for those Committees where it was not currently in place.

Audit, Governance & Standards Committee

Thursday, 25 April 2019

Members expressed the view that they wished to adopt the same approach as both the Licensing and Planning Committees, whereby members of the public could register to speak for up to three minutes at each Committee meeting. Members further agreed to adopt a maximum overall time limit of 15 minutes for all public speaking at each meeting, though the timeframes could be extended at the Chair's discretion. It was also agreed that a cut-off point for registration of noon on the day of the meeting would be appropriate, in line with arrangements already in place for the Planning Committee.

The Committee was informed that an item in respect of public speaking would be included on the agenda at the start of the meeting.

RESOLVED that

the following arrangements for public speaking at Audit, Governance and Standards Committee meetings be adopted:

- a) **that members of the public wishing to register to speak at Audit, governance and Standards Committee meeting shall notify Democratic Services officers of their intention to do so and the subject on which they intend to speak by no later than 12 noon on the day of the meeting;**
- b) **that the time limit for individual speakers at Audit, Governance and Standards Committee meetings shall be three minutes; and**
- c) **that the maximum time limit devoted to public speaking at meetings of the Audit, Governance and Standards Committee shall be 15 minutes, though the Chair will have the discretion to extend that period should s/he consider it to be necessary.**

46. GRANT THORNTON EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The manager from Grant Thornton presented the external audit progress update report and sector update, which outlined the key issues emerging in the public sector.

The following points were highlighted:

Audit, Governance & Standards Committee

Thursday, 25 April 2019

- The external Audit plan had been issued setting out the proposed approach to the audit of the Council's 2018/19 financial statement.
- The final accounts audit was due at the end of May, 2019.
- There had been a change in the scope of the audit as and that Rubicon would be consolidated into the Council's financial statements.
- A summary of the findings of the interim audit work, the impact of the findings on the accounts audit approach were detailed in the report. It was noted that no issues had been identified.

In the ensuing debate, A number of points were highlighted:

- It was confirmed that the financial account would be published on time and that no issues had been identified.
- The work carried out by the external auditors and the fees charged would be reviewed.
- Elements of the audit for Rubicon would only be included in the Council's account where it required audit for the Council.

RESOLVED

that the Grant Thornton External Audit Progress Report and Sector Update be noted.

47. INTERNAL AUDIT PROGRESS REPORT

The Head of the Worcestershire Internal Audit Shared Service presented a report that informed the Committee about the Internal Audit team's performance in 2018/19. Members noted that the report presented before them was prepared as at 31st March, 2019.

The Head of Worcestershire Internal Audit Shared Service provided a summary of assurance levels. The findings and recommendations would be reported back to the Committee and senior managers would be required to produce a clear action plan. This would be followed up and reviewed after the implementation date.

The Committee was advised that the overall productivity figure for Internal Audit was 76% in the final quarter of 2018/19.

Members discussed issues in relation to parking enforcement, in particular, around schools and the town centre and requested that

Audit, Governance & Standards Committee

Thursday, 25 April 2019

the Overview and Scrutiny Committee discuss this matter further in order to determine whether this would be a suitable topic for further scrutiny.

RECOMMENDED

that the Overview and Scrutiny Committee to look into the issues around parking.

RESOLVED

that the Internal Audit Progress report be noted.

48. INTERNAL AUDIT PLAN 2019-20

The Head of the Worcestershire Internal Audit Shared Service presented the Audit Plan Report 2019/20 and the Performance Indicators for 2019/20.

During the presentation of the report Members were advised that the Internal Audit Plan for 2019/20 had been based upon a resource allocation of 400 chargeable days for the Council. The Key Performance Indicators were monitored on a regular basis and updates would be provided to the Committee as part of the progress report.

In the ensuing debate Members questioned how issues raised during an internal audit were enforced and monitored. Officers advised that any issues would be brought to the attention of the relevant manager and subsequently reported back to the Committee alongside any agreed actions. Any outstanding actions would then be monitored by Internal Audit and reported to the Committee.

During consideration of the report Members suggested that the document could be simplified and that a traffic light system should be introduced in order to flag up any potential issues at an early stage.

RESOLVED that

- a) the Internal Audit Plan be noted; and**
- b) the Key Performance Indicators be noted.**

Audit, Governance & Standards Committee

Thursday, 25 April 2019

49. HRA S151 UPDATE

The Financial Services Manager presented a report to the Committee in relation to the Housing Internal Controls – S151 update. Members were made aware as a result of Internal Audit reports in 2016/17 related to Housing Capital and Post Contract appraisal functions that a significant number of failures had been identified and that these issues were being addressed.

During the presentation of the report a number of key points were highlighted for Members' consideration:

- Members noted that the stock condition survey was underway and that this would inform the 30 year business plan.
- It was anticipated that a report on the condition of the stock would be completed by 30th April, 2019.
- Orders for capital works were in the process of being placed using the Council's eProc financial system for the financial year 2018/19. Regular meetings would be held with finance to ensure that expenditure was controlled and managed as per the Council's budget.
- With regards to the property database, a new asset management system had been procured from Asprey Management Solutions Ltd.
- All new contracts had been procured in line with the Council's Corporate Procurement Procedure Rules via a number of frameworks.

In response to Members' questions, the following points were highlighted:

- A policy was being devised in order to enable the Council to recover costs where tenants had left properties in an unsuitable state.
- A database system was available in order to notify officers when contracts were coming up to the expiry date, well in advance of that expiry date.
- Members felt that it was important that where possible contracts were tendered to local suppliers in Redditch. Members were informed that the Council was actively working with local businesses to encourage them and to give them support as appropriate.
- Members were informed that the Council ensured that the stock was maintained to a high standard.

Audit, Governance & Standards Committee

Thursday, 25 April 2019

- A piece of work was being undertaken through Internal Audit to look at various aspects of the stores.

RESOLVED

that the Housing Inter Controls – S151 Update be noted.

50. ACCOUNTING POLICIES REPORT

The Financial Services Manager presented the proposed accounting policies to be used for the closure of the 2018/19 accounts.

The significant changes to the accounting policies were:

- The Going Concern assumption under general principles had been updated to clarify that the going concern principle was still relevant in the case of local government bodies.
- 'Accruals of Income and Expenditure' had been retitled 'Revenue and Expenditure Recognition' and rewritten to reflect the requirements of IFRS 15 (Revenue from contracts with Customers), the key change being that income was only recognised as received when all specific performance obligations had been satisfied.
- Financial Assets and Financial Liabilities had been amended to reflect the changes of IFRS 9 (Financial Instruments).
- A new policy had been included, Interests in Companies and Other Entities, to cover the accounting for Rubicon Leisure within the Council's accounting statements.

RESOLVED

that the Council's proposed Accounting Policies be approved and adopted in completing the 2018/19 Statement of Accounts.

51. INTERNAL AUDIT OF HEALTH AND SAFETY

Head of Business Transformation and Organisational Development and the Senior Health and Safety Advisor presented the Internal Audit of Health and Safety report and action tracker to the Committee. Members were informed that the report had also been considered at the Joint Corporate Health and Safety Welfare Committee on 5th April, 2019.

Audit, Governance & Standards Committee

Thursday, 25 April 2019

It was explained that the actions identified on the tracker had been extracted from the audit report. The tracker provided an outline of the description and the progress that had been made to date.

Officers explained that it was recommended that the Council(s) should draft a risk assessment for a lift maintenance engineer in the absence of one being supplied by the contracting company. A recommendation had also been made to trial a fire drill involving a person in a wheelchair to ensure that the Council's systems were safe for those with physical disabilities.

Arising from Members' questions, the following points were highlighted:

- The audit work that was carried out was sample-based, although it was acknowledged that a risk-based approach was required.
- Whilst carrying out the audit in respect of the fire risk assessments, it was established that although the fire risk assessments were in place they were out of date.
- Fire alarm testing was being carried out on a weekly basis.
- It was recognised that a system was required in order for the Council to be aware about which staff were in the building in the event of a fire alarm. Members expressed the view that it would be prudent for the Council to have a system in place whereby staff signed in and out when on site.
- the Council would potentially look at having evacuation chairs and to train staff in their use;
- Training would be extended to staff to ensure that they understood the different fire alarm system.

RESOLVED

that the Internal Audit Health and Safety report be noted.

52. INDEPENDENT MEMBER - VERBAL UPDATE

The Financial Services Manager provided an update in relation to the Independent Member for the Audit, Governance and Standards Committee. The Committee was advised that the Independent Member would not get paid for this role and would only be entitled to claim for any travel expenses.

Audit, Governance & Standards Committee

Thursday, 25 April 2019

RESOLVED

that an Independent Member for the Audit, Governance and Standards Committee be recruited.

53. COMMITTEE WORK PROGRAMME

Members considered the Audit, Governance and Standards Committee's Work Programme for 2019/20.

RESOLVED

that the Audit, Standard and Governance Committee Work Programme for 2019/20 be noted.

The Meeting commenced at 7.00 pm
and closed at 8.53 pm

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**29th July 2019**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 April 2019.
- 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

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**29th July 2019

July 2012. The Act places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be 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 Members are advised that there is currently one member complaint that remains on going. An investigation has been undertaken and the outcome will be reported to the next meeting of the committee.

Member Training

- 3.4 Since the previous meeting of the Committee a comprehensive induction programme has been implemented. The following training has been delivered as part of this induction programme:
- An induction night which provided an introduction to the Council's strategic purposes, Corporate Management Team and Council services.
 - Code of conduct training.
 - Planning Training for new Members and for Councillors who have not previously served on the Council's Planning Committee. This training was delivered jointly with Bromsgrove District Council.
 - iPad training for new Members.
 - Planning refresher training. This was delivered for the first time to Members with previous experience of serving on the Planning Committee. This received positive feedback from the Members who attended and the Member Support Steering Group is considering adopting a similar approach in future years.
 - Overview and Scrutiny training, which also provided Members with an opportunity to propose potential items for scrutiny in 2019/20.
 - Combined data protection and dashboard training.
 - Training in respect of the Council's new grants funding programme.
 - Combined health and safety, equalities and safeguarding training.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**29th July 2019

- A statement of accounts briefing, for Members of the Audit, Governance and Standards Committee and any other Councillors with an interest in the accounts.
 - Treasury management training.
- 3.5 Officers and Members continue to explore ways in which to both reduce the amount of paper used for agendas and to enhance the use of Member IT equipment. Since the local elections in May 2019 six Councillors have opted to go paperless for Committee meetings. Democratic Services can offer assistance to any other councillors who would like to go paperless for Committee meetings.

Constitution Review Working Party

- 3.6 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.
- 3.7 At the latest meeting of the Constitutional Review Working Party Members discussed proposed updates to the Officers Code of Conduct, considered a recommendation from the Overview and Scrutiny Committee about the Council's Overview and Scrutiny Procedure Rules and discussed requirements for either the Chair or the Vice Chair of the Council's Licensing Committee to Chair meetings of the Sub-Committees.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

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

5. APPENDICES

None

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

29th July 2019

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**

29th July 2019

LOCALISM ACT 2011 – STANDARDS REGIME – DISPENSATIONS

Relevant Portfolio Holder	Councillor David Thain, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

The purpose of this report is to provide members with an opportunity to consider and agree a number of general dispensations for all Councillors as well as specific dispensations for individual Councillors where requested.

2. RECOMMENDATIONS

The Committee is asked to **RESOLVE** 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 allowing Members to address Council and Committees in circumstances where a member of the public may elect to speak 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;**

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

29th July 2019

- 3) subject to the caveat set out in paragraph 3.10 of this report in relation to setting the Council's 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;
 - e) Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the Borough;
- 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 2020.

3. KEY ISSUES

Financial Implications

- 3.1 None.

Legal Implications

- 3.2 Section 33 of the Localism Act 2011 provides that Dispensations can be granted in respect of Disclosable Pecuniary Interests ("DPIs").
- 3.3 Section 33 (1) requires that a Member must make a written request for a dispensation.
- 3.4 Section 33 (3) provides that a dispensation must specify the period for which it has effect and that period may not exceed 4 years.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****29th July 2019**

Service / Operational Implications

- 3.5 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.
- 3.6 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted "only if, after having regard to all relevant circumstances" the Committee considers that one of those situations applies.
- 3.7 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –
- “(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
 - (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
 - (c) considers that granting the dispensation is in the interests of persons living in the authority’s area,
 - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority’s Executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority’s executive, or
 - (e) considers that it is otherwise appropriate to grant a dispensation.”
- 3.8 The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee. This function subsequently transferred to the newly established Audit, Governance and Standards Committee. All dispensations granted are valid until the first meeting of the Audit, Governance and Standards Committee following the next applicable Borough Council elections.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****29th July 2019**

3.9 Dispensations, all of which require the advance approval of the Committee and a subsequent written request from the Member to the Monitoring Officer, currently fall within three categories:

- General Dispensations
- Council Tax Arrears
- Individual Member Dispensations
- Outside Body Appointment Dispensations

3.10 It should be noted that under Section 106 of the Local Government Finance Act 1992 there is a caveat that any Member who is 2 months (or more) in arrears with their Council Tax payments cannot participate in any Council meeting concerning the budget. In the event that any Members are affected by the provisions of section 106, the statutory rule that they be barred from taking part in the budget decisions would prevail.

3.11 The following individual member dispensations have been requested for approval, to remain valid until the first meeting of the Audit, Standards and Governance Committee after the District Council Elections in 2020.

Councillor(s)	Relevant DPI	Reason for dispensation
Councillors David Thain and Jenny Wheeler	Non-voting Directors appointed to the Redditch Town Centre Partnership's Board.	To enable the Councillors to participate in discussions and decisions concerning the town centre partnership and town centre regeneration.

3.12 It should be noted that any dispensations approved by the Committee only take effect on receipt of a written request from Members for a specific dispensation to be granted. As such, Members must ensure that they submit a written request for dispensation to the Monitoring Officer whenever they are aware that any relevant business is due to be discussed/debated at meetings, in order for the required dispensation to then be applied.

Customer / Equalities and Diversity Implications

3.13 None.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**29th July 2019

4. RISK MANAGEMENT

The granting of general dispensations by the Committee will, subject to receipt of a written request from Members for such a dispensation, clarify, for the avoidance of any doubt, Members' ability to participate in and vote at Council and committee meetings on certain matters as part of the Council's decision-making process.

5. APPENDICES

None.

6. BACKGROUND PAPERS

- Section 33 of the Localism Act 2011.
- Section 106 of the Local Government Finance Act 1992.
- Various reports to the former Standards Committee and Audit, Governance and Standards Committee.

AUTHOR OF REPORT

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

29 July 2019

REGULATION OF INVESTIGATORY POWERS ACT 2000

Relevant Portfolio Holder	Councillor Matthew Dormer, Portfolio Holder for Planning, Governance and Partnerships
Portfolio Holder consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Wards affected	All Wards
Ward Councillor consulted	N/A
Non-Key Decision	

1. SUMMARY

- 1.1 The Council, along with other public bodies, has powers under the Regulation of Investigatory Powers Act 2000 [“RIPA”] to carry out covert surveillance in certain circumstances.
- 1.2 The Council has recently undergone a review of its RIPA policy and activity by the Investigatory Powers Commissioner’s Office.
- 1.3 This report is to update members on the outcome of that review and to comply with the requirement set out at 1.3 below. It is proposed that a report of this nature be presented annually to the Committee.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

2.1 the Council’s RIPA Policy as reviewed, be endorsed; and

2.2 the update on RIPA activity be noted.

NOTE Members are requested to read and review the Council’s policy electronically. There will be a hard copy available on the evening of the committee meeting and beforehand in Members’ Group Rooms.

3. KEY ISSUES**Financial Implications**

- 3.1 The Policy is lengthy and costly to print, so a small number of printed copies will be made available for members in their Group Rooms.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**29 July 2019

- 3.2 There will be a cost to providing the training that has been recommended by the Commissioner.

Legal Implications

- 3.2 The Regulation of Investigatory Powers Act 2000 [“RIPA”] gave local authorities powers to conduct covert surveillance under certain circumstances. The Act also regulates the use ‘Covert Human Intelligence Sources’ [“CHIS”] and obtaining certain Communications Data.
- 3.3 Local Authority powers are at the lower end of the scale and changes in legislation since the Act was originally introduced, have resulted in further restrictions on their use:
- the use of surveillance was restricted to criminal investigations and in 2012;
 - the Protection of Freedoms Act 2012 introduced a requirement for local authorities to obtain approval from the Magistrates Court for any proposed surveillance activity;
 - A threshold for the level of crime being investigated was raised to include only ‘serious crime’ (as defined).
- 3.4 The regime is overseen by the Investigatory Powers Commissioner’s Office, and includes inspections of organisations by an Inspector appointed by the Commissioner, usually about every three years.
- 3.5 The revised Code of Practice for Covert Surveillance and Property Interference 2018 (paragraph 4.47) advised that elected members should at least on an annual basis review the RIPA policy and the authority’s use of the Act.
- 3.6 Any organisation which had investigatory powers under RIPA is required to have in place a Policy governing all aspects of the regime, including the need for updating and officer training, regardless of whether the powers are exercised. The Council’s Policy is regularly updated to comply with any changes in the legislation, guidance and codes of practice which apply to the regime. Changes are notified to the Council by an external trainer and RIPA expert, who also provides training and advice on RIPA issues.

Service / Operational Implications

- 3.7 From the outset, the Council’s use of RIPA powers was always low. There are a number of reasons for this: A rigid process has to be followed to

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****29 July 2019**

establish that a proposed surveillance activity is both “necessary” and “proportionate”; a senior officer has to evaluate the proposal against a number of criteria and would now have to be referred to the Magistrates Court to be confirmed. Then there would have been major resource implications for any authorised surveillance to have been undertaken.

3.8 Since the changes introduced in 2012 as described in 3.3 above, the Council has not exercised its powers under RIPA at all. The Surveillance Commissioner has noted that in recent years authorities like ours have granted far fewer RIPA authorisations and some have granted none at all in the last three years. The reasons include the legislative changes and also reduced resources, greater access to data-matching and overt, rather than covert law enforcement,

3.9 At the time of the Council’s last physical inspection, in 2015, RIPA powers had not been exercised by the Council since 2012. This year, a further three years on, during which no RIPA activity had been undertaken, the Surveillance Commissioner notified the Council in January that he was taking a more flexible approach to inspections and would decide on the basis of a pre-assessment questionnaire, whether a physical inspection was required.

3.10 On the basis of the responses to the questionnaire, the Commissioner advised that a physical inspection would not be required. However, there were a number of points of feedback that he made, as follows:

- 1) Acknowledgement that whilst RIPA awareness training has been undertaken and is refreshed with staff on an annual basis, there is a clear need to have training delivered forthwith to those staff within the Trading Standards services, and in order that those who are most likely to engage RIPA powers remain “match fit”.

Trading Standards are enforced by Worcestershire Regulatory Services. The Head of WRS has been advised of this recommendation for him to organise.

- 2) The revised Code of Practice for Covert Surveillance and Property Interference 2018 (paragraph 4.47) advised that elected members should at least on an annual basis review the RIPA policy and the authority’s use of the Act: Hence this report.
- 3) A reminder of the importance of regular, ongoing internal oversight of the actual or potential use of these powers, which should be managed through your Senior Responsible Officer. The Inspector advised that officers need to maintain their levels of training lest, however remote a possibility it may

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****29 July 2019**

appear, the powers need to be used.

The Senior Responsible Officer [SRO] is Jayne Pickering, Director of Finance and Resources, who holds meeting every six months to review any RIPA issues, consider any training or other issues relating to RIPA. These meetings used to take place quarterly, but due to the lack of RIPA activity, the SRO decided that twice a year would be sufficient. The Inspector has been advised of this and has not raised a concern.

- 4) The Inspector also drew attention to the increasing usefulness and accessibility of social media, which can offer initial investigative leads and assist with your enforcement or other responsibilities, but it behoves you to ensure that such resources as these are used in a controlled, auditable, and well understood manner.

The Council is extremely vigilant in reminding officers of the risks attached to checking social media and possible inadvertently straying into “surveillance” territory because the Council is regarded as “the State” when it comes to looking at people’s social media platforms to glean information about them for investigatory purposes. This is included in annual data-protection refresher training for all staff and is also included periodically in the staff newsletter.

- 3.11 It is not possible for the Council to ‘opt out’ of the RIPA regime, which means that although we have not used these powers for years, we are still required by the Commissioner to keep our officers briefed on it, aware of its potential use and crucially, trained in the completion of applications and their approval.
- 3.12 The Council is a member of the National Anti-Fraud Network [NAFN], which is hosted by Thameside MBC and which provides data and intelligence services under the RIPA regime to public sector organisations in relation to fraud investigations. Over 90% of local authorities are members of NAFN. Membership enables the Council to avail of its expertise, without having to have our own staff for the purpose.

Customer / Equalities and Diversity Implications

- 3.13 There are no direct implications arising out of this report, providing information to elected members and seeking their approval of the Council's RIPA policies and procedures.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**29 July 2019

4. RISK MANAGEMENT

The Council is required to comply with the statutory provisions and guidance governing the RIPA regime and any recommendation made by the Inspector. on behalf of the Commissioner.

Officers need to be aware of the RIPA powers so that there is no risk of surveillance or CHIS activity being undertaken without the correct approvals being in place.

5. APPENDICES

None

6. BACKGROUND PAPERS

The Council's RIPA Policy

AUTHOR OF REPORT

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REDDITCH BOROUGH COUNCILDate: 29th July 2019**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****EXTERNAL ASSESSMENT UPDATE REPORT.**

Relevant Portfolio Holder	Councillor Juliet Brunner
Portfolio Holder Consulted	No
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:**

- An update on implementation progress made against the 2017/18 External Assessment.

2. RECOMMENDATIONS**2.1 The Committee is asked to note the report and implementation progress.****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 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”.**

REDDITCH BOROUGH COUNCILDate: 29th July 2019**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Service / Operational Implications

- 3.3 To provide an update from the Head of Internal Audit Shared Service in regard to the implementation progress made against the Internal Audit External Assessment that took place during the 2017/2018 financial year. The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.
- 3.4 Tilia Solutions were appointed for the Worcestershire Internal Audit Shared Service Assessment. The review was undertaken by the independent assessor during early October 2017 and a report was produced identifying areas which would enhance the Internal Audit Service provision overall. The final report was presented on the 20th October 2017. The report was presented to the Client Officer Group during November 2017.
- 3.5 A progress report was brought before Committee for information approximately 12 months ago with the understanding that regular reporting would be undertaken until the areas identified were satisfactorily completed.

External Assessment.

- 3.6 Although not a statutory requirement all Internal Audit Services are obliged to comply with the Public Sector Internal Audit Standards as amended and undergo an independent external assessment every 5 years to ensure compliance with the Standards.

Progress to June 2019.

- 3.7 The action plan was broken down into three elements; recommendations, compliance and suggestions. A summary of these can be found in **Appendix 1**. This shows that all action points raised by the external assessment have now been addressed. All improvements outlined in the summary will be maintained until the next assessment, which is due in 2021/22, although WIASS will continue to seek ongoing improvement through the Client Officer Group and its service planning processes.

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

REDDITCH BOROUGH COUNCILDate: 29th July 2019**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

4. RISK MANAGEMENT

The main risk associated with the details included in this report is:

the continuous provision of an internal audit service is not maintained to a required standard.

5. APPENDICES

Appendix 1 ~ Action Plan Summary

6. BACKGROUND PAPERS

Tilia Solutions Assessment Report

7. KEY

N/a

AUTHOR OF REPORT

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AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Appendix 1

Action Plan and Position as at June 2019

Key:

Completed
Ongoing
Not Started

Recommendations:

No.	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
R1	Include a requirement in each anti-fraud and corruption policy to inform the HIASS of all suspected frauds	Anti-fraud and corruption policies to be updated as appropriate. Request to be made to update policies.	By Dec 2017	All partners have been contacted in regard to current policies. Actions are dependant on position and planned updates. Policies mainly require a small tweak of the current wording to satisfy this recommendation but no immediate risk presenting itself. Partners will address this issue fully when update cycles permit.	
R2	Safeguards, including independent audit arrangements, should be put in place to manage audit's independence and objectivity where they carry out non-audit	Independence is managed closely within the team e.g. different people working on areas and not auditing those	Circa June 2018. Ongoing - to be included in the annual reporting cycle for all Partners.	Safeguarding, independence and integrity included in the 2018 Charter	

REDDITCH BOROUGH COUNCIL

Date: 29th July 2019

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No.	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
	activities and these should be discussed with and approved by the relevant audit committees. They should be included in the Audit Charter	areas, annual conflict of interest checks, quality assurance, quality assurance in process and Team Leader & HIA consideration. Charter will be updated and discussion can take place with Cttee on an annual basis with safeguards specifically identified.			
R3	Ensure fraud risks are considered more extensively in planning audits and give audit staff support to enable them to do this	The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how WIASS was to improve this. WIASS will indicate clearly the potential fraud risks and include in the brief. There will also be a greater emphasis on risk focus.	Apr-18	<p>November 2017 (https://www.actionfraud.police.uk/a-z_of_fraud) advised to all Auditors November 2017 via email so that full use can be made of it and the benefits it can provide going forwards.</p> <p>February 2018 Team Meeting advised that expected to use website and other resource as part of the planning element so there is more extensive consideration of this aspect in all the reviews undertaken. Has become an intrinsic part of the brief.</p>	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No.	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
		Workshops undertaken re. Service transformation during 2017 along with methodology impact therefore part of consideration.			
R4	In discussion with the auditee, broaden individual audit planning to cover the matters indicated and record the relevant matters on the audit brief: <ul style="list-style-type: none"> o Achievement of the organisation's strategic objectives o Strategies and objectives of the activity under review o Reliability and integrity of financial and operational information o Risks to the activity under review o Risk management arrangements Governance arrangements for: <ul style="list-style-type: none"> o Making strategic and operational decisions o Overseeing risk management and control o Promoting appropriate 	The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how WIASS was planning to improve this. WIASS looked at broadening the audit brief to make it more succinct and linked in to corporate priorities and strategic objectives. A greater emphasis on risk focus was also to be included. During 2017 workshops held re. Service transformation and	Circa June 2018	<p>November 2017 onwards: Completely new approach adopted for annual planning. 2018/19 planning went through SMT with a key emphasis on risk and linkage to corporate priorities /promises as well as corporate and service risk registers as well as service plans. Plans signed off at SMT level for all Partners with HIASS in attendance to present the plan(s). This methodology continues to be used.</p> <p>February 2018 onwards: February 2018 Team Meeting introduced the revised methodology and talked through the annual plan approach. Team expected to deploy new method of working, use methodology and deliver audits on time and within budget as the process has been significantly streamlined without losing the integrity of the working papers.</p> <p>01 June 2018 onwards: Revised methodology key point of</p>	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No.	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
	ethics and values o Ensuring effective organisational performance management and accountability o Communicating risk and control information to appropriate areas of the organisation o Effectiveness and efficiency of operations and programmes o Safeguarding of assets o Compliance with laws, regulations, policies, procedures and contracts o Potential errors and non-compliance o Opportunities for value for money and to make improvements in the activity's processes.	methodology impact therefore part of consideration.		discussion on Team Meeting agenda to review how revision is working, and to identify any further points for consideration and development. Development of methodology has continued through team discussion and feedback from Partner's and will continue to do so. New methodology is now embedded and has been used for 12 months. May 2019: Methodology continues to evolve.	
R5	Undertake self-assessments against the LGAN and PSIAS	To be undertaken annually. To commence at the end of 2018/19.	Self Assessment towards end of 2018/19 after transformation has taken place. Diarised for early February 2019 with reporting to be included as part of the annual report cycle for all Partners.	Self assessment completed April 2019. Plan to evidence them as the new years documents emerge and others will be checked for continuing relevance. Updates to text and hyperlinks made on an ongoing basis with self assessment completed annually.	Links to R6

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No.	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
R6	Ensure that the results of self-assessments against PSIAS are reported to audit committees and CoG, together with the action planned so that these bodies can monitor progress	Self-assessment results to be reported to COG and Cttee as part of annual reporting. To commence at the end of 2018/19 financial year and for reporting 2019/20.	Circa July 2019 To be included as part of the annual report cycle and overall assurance provision to those in governance of the integrity of WIASS as a service.	Self assessment completed April 2019. Self assessment completed on an evidence based approach, and to be reported as part of the annual reporting cycle for 2018/19.	Links to R5
R7	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas	See recommendation response at 4.	April 2018 onwards	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in committee reports as to the process followed in the formulation of the plan and the resource requirements.	
R8	The HoIASS should have regular meetings with senior management teams to consult on items for inclusion in the annual plan, activities against the plan, any significant issues (fraud, risks, governance, etc.) that may have wider relevance and year-end outcomes	Although HoIASS has engaged in the past in regard to the annual plans with Head of Service, s151's, arrangements to attend Senior Management Team meetings as part of the process will be arranged.	Immediate action i.e. for 18/19 Plan and ongoing.	Established that HoIASS now regularly attending SMT or equivalent at Partner organisations.	
R9	Include examination of ethical issues in all relevant audits, bringing this work together at	To become part of the brief and then report outcomes in annual	During 2018/19 & circa June 2019 opinions.	<u>Culture and Ethics\Auditing Culture and Ethics.docx</u>	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No.	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
	the year end to form an opinion on ethical activities	report.		Embedded in the working papers of the reviews.	
R10	Include work on IT governance in the audit plan, buying in expertise if necessary	To seek assurance on this from other work undertaken within IT (i.e. third-party assurances), along with external audit work and consider whether it is sufficient. Buying in a resource will have resource implications.	Nov 17 COG.	Discussed at November 2017 COG. Assurance from existing arrangements e.g. ethical hacking, etc, but audit budgets to be included in the 18/19 plans for non technical audit work.	
R11	Finalise the Place Partnership agreement as a matter of urgency	Agreed. November 2017 with WCC Legal who are continuing to work on Agreement.	Draft to be available w/c 13/11/17 for PPL consideration. Finalisation circa end of December 2017.	Contract retendered during 2018/19 therefore events overtook this action. No further requirement/action to be taken in regard to this recommendation.	
R12	Combine the current planning documents and broaden them to create a work programme specifying the tests to be undertaken. Ensure that the work programme is approved before testing starts	Currently holding workshops re. Service transformation and methodology impact therefore part of consideration. This directly links with R3 and R4.	July 2019. Being worked on by Team Leader to combine working documents to simplify the arrangements.	New methodology introduced April 2018 and includes planning and testing as a combined document. Implemented for 2018/19 audit review. Development continuing through feedback and focussed training sessions at team meetings. Continuing the development of the methodology to ensure it remains fit for purpose. Sign off of planning discussed at team meeting ready to deploy Q2 re. 2019/20 reviews.	
R13	Address the reasons for the lengthy delays in finalising reports, incentivising auditees	Delay can be due to 'good cause' and will be managed	Immediate action	Continuing to monitor and work with Partner's as there remain examples of undue delay in some areas. Appropriate	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No.	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
	to respond promptly	accordingly to circumstances. Where there is unjustified and undue delay then escalation to be instigated using the senior management team at the Partners.		escalating processes in place and Partners are actively encouraging 10 day turnaround.	
R14	The annual audit opinion should be succinct and stand out. It should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified. The form of the opinion should be discussed and agreed with audit committees and senior management	The current annual audit opinion, along with other Audit Cttee reports are shared with senior management teams as part of the reporting process. However, format to be changed to give more emphasis and clarity in regard to the opinion and outcomes.	Circa June 2018. To be included in the annual reporting cycle for all Partners.	2017/18 Audit Opinion format was changed to provide better clarity and reported outcomes. Continual evolution to date.	
end					

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Compliance:

No	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
C1	Include the mandatory mission statement in the Charter	To include in the Charter to achieve full compliance.	By April 2018	Internal Audit Charter was revised and placed before the Partner Committees for approval September/October 2018 with regular updates since.	
C2	Include, as a minimum, a reference to the Seven Principles in one of the key audit documents. Ideally, refer to all seven principles and what they mean in an audit context	To include in the Charter to achieve full compliance.	By April 2018	Internal Audit Charter has been revised and was placed before the Partner Committees for approval September/October 2018 with regular updates since.	
C3	Include a reference to assurance provided to parties outside the partnership in the Charter	To include in the Charter to achieve full compliance.	By April 2018	Internal Audit Charter has been revised and was placed before the Partner Committees for approval September/October 2018 with regular updates since.	
C4	Include information about the Core Principles in the Charter, including how audit delivers against them	To include in the Charter to achieve full compliance	By April 2018	Internal Audit Charter has been revised and was placed before the Partner Committees for approval September/October 2018 with regular updates since.	
C5	Include a positive confirmation of audit's independence in the annual audit reports	Although already included this will be given more emphasis in the annual reports.	Circa June 2018. To be included in the annual reporting cycle for all Partners.	Included initially in annual report 2018 and continuing. Extended to progress reports as well to emphasise independence.	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
C6	Develop an over-arching Quality Assurance and Improvement Programme (QAIP) strategy to cover quality assurance activities, including how often, who is involved and their scope.	Adopt PSIAS as the standard WIASS wish to work to as a Service. Develop a QAIP strategy to indicate quality assurance activity.	By June 2018	QAIP draft created July 18 but further development was ongoing for completion by July 2019. QAIP agreed as part of the self assessment April 2019 and will be used as an element of the Service Development Plan.	
C7	<p>Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas:</p> <p>The need to produce an annual opinion</p> <p>Links to an assurance framework and other assurance providers</p> <p>How the service will be developed</p> <p>The WIASS Charter</p> <p>Links to organisational objectives and priorities</p>	<p>The annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to do this and the fact that we needed to link the plan directly to the strategic objectives, priorities and risk registers. WIASS will seek to incorporate this in the 2018/19 plans.</p> <p>Although risk registers are used as part of the current planning direct links will be made to clearly indicate to committee.</p>	Circa June 2018 i.e. 2018/19 planning process so immediate but ongoing action.	2018/19 onwards Plans driven by corporate risk, service risk, service plans, and linked to overall Corp. objectives and identified in the audit plans. Discussed at SMT level prior to Committee and presented at Committee for consideration and an opportunity to influence the plan.	
C9	Include guidance on informing management when key issues arise during an audit	There has always been an agreement that s151 Officers/Heads of Service would be informed in regard to significant/key	<p>By April 2018</p> <p>Included in the current Charter at 4.6in regard to the</p>	Internal Audit Charter has been revised and is before the Partner Committees for approval September/October 2018 with regular updates since. Auditors are aware that any material issues are to be	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
		issues arising from reviews if it was considered an immediate action was required or there was a risk of, or actual, fraud taking place. This can be formalised and included in guidance notes for compliance.	s151 and HIASS liaison but to include management as well Included in the revised Charter for 2018.	raised at the time. Agreement in place that HoIASS would consult s151 if considered appropriate.	
C10	Make the link between the PSIAS, LGAN and activities undertaken in performing an audit clear, for example, by quoting specific standards	Can include in brief. Currently holding workshops re. service transformation and methodology impact therefore part of consideration. Links directly to Recommendation 4	By April 2018	See notes in Recommendation 4. In brief document referenced the IIA PSIAS and Ethical Standards under the Independence and Ethics section. Embedded practice for all reviews having been used for circa 12 months and continues to evolve.	
C11	Develop a retention scheme for HWFRS and finalise the MHDC scheme	WIASS uses a retention scheme in regard to all Partners but can seek to finalise schemes with specific partners with specific linkage to General Data Protection Regulation requirements.	By May 2018	Appropriate action undertaken and continuing liaison with Partner's to ensure all schemes are linked and remain appropriate.	
C12	Ensure that all coaching notes are signed off and dated	Agreed. All coaching to be signed off and dated in a	Immediate action. Support post	Review of 2017-18 reports completed, all planning and fieldwork documents	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
		timely manner to achieve full compliance.	created to assist with the overall Service administration. Post duties to include a review of all coaching notes and track them at final report stage to ensure they are satisfied and signed off.	signed off 2018-19 tracking ongoing as part of support post plus other additional monitoring duties within the Service to ensure there is no breach of sign off protocol and housekeeping measures remain appropriate and robust.	
end					

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Suggestions:

No	Suggestion	Response	Proposed Implementation Date	Action Taken	Position June 2019
S1	Amend the Charter to state that audit's remit extends across the entire control environment of each organisation	Agreed. Charter to be updated to include a statement.	By April 2018	Included in the revised draft Charter for 2018. Completed Sept 2018 and regular updates since.	
S2	Introduce annual formal private meetings between audit committees and the HoIASS	This can be incorporated as part of the annual report position. COG discussion	November 2017	Different Partners have different requirements. Where the meetings are required, wanted and add value these are being held. Chair briefings are occurring as well where appropriate.	
S3	Invite appropriate staff, for example CoG, to be included in the quality assurance programme periodically	COG is included as part of the quality assurance programme at least once a year during COG meeting. QA is always requested from clients on the completion of the audit. Will seek to widen the scope and formalise the quality assurance programme. COG discussion	November 2017	Feedback from clients after the audit has been finalised was already in place but has been reconsidered to ensure maximum feedback is obtained. Director of Finance / Chair of CoG providing feedback from CoG meetings to HoIASS	
S4	Make greater use of corporate risk registers in developing annual audit	Currently considered as part of the process but will provide a direct link to	Circa June 2018 i.e. as part of the 2018/19 planning	Completed as part of the 2018/19 planning process; direct links established between corporate risk	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No	Suggestion	Response	Proposed Implementation Date	Action Taken	Position June 2019
	plans	formalise the links between risk registers, audit plan and corporate priorities for the future.	process so immediate but ongoing action.	register, service risk register and Corporate Strategies. Links included in the plan for transparency.	
S5	Emphasise to audit committee members that the plan is based on strategic risks	To be included in the annual audit plan report and as part of the report presentation with direct linkage to the strategic risks. Links to S6.	Circa June 2018 i.e. as part of the 2018/19 planning process for all Partners	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in committee reports as to the process followed in the formulation of the plan and the resource requirements.	
S6	The annual audit plan should prioritise audit assignment, for example by showing the risk ranking or using H/M/L ratings	To be included in the annual audit plan report and as part of the report presentation with direct linkage to the strategic risks and the risk rating provided. Links to S5.	Circa June 2018 i.e. as part of the 2018/19 planning process for all Partners	Completed January 2018 as part of the 2018/19 planning process with high medium or low, or, a combination of levels where appropriate being included in the plan. Direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in committee reports as to the process followed in the formulation of the plan	

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No	Suggestion	Response	Proposed Implementation Date	Action Taken	Position June 2019
				and the resource requirements and the priority to be applied	
S7	Consider an alternative layout for audit reports that is easier to read	Will consider as part of the workshops and methodology update currently being undertaken. To consider table of findings/ recommendations as landscape rather than portrait with more emphasis on the risk. Links to S8.	Apr-18	Discussed at COG November 2017 and current format to remain as it is liked and can be easily followed.	
S8	Explore ways to make the follow-up process clear to officers and audit committees	Will consider as part of the workshops and methodology update currently being undertaken. Perhaps there needs to be better education at key times during the review to get the message across in regard to the follow up process. This can also be emphasised actually in the reports and during their formal issue in covering	Apr-18	Standard template written for officers to use when issuing Final Reports stating the follow up time frame for that audit. Follow up also added to the 4A - Post Clearance Draft Audit Report template. New report template agreed. Email template distributed for auditors to use.	

REDDITCH BOROUGH COUNCIL

Date: 29th July 2019

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

No	Suggestion	Response	Proposed Implementation Date	Action Taken	Position June 2019
		emails. Links to S7.			
end					

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

2018/19 INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION

Relevant Portfolio Holder	Councillor Juliet Brunner
Portfolio Holder Consulted	No
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 2018/19 Internal Audit Annual Report for the period 1st April 2018 to 31st March 2019 along with the Audit Opinion and Commentary.

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 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”.

Service/Operational Implications

3.3 This report provides an overview of the utilisation of Internal Audit resources during 2018/19.

3.4 Appendix 1 shows during 2018/2019 there were 351 productive audit days used against a budget of 400.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- 3.5 Appendix 2 provides a breakdown of the audits completed including the overall assurance as well as confirmation of follow up audits undertaken during the year.
- 3.6 Appendix 3 provides the 2018-19 audit opinion and commentary.
- 3.7 Appendix 4 provides a copy of the Internal Audit Charter for WIASS.
- 3.8 Appendix 5 provides a copy of the quality assurance improvement programme (QAIP).
- 3.9 The Worcestershire Internal Audit Shared Service (WIASS) has achieved and delivered the 2018/2019 audit plan with some minor revisions.
- 3.7 The Internal Audit Plan was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) and reported to the Audit, Governance and Standards Committee for approval on 26th April 2018. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example, on street off street parking, shopmobility, welfare support and procurement were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 3.8 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment, process re-engineering and transformation are taken into consideration within the annual plan.
- 3.9 The purpose of the 2018/19 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
 - The audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit,
 - An opinion can be formed on the adequacy of the Authority's system of internal control (reported in Appendix 3), which feeds into the Annual Governance Statement which is presented with the statement of accounts.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- 3.10 2018/19 was a very demanding year for the internal audit team with four new members of staff settling in from April 2018. The Service has carefully managed its resource and worked with partners to deliver the revised audit programme for Redditch Borough Council for 2018/19 with regular updates of progress reported before Committee. The s151 Officer was kept briefed during the year in regard to overall progress and was instrumental in the plan variance along with enhancing the process to achieve quicker management sign off.
- 3.11 During 2018/19, audit reviews totalled 19. Summaries of the audit reports, plus the Auditors opinion on the effectiveness of the controls operating within those areas and an action plan containing recommendations to address the identified control weakness, have either been reported before the Audit, Governance and Standards Committee on an on-going basis throughout the year or will be reported on finalisation.
- 3.12 Based on the audits performed in accordance with the audit plan the Worcestershire Internal Audit Shared Services Manager has concluded that, on the whole, the internal control arrangements during 2018/19 effectively managed the principal risks identified in the revised audit plan but there continue to be pockets of risk within the organisation where mitigation work is continuing.

Annual Governance Statement ~ Assurance Checklist Statements 2018/19

- 3.13 It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.
- 3.14 In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist, all Fourth Tier Managers were asked to complete an internal control checklist covering Strategic and Operational, Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management and Anti Fraud, Performance Management and Data Quality, Inventories and independent recommendations from outside bodies including audit.
- 3.15 Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirmed that those controls were operating effectively except where reported otherwise.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- 3.16 A review of the returned statements indicates that although work continues there are several areas where work is required to strengthen some control requirements. It is considered that those areas identified do not present a significant and material risk at this time. Nine of the questionnaires did, however, identify a lack of resources as a current or emerging area of risk.

Work of interest to the External Auditor

- 3.17 To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information. The results of the work that we perform on five systems audits will be of direct interest to External Audit. Audit reports are passed to the external auditor on request for their information.

External Work

- 3.18 The work to deliver the Place Partnership Ltd internal audit contract was completed during 2018/19. This contract came to a natural end and has not been renewed.

Follow Up Work

- 3.19 A summary of audit follow ups for the year is provided as part of Appendix 2. This area of work is undertaken to ensure that potential risks to the authority are mitigated. The outcome of this work is reported on an exceptions basis. There has been one exception reported (Disabled Facilities Grants) to the Committee during 2018/19. Follow ups, and any exceptions, will continue to be reported but the number of additional visits to ensure points are satisfied is continuing to decrease compared with the previous years.

Quality Measures

- 3.20 Managers are asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned along with anecdotal evidence during the year shows a very high satisfaction with the audit product – see Appendix 2.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- 3.21 To further assist the Committee with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conforms to Public Sector Internal Audit Standards as amended. All staff work to a given methodology and have access to the internal audit reference material and charter which are updated regularly to reflect the requirements of the standards and the changing environment that WIASS is auditing in. A copy of the Audit Charter is included at Appendix 4 for information.

Independence and Safeguards

- 3.22 Worcestershire Internal Audit Shared Service activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and unrestricted access to senior management and the Chair of the Audit, Governance and Standards Committee.
- 3.23 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. Staff work to a given methodology and have access to the internal audit reference material and Charter which have been updated to reflect the requirements of the standards. The Charter (Appendix 4) is included as part of this report at Appendix 4.
- 3.24 The shared service management board, the Client Officer Group, meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan, and, actively promote continuous improvement. Where WIASS provide assistance with the preparation of areas of work such as risk management there are clear safeguards in place to ensure independence is not compromised. Safeguards include review within the audit service by an independent person to those who have completed the work as well as independent scrutiny by the Executive Director – Finance and Resources of the authority. Audit Committee can also challenge the reported findings and the minutes would record this.
- 3.25 The Client Officer Group which is the management board for the Service and is made up of partner s151 Officers meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan as well as actively promoting the continuous improvement of the Service. Further improvement has been identified through the self assessment process which was carried out in April 2019 and a quality assurance improvement plan (QAIP) has been formulated and is reported for information at Appendix 5.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

Risk Management

- 3.26 Heads of Service periodically provide Risk Management updates before the Audit Committee for consideration along with verbal updates from the Financial Services Manager to provide assurance. Development of the risk management system continues under the Directorship of the Executive Director –Finance and Resources.

Assurance Sources

- 3.27 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 seek to place reliance on such work thus reducing the internal audit coverage as required.

Other Operational Work

- 3.28 Work is continuing in respect of the National Fraud Initiative (NFI) exercise. Appropriate action is being taken and work is progressing to identify any potential fraudulent activity for example overpayment for housing benefits, income support, etc. The last significant data extract was during 2018/19 and the results continue to be worked on. The next is scheduled for December 2019/20.

Customer / Equalities and Diversity Implications

- 3.29 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:

- Non-compliance with statutory requirements

5. APPENDICES

- | | |
|------------|--|
| Appendix 1 | Delivery against plan 2018/19 |
| Appendix 2 | Audits completed with Assurance 2018/19 and audit follow up work |
| Appendix 3 | Audit Opinion and Commentary |
| Appendix 4 | Internal Audit Charter |
| Appendix 5 | Quality Assurance Improvement Plan (QAIP) |

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****29th July 2019**

6. BACKGROUND PAPERS

None

7. KEY

N/a

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE**29th July 2019**APPENDIX 1****Delivery against Internal Audit Plan for 2018/19****1st April 2018 to 31st March 2019**

Audit Area	2018/19 PLAN DAYS	Actual Days used to 31st March 2019
Core Financial Systems (see note 1)	67	67
Corporate Audits(see note 2)	47	59
Other Systems Audits(see note 3)	232	171
SUB TOTAL	346	297
Audit Management Meetings	20	20
Corporate Meetings / Reading	9	9
Annual Plans, Reports and Audit Committee Support	25	25
Other chargeable	0	0
SUB TOTAL	54	54
TOTAL (Note 4)	400	351

Note 1

Core Financial Systems were audited as a rolling programme through quarters 1 to 3 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 were 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters. If there is little demand for certain budgets this is reflected in the overall usage, however, it does not necessarily reduce the coverage of the overall plan.

Note 4

The overall figure is below the expected 90% due to a combination of factors (see note 2 and 3 above) including a contingency budget of 40 days that was predominantly unused but included in the plan for the Leisure Services transfer. In addition there were some small underspends on several other draw down budgets which totalled overall to the 49 day difference. The overall underspend did not compromise the plan delivery with a wide variety of coverage during the year as indicated in Appendix 2.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****29th July 2019****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.

	KPI	Trend/Target requirement	2017/18 Year End Position	2018/19 End of Year Position	Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = 18 (Minimum) Delivered = 25	Target = 16 (minimum) Delivered = 19 (including 1 @ draft report)	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	87%	88%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	74%	*67%	When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward (minimal)	11	**20	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	10	10	When Audit Committee convene
6	'Follow Up' results (2017/18 onwards)	Management action plan implementation date exceeded (<5%)	Nil	1	When Audit Committee convene
Customer Satisfaction					
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	15x issued 9x 'excellent' 1x 'good' 2x 'satisfactory'	4x issued 3x returned 'excellent' 1x awaited	When Audit Committee convene

WIASS conforms to the Public Sector Internal Audit Standards as amended.

* Below target figure due to 4 new starters in April 2018 therefore settling in and training requirements in the early part of the year but showing a positive trend increasing from a revised 60% in Q1 to 76% at the end of Q4 providing an average of 67% for the year.

**Does not include Health and Safety report findings. Outcomes treated differently due to service being insourced April 2019 and reported actions being reported by the Health and Safety Advisor before the April 2019 Committee.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE**29th July 2019**Appendix 2****Audit Opinion Analysis ~****Audits completed during financial year 2018/2019:**

Audit Report / Title 2018 – 2019	Final Report Issued	Assurance Level
Creditors	3 rd April 2019	Full
Debtors	16 th April 2019	Full
Treasury Management	17 th January 2019	Significant
Shopmobility	25 th January 2019	Significant
Main Ledger	3 rd April 2019	Significant
Worcestershire Regulatory Services (D)	10 th May 2019 (D)	Significant (D)
Council Tax	6 th June 2019	Significant
NNDR	6 th June 2019	Significant
ELF DHP & Ctax Hardship	23 rd November 2018	Moderate
Payroll	5 th March 2019	Moderate
On street off street parking	12 th March 2019	Moderate
General Data Protection Regulations	13 th March 2019	Moderate
Health and Safety	Discussed at CMT January 2019. Before committee 25 th April 2019	Limited
Procurement	7 th June 2019	Limited
Benefits	14 th June 2019	Limited
Universal Credits	17 th June 2019	Limited
Transport	19 th June 2019	Limited
Risk Management	28 th June 2019	Limited
Leisure Transition to Rubicon	31 st May 2019	Critical Friend – N/A

Note: (D) denotes audit is currently in draft but unlikely the assurance level will change.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****29th July 2019**

Follow Up		
Date/Audit Area	Reviewed	Outcome
2016/17		
Community Centres	February 2017	Satisfied
Performance Measures	February 2019	Satisfied
2017/18		
Payroll	May 2018	Satisfied
Building Control	July 2018	Satisfied
Homelessness*	January 2019	Ongoing*
Customer Services	January 2019	Satisfied
St David's House	January 2019	Satisfied
Disabled Facilities Grants	February 2019	Ongoing
Cash Collection*	March 2019	Ongoing*
All core financial audits		
2018/19		
Payroll	June 2019	Ongoing

*awaiting implementation of new system.

Summary of 2018/19 Audit Assurance Levels.

2018/19	Number of Audits	Assurance	Overall % (Rounded)
From 19 audits (including those at draft stage)	2	Full	10%
	6	Significant	32%
	4	Moderate	21%
	6	Limited	32%
	0	No	0%
	0	To be confirmed	0%
	1	Critical Review	5%

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. Sometimes this is reported back verbally rather than in the written form. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2018/19 financial year has been received indicating that:

- the auditee was happy with the process and format of the audits. This continues to be further developed.
- recommendations made would help to support and give assurance on recently implemented changes.
- Anecdotal evidence indicates a high satisfaction rate with the audit product from the data received.

Comments received included:

- [The Auditor] was professional, well organised, friendly and diligent in completing the audit.
- [The Auditor] Professional and keen to support the department with its audit needs.
- Liaised well with staff and were very supportive in the development of the brief and the findings report was easily understood, clear and insightful.

Overall Conclusions:

- The 2018/19 Internal Audit Plan as agreed by the Audit Committee on the 26th April 2018 along with any subsequent revisions has been delivered.
- 63% of the audits undertaken for 2018/19 which have received an assurance allocated returned an assurance of 'moderate' or above.
- Clients are satisfied with the audit process and service from the data received.
- Independent assurance has been brought before the Committee for consideration in respect of the finalised audits throughout 2018/19. One exception (Disabled Facilities Grants) was reported in regard to 'follow up' audit work.
- To assist the Committee to draw further assurance from the work that Internal Audit undertakes clear reference is contained in the final audit report to identify whether a direct link exists to corporate priorities and the risk register entry in connection with the audited service provision. This information has been, and will continue to be, reported to the Committee as part of the summary reporting in 2019/20.
- On-going dialogue will be maintained with the s151 Officer and the Client Officer Group. The Client Officer Group for the Internal Audit Shared Service comprises all the partners' s151 Officers whom actively encourage the on-going development of the service.

**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE**29th July 2019**Appendix 3****Audit Opinion and Commentary 2018/19****1. Overall Conclusion**

- 1.1 Based on the audits performed with the revised audit plan the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2018/19 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, there remains a significant risk which could jeopardise this in the future in regard to the Housing Service. Close monitoring of deployed measures are set to continue but the need to reduce the overall risk and work towards a better approach beyond 2018/19 will be critical to create better transparency, expectation and accountability. This will be necessary in order to ensure the Borough can deliver a satisfactory housing service, manage risk management effectively, and, ensure other areas which attracted a 'limited' assurance develop and deploy a sound control environment where there is potential for emerging risk.

2. Risk Management Conclusion

- 2.1 The Head of Internal Audit can confirm the development of the formal risk management system is set to continue in the organisation under the Direction of the Executive Director - Finance and Resources with a view to achieving a better embedded approach in the future.

3. Audit Opinion

- 3.1 The internal audit of Redditch Borough Council's systems and operations during 2018/19 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 26th April 2018 and any subsequent revision.
- 3.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- 3.3 The Internal Audit Plan for 2018/2019 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk). It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
 - a number of operational systems, for example, Shopmobility, On street off street parking, procurement and health and safety were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 3.4 The 2018/19 internal audit plan and any revision thereto, was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.
- 3.5 In relation to the 19 reviews that have been undertaken, 18 have been finalised and 1 is at draft report stage. Areas that returned an assurance level of 'limited' were Health and Safety, Universal Credits, Housing Benefits, Procurement, Risk Management, and Transport . After consultation with the s151 Officer and the Deputy Chief Executive a piece of work that was commenced in 2018/19 in regard to Housing was rolled into the 2019/20 due to initial enquiries, the nature and coverage. The one critical friend review that was undertaken did not provide an overall assurance but did report on potential lessons learnt.
- 3.6 A clear management action plan has been formulated to address the issues identified in the audit areas along with discussion at CMT where 'limited' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer.
- 3.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk have been identified in addition to those already identified in the audit work completed. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team. However, a reoccurring theme reported across several Services was the impact of staff shortages. It is acknowledged there remain some significant challenges in the Housing Service.

**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****29th July 2019**

- 3.8 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified. However, there were 6 audits allocated a 'limited' assurance which indicates weaknesses in the design and / or inconsistent application of controls potentially putting the achievement of the organisation's objectives at risk in those areas reviewed. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. There remains a risk in respect of the Housing Service and potentially emerging risks in some key areas. Close monitoring of deployed measures are set to continue but the need to reduce the overall risk and work towards a better approach beyond 2018/19 will be critical to create better transparency, expectation and accountability. This will be necessary in order to ensure the Borough can deliver a satisfactory housing service, manage risk management effectively, and, ensure other areas which attracted a 'limited' assurance develop and deploy a sound control environment.
- 3.9 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein.

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
July 2019

**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE**29th July 2019

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 during July 2018 and was approved by the Audit Governance and Standards Committee on the 25th October 2018.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

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:

(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.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****29th July 2019**

(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:

- 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- 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 management¹, 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 management¹ 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 Management¹ 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, 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

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.
- 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:-

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- a) prior to the beginning of each financial year, following consultation with Management¹ 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 Board²;
 - 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 management¹ with challenges to consider 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 Board² 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 manager¹ with:

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- 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 manager¹ prior to sending the draft audit report. The manager¹ 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 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 Board².

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 management¹. 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.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

- 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 Management¹ 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;
 - 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 Board² 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.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

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:

<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:

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

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 all Partners. Although the HoWIASS 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 it's content is discussed with Management¹and 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, WIASS 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. WIASS is governed by a Client Officer Group made up from the Partner s151 Officers but also has direct access to Management¹ and the Board² Chairs. Delegated powers are used should there be any resourcing issues.
6. Demonstrates quality and continuous improvement:

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

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.

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 management¹ prior to the issue of a formal report. Reports are issued to Officers and Committee¹ 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

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.

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 management¹ 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)

**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****29th July 2019**

- 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 3rd parties as long as WIIASS can rely on their work and they are suitably qualified to carry out the assessment. The relevance of the work will also be a consideration in using a 3rd party certification e.g. IT integrity testing.
- 8.3 Where work is undertaken on a contractual basis assurance will be provided to 3rd parties outside of the partnership as appropriately agreed. The methodology applied to audit 3rd 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 3rd 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 HoWIIASS 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 3rd 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.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS
COMMITTEE****29th July 2019**

Version Control:	Date of Change	Action	Updated by
1.0	2 nd March 2012	Charter for WIASS	AB
2.0	9 th August 2012	Update to Charter	AB
3.0	23 rd April 2013	Update to Charter re. International Standards	AB
4.0	21 st January 2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 st 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 rd Parties Inclusion of 8.3, assurance to 3 rd Parties	HG, AB, HT

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

Appendix 5

Quality Assurance Improvement Plan for 2019/20.

Action No.	Area to be actioned	Outcome required	Action	To be undertaken by:	Date to be completed	Completed	Further Action Required
1	1112 - Safeguarding Independence	Formal reporting to Client Officer Group (COG) confirming if there are, or are not, any conflicts of interest with the plan. This is to be done on an annual basis following the annual 'Declaration of Interest' (DOI) from WIASS Staff	Inform COG of DOI on the 2019/20 Plan	Head of Internal Audit	4 th July 2019 due to postponed COG meeting in June 2019.		
2	1320 - Inclusion of QAIP in Annual Reports	Following the development of the QAIP, this needs to be added to the annual reports for all partners	Update annual reports to include QAIP	Head of Internal Audit	Approx. August 2019 (dependent on Partner Committee date)		
3	2240 - Approving Work prior to starting	Develop a process where by we can QA the testing programme prior to testing being undertaken, and to ensure that a formal sign off has taken	Engage with staff via Team Meetings to agree a process and to adjust the methodology to reflect the initial sign off prior to the testing commencing.	Audit Team Leader	Dec-19		

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29th July 2019

		place by either Head of Internal Audit or Team Leader					
4	2420 - Timely Completion of Stages	To make improvements in line with completing all stages of audits in a timely manner.	Stage monitoring will be picked up via 1-2-1's and the report monitoring will be picked up with the Audit Tracker "Response" tab (and discussed in 1-2-1's).	Audit Team Leader	Immediate implementation with ongoing monitoring throughout the year		
5	2430 / 2450 – Use of 'Conducted in Conformance with International Standards for the Professional Practice of Internal Auditing (ISPPIA).	Include the QAIP in the annual report for all patterns, which will then allow us to quote the conformance to ISPPIA.	Include the QAIP in the partner annual reports.	Head of Internal Audit	Approx. August 2019 (dependent on Partner committee dates)		

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE****Date: 29th July 2019****THE 2019/20 INTERNAL AUDIT PLAN REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE, WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor Juliet Brunner
Portfolio Holder Consulted	No
Relevant Head of Service	Chris Forrester – Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS**1.1 To present:**

- the Redditch Borough Council Internal Audit Operational Plan for 2019/20;
- the performance indicators for the Worcestershire Internal Audit Shared Service for 2019/20.

2. RECOMMENDATIONS**2.1 The Committee is asked to approve the 2019/20 Audit Plan****2.2 The Committee is asked to approve the Key Performance Indicators.****3. KEY ISSUES****Financial Implications****3.1 There are no direct financial implications arising out of this report.****Legal Implications****3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and**

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

Date: 29th July 2019

of its system of internal control in accordance with the proper practices in relation to internal control”.

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

Service / Operational Implications**3.3 Internal Audit Aims and Objectives**

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

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

3.4 Formulation of Annual Plan

WAISS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. The Internal Audit Plan for 2019/20, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the council's risk management, performance management, other assurance processes as well as organisational objectives and priorities. It has been based upon the risk priorities per the corporate and service risk registers. Large spend budget areas have also been considered, and, direct association has been made

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE****Date: 29th July 2019**

to the organisational objectives and priorities. The Internal Audit Plan for 2019/20 has been agreed with the s151 Officer and has been considered by Senior Management Team. It has been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes, delivers its promises and has been directly linked the various aspects to identify the 'golden thread' in regards to the objectives and risk identification to Service delivery. It was brought before the Audit, Governance and Standards Committee in draft format on the 25th April 2019 as the involvement of the Committee is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement. Worcestershire Internal Audit Shared Service will also provide limited audit coverage for Rubicon Leisure.

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

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

By bringing a draft plan of work, which was formulated with the aim to ensure Redditch Borough Council meets its strategic purposes, before the Audit, Governance and Standards Committee in April it allowed Members to have a positive input into the audit work programme for 2019/20 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer. Due to the continuing changing environment that exists in Local Government the plan must be seen as a framework for Internal Audit work for the forthcoming year. There is a need for improved flexibility in the plan due to a changing risk profile as well as emerging risks. To ensure flexibility there is the possibility that the plan will be updated during the year in order to address such challenges. It is planned that a six month review before Senior Management Team will take place to ensure the audit plan remains risk focussed and any required changes can be considered.

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

Date: 29th July 2019**3.5 Resource Allocation**

The Internal Audit Plan for 2019/20 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. A summary of the days as well as the detailed plan provision has been included with the Internal Audit Plan for 2019/20 at **Appendix 1**. A number of areas have been included in the plan but due to the resource available priorities have been applied in regard to the plan delivery. Those areas that are considered to have a 'high' priority will be targeted first in regard to the plan delivery. Other areas which are identified as 'medium' priority have been considered. An assessment has been made whether to include in the plan based on the overall risk and governance profile. The Head of Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 400 day allocation is based on transactional type system audits and remains the same number of days as 2018/19.

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

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

The Internal Audit Plan for 2019/20 is set out at **Appendix 1**.

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

Date: 29th July 2019**3.6 Monitoring and reporting of performance against the Plan**

Operational progress against the Internal Audit Plan for 2019/20 will be closely monitored by the Head of the Internal Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the s151 officers from client organisations, on a quarterly basis and to the Audit Committee on a quarterly basis.

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

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

4. RISK MANAGEMENT**4.1 The main risks associated with the details included in this report are:**

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

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

5. APPENDICES

Appendix 1 ~ Internal Audit Plan 2019/20
Appendix 2 ~ Performance indicators 2019/20

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Date: 29th July 2019**AUTHOR OF REPORT**

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**Date: 29th July 2019APPENDIX 1Summary of Days per Overall Audit Group for 2019/20.

Planned Days	2019/20
Core Financial Systems	62
Corporate Work	74
Service Delivery	140
Other Operational Work	70
Sub Total	346
Audit management meetings	20
Corporate meetings / reading	9
Annual plans, reports & Committee support	25
Sub Total	54
Total Audit Days	400

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE****Date: 29th July 2019**

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2019/20 Plan	Outline Resource Required
FINANCIAL					
Debtors*	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	6
Main Ledger/Budget Monitor/Bank Rec	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	8
Creditors*	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	6
Treasury Management (incl. assets & acquisitions)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	6
Council Tax*	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	8
Benefits* (Action plan monitoring)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	10
NNDR*	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	8
Payroll	Enabling & Contractual Obligation	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	10
Sub TOTAL					62
CORPORATE					
IT Audit* (Server patching and disaster recovery)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	8
Risk Management* (Critical Friend Support)	Fundamental to strategic purpose delivery	S151 request	Medium	<input checked="" type="checkbox"/>	6
Health and Safety* (Training Documentation including Operations & action plan monitoring)	Fundamental to strategic purpose delivery	Non compliance with Health and Safety	Medium/High	<input checked="" type="checkbox"/>	12
Property Service - (Basic Governance)	Fundamental to strategic purpose delivery	Service returning to Authority	Medium	<input checked="" type="checkbox"/>	15
Compliments and Complaints	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	8

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE****Date: 29th July 2019**

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2019/20 Plan	Outline Resource Required
Document Retention Policies - (Hardcopy)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	5
Procurement * (Training)	Fundamental to strategic purpose delivery	Rolled from 2018/19	Medium	<input checked="" type="checkbox"/>	5
Business Continuity (Service plans)	Fundamental to strategic purpose delivery	8	Medium	<input checked="" type="checkbox"/>	15
Sub TOTAL					74
SERVICE DELIVERY					
Customer Access and Financial Support:					
Business Centres (Achieving Strategic Purpose)	Help me run a successful business	N/a	Medium	<input checked="" type="checkbox"/>	12
Planning and Regeneration Service					
Planning Application Processing & s106	Keep my place safe and looking good	PLA 4	Medium	<input checked="" type="checkbox"/>	8
Community Service					
Safeguarding	Keep my place safe and looking good	Com 3	Medium	<input checked="" type="checkbox"/>	10
St David's House	Help me to live my life independently	HoS request	Low/ Medium	<input checked="" type="checkbox"/>	10
Environmental					
Refuse service delivery/scalability (new builds) (Critical Friend)	Keep my place safe and looking good	Enabling 24	Low/ Medium	<input checked="" type="checkbox"/>	12
Redditch Crematorium	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	15
Bulky Waste	Keep my place safe and looking good	Rolled from 2018/19	Medium	<input checked="" type="checkbox"/>	10
Leisure and Culture - Rubicon					
Contract Management Arrangements	Provide good things for me to see, do and visit	Contractual requirement - SLA	High	<input checked="" type="checkbox"/>	10
Housing					
Housing repair and maintenance	Ensuring a sustainable council	Deputy Chief Executive request	High	<input checked="" type="checkbox"/>	20
Asbestos Regulation Compliance	Keep my place safe and looking good	Hou 21	High	<input checked="" type="checkbox"/>	10

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE****Date: 29th July 2019**

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2019/20 Plan	Outline Resource Required
Annual Gas Inspection	Keep my place safe and looking good	Hou 14	High	<input checked="" type="checkbox"/>	8
Housing Computer System Implementation (Critical Friend)	Fundamental to strategic purpose delivery	Hou 24 & 25	High	<input checked="" type="checkbox"/>	15
Sub TOTAL					140
Other Operational Work					
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	25
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	10
Completion of prior year's audits	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	12
Report Follow Up (all areas)	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	15
Statement of Internal Control	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	4
Bus Operators Grant	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	4
Sub TOTAL					70
Audit Management Meetings	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	20
Corporate Meetings / Reading	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	9
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	25
Sub TOTAL					54
TOTAL CHARGEABLE					400

Explanatory Notes:

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

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

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE****Date: 29th July 2019****Appendix 2****PERFORMANCE INDICATORS 2019/20**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2019/20. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. KPI 4. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement/Direction of Travel	2019/20 Position (as at XXXXXXXX)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 20 Delivered = XX	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	XX	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	XX	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	XX	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	XX	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (<5%)	XX	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	XX	When Audit Committee convene

WIISS conforms to the Public Sector Internal Audit Standards (as amended).

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REDDITCH BOROUGH COUNCIL**AUDIT GOVERNANCE AND STANDARDS COMMITTEE 29th July 2019**

APRIL – MARCH FINANCIAL SAVINGS MONITORING REPORT 2018/19

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

1. SUMMARY OF PROPOSALS

To report to the Committee the monitoring of the savings for April – March 2018/19. This report presents the savings delivered 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 for 2018/19 as detailed in the MTFP and approved by Council in February 2018.
- 3.2 The statement shows that savings of £717k for 2018/19 were delivered during the financial year. The only saving target missed was £4k for subscription savings.
- 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

REDDITCH BOROUGH COUNCIL**AUDIT GOVERNANCE AND STANDARDS COMMITTEE 29th July 2019**

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 – March 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

Department	Description of saving	2018-19 £'000	Comments	Year end			
				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	N			
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		Y	4
Corporate	Subscriptions	-25	Savings identified	Y			
Corporate	Subscriptions	-8	Savings identified	Y			
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			
TOTAL		-721			0		4

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AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Work Programme

29th July 2019

- Monitoring Officer's Report
- General Dispensations Report
- External Audit – Audit Findings Report 2018/19
- Grant Thornton (external audit) Audit Fee Letter 2019/20
- Audited Statement of Accounts 2018/19
- External Assessment Update Report
- Internal Audit – Annual Report 2018/19
- Internal Audit Plan 2019-20
- Corporate Governance and Risk Update
- Financial Savings Monitoring Report
- RIPA Report
- Work Programme

31st October 2019

- Monitoring Officer's Report
- Internal Audit – Progress Report
- Compliance Team Update (6 monthly)
- Corporate Governance and Risk Update
- Grant Thornton Sector Update
- Grant Thornton Fee Letter 2019/20
- Grant Thornton – External Audit – Annual Audit Letter 2018/19
- Financial Savings Monitoring Report
- HRA Internal Controls - S151 update
- Committee Work Programme

30th January 2020

- Monitoring Officer's Report
- Grant Thornton - External Audit – 2019/20 Audit Plan
- Grant Thornton - External Audit – Grant Claims Certification Work Report 2018/19
- External Audit - Informing the Risk Assessment (Communicating with those charged with governance)
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2020/21
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2020/21
- Role of Independent Member
- Corporate Governance and Risk Update
- Financial Savings Monitoring Report

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

- Committee Action List and Work Programme

9th April 2020

- Monitoring Officer's Report
- External Audit – Update Report
- Internal Audit – Progress Report
- Internal Audit – Final Audit Plan 2019/20
- Compliance Team Update (6 monthly)
- Corporate Governance and Risk Update
- Monitoring Report
- Corporate Risk Register
- Committee Work Programme