



# Audit, Governance & Standards Committee

Thu 30 Jan  
2020  
7.00 pm

Committee Room Two  
Town Hall  
Redditch



[www.redditchbc.gov.uk](http://www.redditchbc.gov.uk)

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

Thursday, 30th January, 2020

7.00 pm

Committee Room 2 - Town Hall  
Redditch**Committee**

## Agenda

**Membership:**

Cllrs:	John Fisher (Chair)	Ann Isherwood
	Mark Shurmer	Julian Grubb
	(Vice-Chair)	Nyear Nazir
	Salman Akbar	Yvonne Smith
	Tom Baker-Price	David Thain
	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****4. Public Speaking**

Members of the public have an opportunity to speak at meetings of the Audit, Governance and Standards Committee. In order to do so members of the public must register by 12 noon on the day of the meeting. A maximum of 15 minutes will be allocated to public speaking.

**5. Monitoring Officer's Report - Standards Regime (Pages 1 - 4)****6. Grant Thornton - External Audit - 2019/20 Audit Plan (Pages 5 - 24)****7. Grant Thornton - External Audit - Grant Claims Certification Work Report 201/19 (Pages 25 - 30)****8. Grant Thornton - External Auditors - Progress Report (Pages 31 - 46)****9. Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2020/21**

Report to follow.

**10. Internal Audit Findings - St David's House - Follow Up Presentation****11. Internal Audit Progress Report (Pages 47 - 70)**

# Audit, Governance & Standards

Committee

Thursday, 30th January, 2020

**12. Internal Audit - Draft Audit Plan 2020/21** (Pages 71 - 80)

**13. Role of Independent Member** (Pages 81 - 84)

**14. Financial Savings Report** (Pages 85 - 90)

**15. S151 Housing Report** (Pages 91 - 124)

**16. Committee Work Programme** (Pages 125 - 126)

**17. Exclusion of the Public**

Should it prove necessary, in the opinion of the Chief Executive, to exclude the public from the meeting at any point during the proceedings in relation to any item(s) of business on the grounds that either exempt and/or confidential information is likely to be divulged, the following resolution(s) will be moved:

"That under Section 100 I of the Local Government Act 1972, as amended, it/they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraphs of that part being (*...to be specified by the Chairman at the meeting*), and that it is in the public interest to do so.", and/or

"That under Section 100 A of the Local Government Act 1972, as amended, it/they involve the likely disclosure of confidential information which would be in breach of an obligation of confidence."

**The paragraphs under Part 1 of Schedule 12A to the Act are as follows:**

**Subject to the "public interest" test, information relating to:**

- **Para 1 – any individual;**
- **Para 2 – the identity of any individual;**
- **Para 3 – financial or business affairs;**
- **Para 4 – labour relations matters;**
- **Para 5 – legal professional privilege;**
- **Para 6 – a notice, order or direction;**
- **Para 7 – the prevention, investigation or prosecution of crime**

may need to be considered as 'exempt'.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE**30<sup>th</sup> January 2020**MONITORING OFFICER'S REPORT – STANDARDS REGIME**

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

**1. SUMMARY OF PROPOSALS**

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Governance and Standards Committee since October 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.

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**Legal Implications**

- 3.2 The Localism Act became law on 15th November 2011. Chapter 7 of Part 1 of the Localism Act 2011 introduced a standards regime effective from 1st July 2012. The Act places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and came into force on 1st July 2012

**Service / Operational Implications****Member Complaints**

- 3.3 There has been one complaint since the last meeting of the Audit, Governance and Standards Committee. This complaint has been resolved locally.

**Member Training**

- 3.4 There have been two Member training sessions since the last meeting of the Committee. The first session was training in respect of data protection, which was delivered in November 2019. There is also due to be a Member Briefing on the subject of commercialism, which will be delivered on 28th January 2020 by representatives of Black Radley.
- 3.5 At a meeting of the Member Support Steering Group held on 8<sup>th</sup> October 2019 the Members Induction Programme for 2020/21 was discussed. The group was keen to ensure that a comprehensive training schedule is provided to both new Members and returning Councillors. The induction programme will be circulated amongst Members prior to the local elections in May to ensure that all Members are aware of the training dates.
- 3.6 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 nine 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.

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Constitution Review Working Party

- 3.7 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.

**Customer / Equalities and Diversity Implications**

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

**4. RISK MANAGEMENT**

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

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

**5. APPENDICES**

None

**6. BACKGROUND PAPERS**

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

**AUTHOR OF REPORT**

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**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE & STANDARDS COMMITTEE 30<sup>th</sup> JANUARY 2020****GRANT THORNTON AUDIT PLAN 2019/20**

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

**1. SUMMARY OF PROPOSALS**

- 1.1 To present to members the Grant Thornton Audit Plan 2019/20. A copy of this document is attached to this report as Appendix A..

**2. RECOMMENDATIONS**

- 2.1 **Members are asked to note and agree the 2019/20 Audit Opinion Plan**

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

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £54k this is a an increase of £10k on the previous year initial fee but is less than the actual charged for 2018/19.

**Legal Implications**

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

**Service / Operational Implications**

- 3.3 Attached at Appendix A is the 2019/20 Audit Plan . The Plan sets out work that the Grant Thornton propose to undertake in relation to the Audit of the financial accounts for 2019/20 and any risks that have will require additional review and consideration. The Audit required is more comprehensive than in previous years as the Financial Reporting Council has made changes to the way Auditors have to undertake their work.

**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE & STANDARDS COMMITTEE 30<sup>th</sup> JANUARY 2020**

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- 3.4 The Audit will include an understanding of the organisational operations together with issues that may impact on the Council in the future. This assessment results in the External Audit consideration of the risks associated with the accounts and the Appendix details the level of risk allocated to the services we provide.
- 3.5 The work by the Grant Thornton will enable a robust opinion to be made across all the internal control and accounting arrangements that the Council has in place.
- 3.6 The Auditors will also make an assessment of the Councils arrangements to secure value for money to include systems and processes to manage financial risks and improving efficiency. This will include an assessment of the recommendations in relation to the reporting of financial information and monitoring to members and the delivery of savings and additional income.

**Customer / Equalities and Diversity Implications**

- 3.7 None as a direct result of this report

**4. RISK MANAGEMENT**

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

**5. APPENDICES**

Appendix 1 – Annual Audit Plan 2019/20

**AUTHOR OF REPORT**

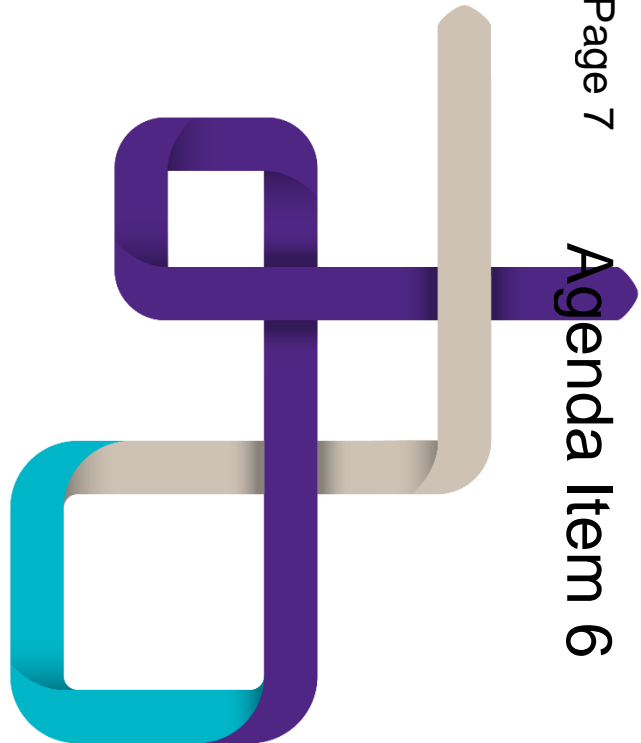
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# External Audit Plan

*Year ending 31 March 2020*

Redditch Borough Council  
30 January 2020



# Contents



## Your key Grant Thornton team members are:

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## Section

1. Introduction & headlines
2. Key matters impacting our audit
3. Group audit scope and risk assessment
4. Significant risks identified
5. Other matters
6. Materiality
7. Value for Money arrangements
8. Audit logistics & team
9. Audit fees
10. Independence & non-audit services

## Appendix

- A. Audit quality – national context

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

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Agenda Item 6

# 1. Introduction & headlines

## Purpose

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

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

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

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

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

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

<b>Group Accounts</b>	The Authority is required to prepare group financial statements that consolidate the financial information of Rubicon Leisure Limited.
<b>Significant risks</b>	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none"> <li>• Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</li> <li>• Valuation of land and buildings</li> <li>• Valuation of net pension fund liability</li> </ul> <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
<b>Materiality</b>	We have determined planning materiality to be £1.33m (PY £N/Am) for the group and £1.3m (PY £1.3m) for the Authority, which equates to 2% your prior year gross expenditure for the year. We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality of 2% of the earnings disclosed in the remuneration note. An audit testing strategy commensurate with this materiality will be applied.. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £65k (PY £66k).
<b>Value for Money arrangements</b>	<p>Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none"> <li>• Financial sustainability</li> </ul>
<b>Audit logistics</b>	<p>Our interim visit will take place in January to March and our final visit will take place in June to October. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.</p> <p>Our fee for the audit will be £53,379 (PY: £57,629) for the Authority, subject to the Authority meeting our requirements set out on page 13.</p>
<b>Independence</b>	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

## 2. Key matters impacting our audit

### Factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. As at the 31 March 2019 the Council had a General Fund balance of £1.22 million, a reduction of £800,00 since 31 March 2016. This reflects the failure to fully identify and deliver savings plans in previous years. The Medium-Term Financial Plan, approved in February 2019, identified a savings requirement of £1.13 million for 2019/20. The Financial Plan also identified a £1.17 million financial gap in 2020/21, which if not addressed will leave £55,000 of General Fund balances available as a risk contingency.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

#### Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

#### Date of audit opinion

In previous years we have reported that our audit of the Council's financial statements has consumed considerably more time than we had anticipated. This has manifested itself in additional fees. In 2019/20 we have taken the decision that, in order to ensure the wellbeing of our staff, not all of the audits where we are the external auditor will receive an "Opinion" by 31 July. This applies to Redditch Borough Council.

### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance and is subject to PSAA agreement.

- We have discussed and agreed this with the Director of Finance.
- We will agree with Officers a realistic and achievable timetable for the completion of our audit so that we can issue our "Opinion".
- The Council will still need to publish draft accounts by the end of May, and re-publish them by the end of July, with an explanation if the opinion is delayed.

### 3. Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Rubicon Leisure Limited	No	Analytical procedures at group level	Figures used for the consolidation incorrect. Consolidation not completed correctly.	Analytical procedures at group level: <ul style="list-style-type: none"> <li>Review the Council's consolidation workings to ensure that they correctly derive from the component accounts.</li> </ul>

## 4. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	Group and Authority	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Redditch Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	Therefore we do not consider this to be a significant risk for Redditch Borough Council.
<b>Management over-ride of controls</b>	Group and Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>



# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of land and buildings</b>	Group and Authority	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they have been input correctly into the Authority's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of the pension fund net liability</b>	Authority	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• obtain assurances from the auditor of Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

## 5. Other matters

### Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
  - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
  - Follow up of progress with written recommendations under section 24 previously issued
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

### Other material balances and transactions

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

### Going concern

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

## 6. Materiality

### The concept of materiality

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

### Materiality for planning purposes

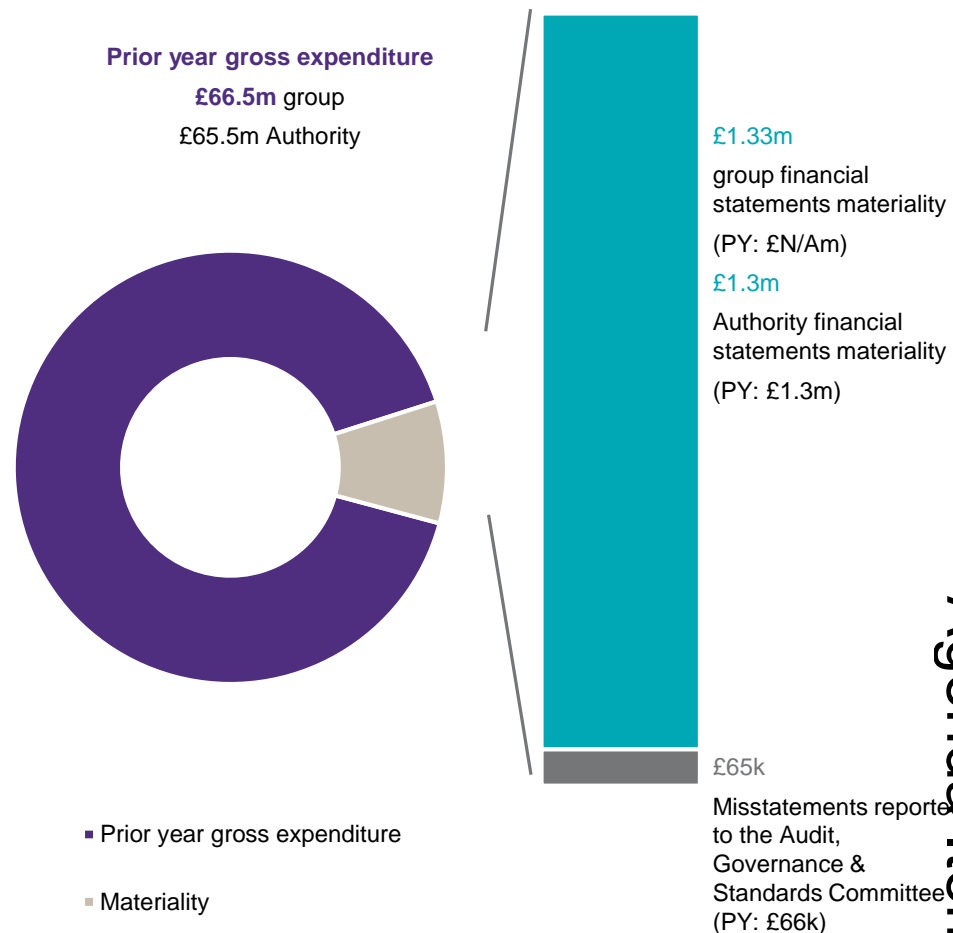
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.33m (PY: £N/Am) for the group and £1.3m (PY: £1.3m) for the Authority, which equates to 2% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality of 2% of the earnings disclosed in the remuneration note.

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

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

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Governance & Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £65k (PY: £66k).

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



# 7. Value for Money arrangements

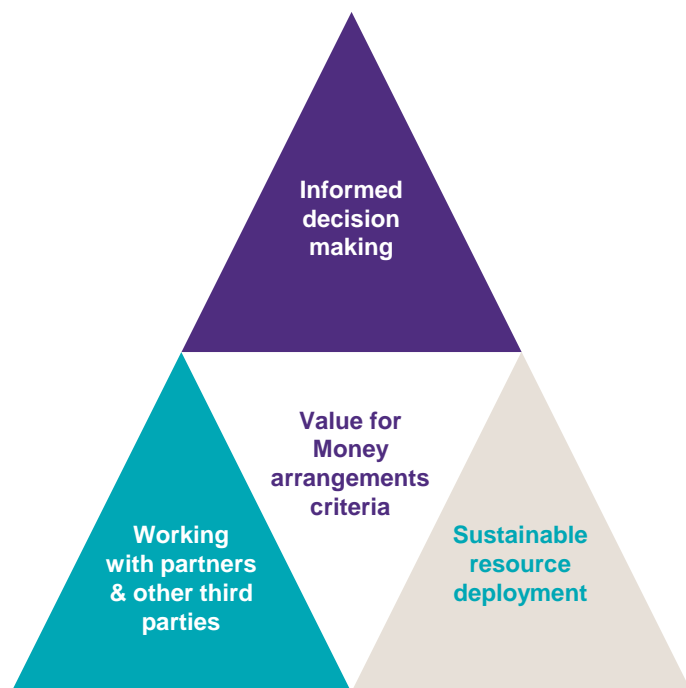
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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



## Significant VFM risks

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



### Financial sustainability

How robust is the Medium Term Financial Strategy (MTFS) and how well developed are savings plans?

In 2018/19 we issued an "Adverse" VFM Conclusion and a Statutory Recommendation around the lack of progress to bridge the financial deficit.

We will follow up progress and test whether the difficult decisions necessary to ensure long term financial sustainability are being taken. To do this we will:

1) Review the 2019/20 financial performance against budget to obtain assurance that savings and income generation schemes are being appropriately reported and that Members are clearly sighted on any risks or challenges;

2) Review the 2020/21 MTFP and budget to obtain assurance that new savings or income generation schemes are being brought forward and agreed. Review a sample of these schemes to obtain assurance that they are robust and that the financial challenges, implications and risks are appropriately reported to Members.

## 8. Audit logistics & team



### Richard Percival, Engagement Lead

Richard's role will be to lead our relationship with you and take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council



### Neil Preece, Audit Manager

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



### Denise Mills, Audit Incharge

Denise's role will be to have day to day responsibility for the running of the audit and first point of contact.

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

## 9. Audit fees

### Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Director of Finance and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
<b>Council Audit</b>	£62,460	£57,629	£53,379

### Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – Further analysis

## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
<b>Scale fee</b>	44,629	
<b>Increased challenge and depth of work</b>	2,500	The Financial Reporting Council (FRC) has raised the threshold of what it assesses as a good quality audit. Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC.
<b>Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19</b>	1,750	The FRC has highlighted that the quality of work by all audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we plan to increase the level of scope and coverage of our work in respect of IAS 19 this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.  Specifically, we have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
<b>PPE Valuation – work of experts</b>	3,000	As above, the FRC has also determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
<b>Complex accounting issues and new accounting standards</b>	1,500	This year we will both be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.
<b>Qualitative issues re working papers</b>	TBA	In the past two years we have incurred significant additional work in resolving the very high number of questions we raised, inadequate explanations to our questions, and the number of amendments required to the Statement of Accounts.
<b>Revised scale fee (to be approved by PSAA)</b>	<b>£53,379</b>	



# 10. Independence & non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	£	Threats	Safeguards
<b>Audit related:</b>			
Certification of 2019/20 Housing Benefit subsidy claim	24,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £24,000 in comparison to the proposed total fee for the audit of £53,379 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. This work will be completed after we issue our opinion on the financial statements.
Certification of Housing capital receipts grant	2,250	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,250 in comparison to the total fee for the audit of £53,379 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related:</b>			
None			

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

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

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# Appendices

## A. Audit Quality – national context

# Appendix A: Audit Quality – national context

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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**REDDITCH BOROUGH COUNCIL****AUDIT GOVERNANCE & STANDARDS & COMMITTEE**

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**GRANT THORNTON – CERTIFICATION WORK REPORT 2018/19**

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

**1. SUMMARY OF PROPOSALS**

- 1.1 To present Members with the Grant Certification Letter for 2018/19 from the Councils External Auditors Grant Thornton.

**2. RECOMMENDATIONS**

- 2.1 **The Committee is asked to note the letter 2018/19**

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

- 3.1 The base fee for the grant work is £18k. Any further work undertaken as a result of additional testing is chargeable. No additional fee was charged for 2018/19.

**Legal Implications**

- 3.2 Grant Thornton have a statutory responsibility to certify the claims submitted by the Council.

**Service / Operational Implications**

- 3.3 External Auditors have a duty to carry out all work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. This includes certification of grant claims.
- 3.4 The auditors have certified the Housing Benefit Claim for 2018/19 relating to over £18m of expenditure. There were a number of issues that required further testing. It is worth noting that there is no level of materiality when auditing the housing benefit claim and therefore the errors can be minor in value but require further testing. The auditors have reported in their letter that the workbooks were of good quality and they agreed with officer testing conclusions.

**AUDIT GOVERNANCE & STANDARDS & COMMITTEE**

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**Customer / Equalities and Diversity Implications**

3.5 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

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

**5. APPENDICES**

Appendix 1 – Grant Thornton Certification Letter 2018/19

**6. BACKGROUND PAPERS**

Individual audit reports.

**AUTHOR OF REPORT**

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An instinct for growth™

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13 December 2019

Dear Jayne

**Certification work for Redditch Borough Council for year ended 31 March 2019**

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

We have certified the Housing Benefit subsidy claim for the financial year 2018/19 relating to subsidy claimed of £18 million. Further details are set out in Appendix A.

We identified a number of issues from our certification work which we wish to highlight for your attention. There were nine lots of additional testing arising from the findings from the previous year. We also found errors in two new areas and completed additional testing in one. The other area the Council is waiting for an update from their software provider, so we did not undertake additional work.

Officers again completed the initial testing using the standard workbooks. We are pleased to be able to report that the workbook completion was good quality, and we agreed with the testing conclusions reached. We received very good support from officers throughout our audit.

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

- Earnings incorrectly entered
- Childcare costs incorrectly entered
- Misclassification of overpaid benefit
- Incorrect rent figure used
- State Retirement Pension uplift incorrectly applied

The nature of these errors is very similar to the previous year.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the Department for Work and Pensions (DWP). The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The fee of £24,000 agreed for 2018/19 for the Council was based on the final 2016/17 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. We are not proposing to vary the fee from this.

Yours sincerely

Grant Thornton UK LLP

Appendix AFindings from certification of housing benefits subsidy claim

Table A - Details of amendments and qualifications

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£18,044,580	Yes	(£8,487)	Yes	See below

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

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

We again provided support and guidance to officers on workbook completion to help improve the quality of workbook completion. We are pleased to be able to report that the workbook completion was again of high quality, and we agreed with the testing conclusions reached. As officers had previous experience of completing the workbooks, we were also able to reduce the level of re-performance we carried out.

**Initial testing**

Our initial testing of 60 cases identified nine errors. These mainly related to incorrect entry of earnings and incorrect uplift of the State Retirement Pension. The nature of the errors meant that we had to conduct testing in one additional area, not covered by the testing arising from prior year errors. We tested all of the cases with the same characteristics as the case in error, totalling a further 50 cases, and did not find any further errors.

**Testing arising from prior year errors**

Where testing identifies errors in one year, DWP requires us to undertake further testing in the subsequent year. The testing focuses on cases with the same characteristics as the original error. This year, because of errors in previous years, we had to carry out testing in nine areas (eight last year). We found additional errors in all nine areas. This means that, in 2019/20, the amount of testing required will be similar to this year.

**Amount of testing and errors found**

The table below shows the number of cases tested and the number of errors found in recent years.

	Cases tested	Errors found	% error rate
<b>Year</b>			
2016-17	409	28	7
2017-18	458	35	8
2018-19	489	63	13



The table shows a significant increase in both the number of errors found, and the error rate. Sample testing found errors in five areas. Additional testing arising from prior year errors, relating to the incorrect input of earnings found 20 errors, and additional testing from prior year years of childcare costs found 9 errors. Errors were also found in the testing of the classification of overpayments and allowable rent.

**Other items reported to DWP**

Initial testing identified three cases where the Statement Retirement Pension income uplift was incorrectly applied. The Council has not carried out additional testing for this error and instead has contacted the software supplier to run an appropriate report to establish the exact total error value across all cases as opposed to extrapolating the initial testing results. The report from the supplier was not received by the end of November 2019. It is anticipated that the software fix will correct these errors in the 2019/20 benefit year.

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GRANT THORNTON – Sector report and audit progress update

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

**1. SUMMARY OF PROPOSALS**

To present a sector update report from Grant Thornton relating to emerging public sector national issues and audit progress to date.

**2. RECOMMENDATIONS**

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

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

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

**Legal Implications**

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

**Service / Operational Implications**

3.3 The report attached at Appendix 1 updates Members on the progress on work undertaken by Grant Thornton since the last Committee meeting. In addition the appendix includes updates and links to National Issues and Grant Thornton Publications in relation to issues that are relevant to Local Government at the current time.

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

**Customer / Equalities and Diversity Implications**

3.5 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

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

**5. APPENDICES**

Appendix 1 - Grant Thornton Report

**6. BACKGROUND PAPERS**

None

**7. KEY**

N/A

**AUTHOR OF REPORT**

Name: Chris Forrester

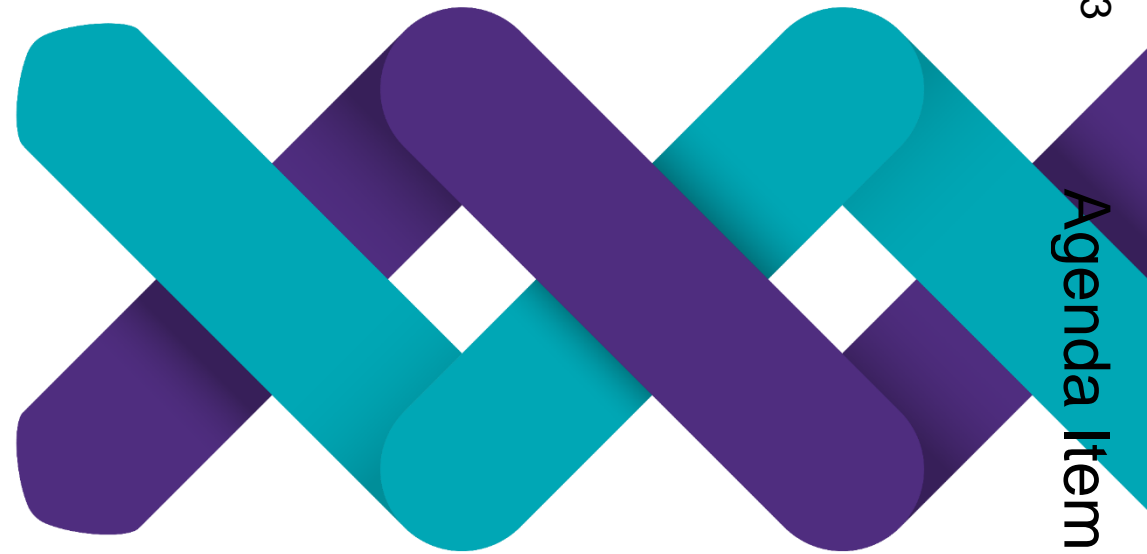
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# Audit Progress Report and Sector Update

Redditch Borough Council  
Year ending 31 March 2020

30 January 2020



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# Introduction



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**Engagement Manager**

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

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit, Governance & Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk)

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

# Progress at January 2020

## Financial Statements Audit

We issued our opinion on your 2018/19 Statement of Accounts on 2 August 2019, and issued our certificate, closing the audit on the same date.

We began our planning for the 2019/20 audit in December and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will begin our interim audit in January 2020. Our interim fieldwork includes:

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

In previous years our Audit Findings Reports have highlighted to the Audit, Governance & Standards Committee the challenges we, and officers, have faced in completing our audit work by the earlier deadline of 31 July. In order to ensure that our staff and Council officers are not placed under excessive pressure to complete the audit by this deadline we have agreed with your Director of Finance and Chief Executive that for 2020 we will report our work and aim to give our opinion on the Statement of Accounts by a later date, which is to be agreed with Officers.

## Value for Money

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

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

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

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

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

As noted in the adjacent column, we will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by a date which is to be agreed with officers.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work. Please see page 9 for more details.



# Progress at January 2020 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 27 November, in advance of the 30 November deadline. Our report is included on the agenda for the January Audit, Governance & Standards Committee meeting.

### Meetings

We met with Finance Officers in November as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in November to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers are attending our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

### Section 24 recommendation

As part of our 2018/19 audit we made a recommendation under section 24 of the Local Audit and Accountability Act 2014 that "The Council needs to take urgent action to prevent both its General Fund and HRA balances being exhausted by the end of 2020/21. Failure to take effective action will put the Council at risk of breaching its statutory duty to set a balanced budget."

We will continue to monitor the Council's response and progress in implementing the agreed actions.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Audit, Governance & Standards Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report was reported to the July Audit, Governance &amp; Standards Committee.</p>	July 2019	Complete
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2019	Complete
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	August 2019	Complete
2019/20 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Confirming audit fee for 2018/19.</p>	April 2019	Complete
<p><b>Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Audit, Governance &amp; Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.</p>	April 2020	Not yet due
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	April 2020	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit, Governance &amp; Standards Committee.</p>	TBC	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	TBC	Not yet due
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	TBC	Not yet due

# Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

# National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

## Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

**Stage 1** involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

**This stage of the consultation is now closed.** The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

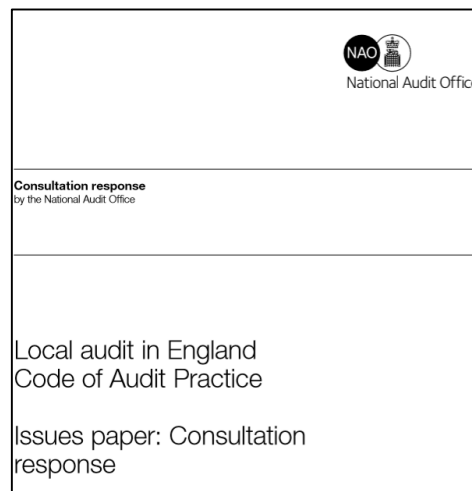
**Stage 2** of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



# Financial Reporting Council – Summary of key developments for 2019/20 annual reports

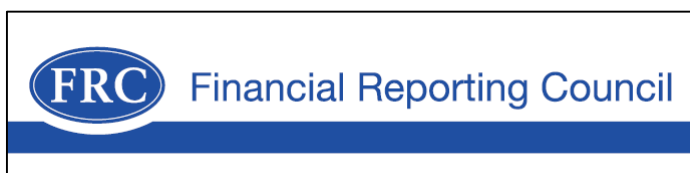
On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

## The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

## Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.



## IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.

# What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

# Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>





# Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>



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Date: 30<sup>th</sup> JANUARY 2020**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****THE INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE; WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

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

**1. SUMMARY OF PROPOSALS**

## 1.1 To present:

- the monitoring report of internal audit work for 2019/20.

**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 6 of the Accounts and Audit Regulations 2018 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

**Service / Operational Implications**

## 3.3 The involvement of Member’s in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council’s Annual Governance Statement.

This section of the report provides commentary on Internal Audit’s performance for the period 01<sup>st</sup> April to 31<sup>st</sup> December 2019 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

Date: 30<sup>th</sup> JANUARY 2020**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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Summary Dashboard:

Total reviews planned for 2019/20:	20 minimum
Reviews finalised to date for 2019/20:	6
Assurance of 'moderate' or below:	5
Reviews awaiting final sign off:	2
Reviews ongoing:	10
Reviews to be completed (Q4):	6
Number of 'High' Priority recommendations reported:	5
Satisfied 'High' priority recommendations to date:	2 in progress, (3 not due)
Productivity:	65% (against targeted 74%)
Overall plan delivery to date:	69% (against target >90%)

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT  
(31<sup>st</sup> October 2019):

**2019/20 AUDIT SUMMARY UPDATES:****Compliments and Complaints**

The review found the following area of the system was working well:

- There is a policy in place on the orb and website which is fit for purpose.

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

- Complaints Recording Management System Issues
- Complaints process
- Compliments and Complaints Reporting
- GDPR

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

Type of Audit: Full System Audit  
Assurance: Moderate  
Final Report Issued: 6<sup>th</sup> December 2019

**Treasury Management**

The review found the following areas of the system were working well/progress had been made from the previous review:

- Cash flow management.
- Treasury Management Procedures including Reporting.
- Benchmarking of Treasury Data.

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

- Ledger Coding and Reconciliation
- User Access
- iDeal Trading System
- Treasury Training

Date: 30<sup>th</sup> JANUARY 2020**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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

Type of Audit: Full System Audit  
Assurance: Moderate  
Final Report Issued: 18th October 2019

**General Data Processing Regulations – Retention**

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

- IT system and infrastructure (Access Rights, Disposal of emails, process for leavers and new starters).

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

- Controls of the retention schedule
- Security of Archived information
- Retention Policy

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

Type of Audit: Full System Audit  
Assurance: Limited  
Final Report Issued: 5th November 2019

**Housing Computer System**

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

- The formation of a Project Board comprising of representatives from all working areas within the Housing Service and other affected Service areas.
- The formation of a project team to support a Project Manager, to facilitate the process and support responsible members of the Project Board.
- Identification of Project Leads and Project sponsors within senior management to promote the project development, and to enable timely decision making.
- Engaging with legal and procurement specialists internally and externally.
- The critical and regular monitoring of project risks.

The project for procuring and implementing a new Housing system has faced several delays, which initially caused a number of risks to the success of the project. A preferred contractor has now been selected, and staff are currently developing a plan to implement the system over the period up to January 2021, albeit this deadline is currently under management consideration. Risks regarding the loss of system support for the existing housing system, Saffron, have been mitigated through a contract extension until December 2021. The system chosen is not all-inclusive, and other systems are being utilised where appropriate to ensure suitable functionality that meets the needs of the Housing Service.

**REDDITCH BOROUGH COUNCIL**Date: 30<sup>th</sup> JANUARY 2020**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Generally, the Housing System Implementation project is showing a reasonable forward direction of travel, and is supported by a governance structure that promotes and monitors continued progression towards full implementation. No significant areas of concern have been identified within this project and suitable actions have been taken to minimise the risk of project failure.

Summary of assurance levels:

<b>2019/20</b>	
Compliments and Complaints	Moderate
Treasury Management	Moderate
General Data Processing Regulations - Retention	Limited *
Housing Computer System	N/a - Critical Friend

\* All 'limited' assurance reviews go before CMT for full consideration.

**2019/20 AUDITS ONGOING AS AT 31<sup>st</sup> DECEMBER 2019**

Reviews progressing through draft report or clearance stage and awaiting management sign off:

- Housing Repairs and Maintenance Stocks and Stores (Draft Report)
- Safeguarding (Draft Report)
- Asbestos Regulation Compliance
- Planning Application Process
- Debtors
- Creditors
- Council Tax
- Payroll
- Contract Management Client Side – Rubicon

Reviews progressing through testing stage included:

- Main Ledger
- NNDR
- Benefits

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

A rolling testing programme on Debtors and Creditors has been undertaken during quarters 1 to 3 inclusive. Testing results so far do not indicate any new or emerging risks to be brought to the attention of Committee. The rolling testing programme results are being amalgamated as at the end of quarter 3 and formal audit reports will be issued with any findings during quarter 4.

Critical review audits are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made in regard to the audit approach. Where there is

Date: 30<sup>th</sup> JANUARY 2020**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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significant change taking place due to transformation, restructuring, significant legislative updates or a comparison required a critical review approach will be used. In order to assist the service area to move forwards a number of challenge areas will be identified using audit review techniques. The percentage of critical reviews will be confirmed as part of the overall outturn figure for the audit programme. To report this percentage during the year based on outturn will cause the figure to fluctuate throughout the year, however, a final percentage figure will be reported in the annual report. The outturn from the reviews will be reported in summary format as part of the regular reporting as indicated at 3.3 above.

Follow up reviews are an integral part of the audit process. There is a rolling programme of review that is undertaken to ensure that there is progress with the implementation of the agreed action plans. The outcome of the follow up reviews is reported on an exception basis taking into consideration the general direction of travel and the risk exposure. An escalation process continues to be developed involving CMT and SMT to ensure more effective use of resource in regard to follow up and reduce the number of revisits that are currently necessary to confirm the recommendations have been satisfied.

**3.4 AUDIT DAYS**

Appendix 1 shows the progress made towards delivering the 2019/20 Internal Audit Plan and achieving the targets set for the year. As at 31<sup>st</sup> December 2019 a total of 276 days had been delivered against an overall target of 400 days for 2019/20.

Appendix 2 shows the performance indicators for the service. Performance and management indicators were agreed by the Committee on the 29<sup>th</sup> July 2019 for 2019/20.

Appendix 3 shows the tracking of completed audits.

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

**3.5 OTHER KEY AUDIT WORK**

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

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

**REDDITCH BOROUGH COUNCIL**Date: 30<sup>th</sup> JANUARY 2020**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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

**National Fraud Initiative**

- 3.6 There has been on going work undertaken in regard to the National Fraud Initiative. This year is the 2 yearly cycle of data extraction and uploading to enable matches to be reported. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this investigative exercise in Redditch Borough Council. The data requirements were uploaded during October and December 2018 with any queries dealt with accordingly. Matches have been returned to the Authority for investigation. A further upload of Council Tax single person data and Election data is now due which will be overseen by WIASS.

**Monitoring**

- 3.7 To ensure the delivery of the 2019/20 plan there is close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Head of Internal Audit Shared Service remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' and 'medium' risk. Due to changing circumstances and after consultation a small variation in the plan has been agreed on a risk priority basis with the s151 Officer e.g. refuse service scalability, procurement and risk management which was joint with Bromsgrove District Council will be rolled to 2020. The Redditch business centre review is to be removed and asset management service and gas inspections are to be rolled into 2020/21. Additional days have also been used in a couple of review areas to ensure a comprehensive review was completed which has resulted in an increase in certain budgets. A piece of work in connection with Housing which presented very late in the 2018/19 financial year but was commenced due to its nature continued as part of the 2019/20 plan but required additional days due to the extent of the work. With the adjustment to the plan there remains comprehensive audit coverage for 2019/20.

**3.8 Quality Assurance Improvement Plan**

- 3.9 WIASS delivers the audit programme in conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) as published by the Institute of Internal Auditors. 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 at Appendix 5.



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**Customer / Equalities and Diversity Implications**

- 3.10 There are no implications arising out of this report.
- 3.11 The Worcestershire Internal Audit Shared Service (WAISS) is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.
- 3.12 We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.
- 3.13 WAISS confirms it acts independently in its role and provision of internal audit.

**4. RISK MANAGEMENT**

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

**5. APPENDICES**

Appendix 1 ~ Internal Audit Plan delivery 2019/20  
Appendix 2 ~ Performance indicators 2019/20  
Appendix 3 ~ Tracking analysis of previous audits  
Appendix 4 ~ 'High' and 'Medium' priority recommendations  
Appendix 5 ~ Quality Assurance Improvement Plan

**6. BACKGROUND PAPERS**

Individual internal audit reports are held by Internal Audit.

**7. KEY**

N/a

**AUTHOR OF REPORT**

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REDDITCH BOROUGH COUNCILDate: 30<sup>th</sup> JANUARY 2020AUDIT, GOVERNANCE & STANDARDS COMMITTEEAPPENDIX 1Delivery against Internal Audit Plan for 2019/20  
1<sup>st</sup> April 2019 to 31<sup>st</sup> December 2019

Audit Area	2019/20 PLAN DAYS	Forecasted days to the 31 <sup>st</sup> December 2019	Actual Days used to 31 <sup>st</sup> December 2019
Core Financial Systems (see note 1)	62	56	39
Corporate Audits(see note 2)	74	13	20
Other Systems Audits(see note 2 & 3)	210	135	189
<b>SUB TOTAL</b>	<b>346</b>	<b>204</b>	<b>248</b>
Audit Management Meetings	20	15	16
Corporate Meetings / Reading	9	6	5
Annual Plans, Reports and Audit Committee Support	25	18	7
Other chargeable	0	0	0
<b>SUB TOTAL</b>	<b>54</b>	<b>39</b>	<b>28</b>
<b>TOTAL (see note 4)</b>	<b>400</b>	<b>243</b>	<b>276</b>

Note 1

Core Financial Systems are audited predominantly in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year end. A rolling programme has also been introduced for Debtors and Creditors to maximise coverage and sample size. The results will be reported during Q4.

Note 2

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

Note 3

A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters. If there is little demand for certain budgets this is reflected in the overall usage, however, it does not necessarily reduce the coverage of the overall plan.

Note 4

As indicated in paragraph 3.7 above due to an additional demand against several budgets extra days have been used during the first 3 quarters which has led to a circa 14% increase against actual days used to forecasted days.

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The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 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.

	<b>KPI</b>	<b>Trend/Target requirement/Direction of Travel</b>	<b>2019/20 Position (as at 31<sup>st</sup> December 2019)</b>	<b>Frequency of Reporting</b>
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 20 Delivered = 6 (plus 2 @ draft report stage)	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	69%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	*65%	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	5	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	5	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded  (<5%)	Nil to report	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	3	When Audit Committee convene

WIASS delivers the internal audit programme in conformance with international standards for the professional practice of internal auditing.

\* Productivity is behind target due to a number of days used for training and sickness absence.

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**APPENDIX 3**

**Planned Follow Ups:**

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

To provide the Audit, Governance & Standards Committee with assurance we are following a comprehensive 'follow up' programme to ensure recommendations and risks have been addressed from previous audits. Commentary has been provided on audits as part of the normal reporting process. Previous audit year updates in regard to 'follow ups' will be provided every six months to avoid duplication of information. Any exceptions (i.e. where no action has commenced by the agreed implementation date) will be reported to the Committee.

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

Follow up in connection with the core financials is undertaken as part of the routine audits that were performed during quarters 3 and 4.

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up</u> <u>1<sup>st</sup></u>	<u>Results of follow Up</u> <u>2<sup>nd</sup></u>	<u>Results of follow Up</u> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
<b>2018/19</b>							
Shopmobility	25th January 2019	Community Services	Significant	Reported 3 medium priorities in Conditions of Use – Shop-mobility Equipment, Maintenance Contract and User Access. <b>Follow-up to be completed in 6 months</b>	A follow-up completed in September 2019 found that the 2 medium priority recommendations in regard to Conditions of Use and User Access have been implemented. The 1 'medium' priority recommendation for re-tendering the Maintenance Contract has not yet been implemented, with an expected completion date of February 2020. <b>A further follow-up will be undertaken in February 2020.</b>		
GDPR	13th March 2019	Corporate	Moderate	Reported 2 high and 2 medium priorities in; Awareness, Data Protection Officer, Individual's Rights (RBC only) and Third Party Data Processes. <b>Follow up to be completed in 3 months</b>	Follow up undertaken in August 2019. Outcome reported to <b>CMT in October 2019 with action plan agreed. Follow up scheduled for March 2020.</b>		
On Off Street Parking	12th March 2019	Community Services	Moderate	Reported 1 high and 1 medium priority in On Street Parking Cost to the Council and Value for Money. <b>Follow up to be completed in 3 months</b>	Follow up undertaken October 2019. The 'High' priority recommendation is progressing re. cost to the council. More monitoring is required to ensure a fully embedded action. The 'Medium' priority recommendation has been satisfied. <b>Further follow April 2020.</b>		
Transport (Fleet)	19th June 2019	Operations	Limited	Reported 7 'medium' priority recommendations in extension of the use of vehicle trackers on the fleet, Fuel monitoring to be introduced on an exception basis, Inventory records should be accurately maintained & be consistent with the insurance schedule, Vehicle service & repair files were not accurately maintained, Accident records are not accurate, Driver 'walk round' checks re not consistently carried out and Untaxed vehicle in used.	Follow Up undertaken in October which confirmed all recommendations were either completed or being actively addressed. <b>Further follow up March 2020.</b>		

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up</u> <u>1<sup>st</sup></u>	<u>Results of follow Up</u> <u>2<sup>nd</sup></u>	<u>Results of follow Up</u> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
				<b>A follow up will take place in 3 months.</b>			
Risk Management	28th June 2019	Corporate	Limited	Reported 3 'high' and 3 'medium' priority recommendations in Risk Management Meetings, Risk Management Training Information available, Service Risk Register Updates, Risk Management Strategy and Portfolio Holder Monitoring. <b>A follow up will take place in 3 months.</b>	<b>Zurich has been commissioned during October 2019 to assist with the relaunch of corporate risk.</b>		
Health and Safety	20th July 2019	Corporate	Limited	Reported 9 'high' and 5 'medium' priority recommendations in Policies, Fire Safety and Evacuations, Manager IOSH training, Lift Risk Assessments, Fuelling Point Assessment at RBC Depot, Fire Risk Assessment Action Plan, Fire Alarms, Evacuation of less able people from RBC Town Hall, Active and Re-active measures of a terrorist attack, Active and re-active measures of a terrorist attack, Action Plan Update, Financial Analysis and Training Budget, Induction Process and Bespoke H&S training. <b>A follow up will take place in 3 months.</b>	<b>Action plan in place and being monitored by the Health and Safety Officer. A follow up audit is currently taking place.</b>		
<b>2019/20</b>							
St David's House	4 <sup>th</sup> July 2019	Housing	No	Reported 1 high priority in; Income for additional services being offered and the assistance given to tenants. Follow up to be completed in 1 month at request of CMT.	The follow up in August 19 found that they are travelling in the right direction but still need to finish off procedures and evidence the recommendations. A further follow up to take place October 19.	<b>Update to be provided before Committee by Head of service therefore rescheduled for February 2020.</b>	
Cemetery & Crematorium	24th September	Bereavement Services	Significant	Reported 1 'medium' priority recommendation in Raising of	<b>Apr-20</b>		

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up</u>	<u>Results of follow Up</u>	<u>Results of follow Up</u>
					<u>1<sup>st</sup></u>	<u>2<sup>nd</sup></u>	<u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
	2019			Invoices. <b>A follow up will take place in 6 months.</b>			
Treasury Management	18th October 2019	Finance	Moderate	Reported 1 'high' and 3 'medium' priority findings in, iDeal Trading System, Treasury Training, Ledger Coding and Reconciliation and User Access. <b>Follow up to be completed in 3 months.</b>	Jan-20		
Document Retention	5th November 2019	Legal	Limited	Reported 2 'high' and 1 'medium' priority recommendations in Controls of the retention schedule, security of archived information and retention policy. <b>Follow up to be completed in 3 months.</b>	Feb-20		
Housing Computer System Implementation	10th December 2019	Housing	Critical Friend	Reported 1 recommendation of System Implementation. Implementation due by March 2020. <b>A follow up will take place in 4 months time.</b>	Apr-20		
Compliments & Complaints	6th December 2019	Corporate	Moderate	Reported 1 'high' and 3 'medium' priority findings in, Complaints Recording Management System Issues, Complaints Process, Compliments and Complaints Reporting and GDPR. <b>Follow up to be completed in 3 months.</b>	Mar-20		

end

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**APPENDIX 4**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>



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<b>Priority</b>	<b>Definition</b>
<b>High</b>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
<b>Medium</b>	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
<b>Low</b>	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Follow Up results as at December 2019
<b>Audit: Compliments and Complaints</b>						
<b>Assurance: Moderate</b>						
1	High (RED)	<p><b>Complaints Management Issues</b></p> <p>A review of the complaints system found that:-</p> <p>1) There is no clear audit trail of the customer's journey from the start of the complaint to the end and there is no clear indicator within the system to identify what stage the complaint is at.</p> <p>2) For those complaints still open, reminders are sent to the responsible officer every week but are not escalated or followed up in any other way.</p> <p>3) For 2nd stage complaints Audit found that there was no second stage complaint identification within the Compliments and Complaints system leading to an inability to easily identify those complaints.</p> <p>4) The System Developer confirmed that once a record is deleted it is not archived therefore it is deleted permanently. No</p>	<p><b>Recording System</b></p> <p>Potentially poor service not being addressed and development opportunity missed if there is no full log of complaints.</p> <p>No clear indicator by management of the amount of complaints that reach stage 2 and the reasons why they are not addressed at stage 1.</p> <p>There is a risk that without having the correct controls in place to monitor records and relevant action effectively it could lead to missed</p>	<p>The review to consider the potential for development of the system to improve the council's way of providing services and for the potential to escalate reminder emails if complaints remain open for longer than a set number of days.</p> <p>If the system proves to be not fit for purpose to consider alternative options that will best fit the Council's requirements in relation to the tracking and monitoring of complaints.</p> <p>The system requires a 2<sup>nd</sup> stage complaint identification tag to ensure all complaints are dealt with appropriately and provide an opportunity to identify potential service development is maximised.</p> <p>To introduce a true audit trail and back-up process within the system so that if a record is deleted by mistake, it can be identified and reinstated.</p>	<p><b>Responsible Manager:</b> ICT Operations Manager</p> <p><b>Implementation date:</b> Quarter 1 2020.</p> <p>1) We would like a full audit trail of the system. Planned specification to be completed by February 2020 to be implemented in quarter 1 2020.</p> <p>2) We would like the overdue complaints to be escalated further. There is project to update Active Directory. Once completed in February we will look to investigate if this is sufficient to use to escalate.</p> <p>3) 2<sup>nd</sup> stage can be developed so calls can be manually moved into this area. Planned specification to be completed by February 2020 to be implemented in quarter 1 2020.</p> <p>4) Planned specification to be completed by February 2020 to be implemented in quarter 1 2020.</p>	<p>Not due for completion at time of reporting.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Follow Up results as at December 2019
		footprint remains within the system.	<p>opportunity to develop services and potential reputational damage to the council because services are not handling complaints effectively,</p> <p>There is risk of inappropriate actions being taken potentially leading to fraudulent activity by the deletion of records.</p>			
2	Medium (AMBER)	<p><b>Complaints Process</b></p> <p>A review of the complaints system found that complaints can be received through multiple channels but not all complaints that are received by the councils are processed through the dedicated system.</p>	<p>Reputational damage if complaints are not being dealt with in a timely manner and that the Council are not aware of the number of complaints received.</p>	<p>To understand the reason why not all compliments and complaints are logged through the current system and then to evaluate the current system used for the recording of compliments and complaints and review if it is fit for purpose.</p>	<p><b>Responsible Manager:</b> Assistant Customer Support Manager</p> <p><b>Implementation date:</b> April 2020 (depending on development)</p> <p><b>Complaints Recording Management System</b></p> <p>1) The single example provided related to Leisure who stated in their response (from a 4<sup>th</sup> tier manager) that they know that they need to report it on the complaints system and state that they 'are not great at placing them onto the corporate system but resolve it there and then, timing and workload sometimes overtakes'. There was also a comment from the auditor that other services also said this but no evidence was obtained.</p> <p>Communications will go out to</p>	<p>Not due for completion at time of reporting.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Follow Up results as at December 2019
					<p>staff to ensure that compliments and complaints are recorded on the system</p> <p>2) User Access rights will be reviewed as part of the 2020 implementation.</p> <p>There are users who have left still on the system however they do not have cases allocated to them and we would like to keep their records on this system to show the interaction with any previous complaints.</p> <p>Any users still on the system will have been removed from ICT 'active directory' and so it is impossible for them to access the system.</p>	
3	Medium (AMBER)	<p><b>Compliments and Complaints Reporting</b></p> <p>Although there is a reporting option and facility available within the complaints system, it is not being utilised in order to produce reports for management.</p> <p>An assessment of how service areas deal with complaints has identified that not all of them are processed through the system and therefore the integrity of the data is flawed from a corporate</p>	<p>Incomplete management information could potentially lead to poor decision making and missed opportunity to better performance.</p>	<p>Once the integrity of the data within the system has been assured to consider introducing quarterly reports to senior management in order to provide a strategic overview of how the Councils are performing and help to identify areas of risk though non delivery or poor service.</p> <p>To report on service areas to help them improve and to allow services to analyse trends within complaints.</p>	<p><b>Responsible Manager:</b> Assistant Customer Support Manager</p> <p><b>Implementation date:</b> 1<sup>st</sup> Dec 2019**</p> <p>There are no plans to report to service managers as the management are the users of the system and can therefore check their own service area reports.</p> <p>Quarterly reports can be provided to CMT and SMT if required.</p> <p>It is planned to publish complaint data on a monthly basis on the</p>	<p>Seeking confirmation of completion at time of reporting.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Follow Up results as at December 2019
		<p>perspective.</p> <p>There is no overall reporting of compliments although services do share compliments within team meetings.</p>		<p>To consider the use of reporting compliments through staff newsletters/corporate events in order to celebrate success and help to boost morale throughout the Councils.</p>	<p>web, including services whose complaints are over 21 days old.</p> <p>This was delayed due to the roll out of the corporate customer care strategy.</p> <p>**Subject to CMT approval, we will suggest a date of 1<sup>st</sup> December 2019.</p>	
4	Medium (AMBER)	<p><b>GDPR</b></p> <p>There is confusion surrounding where the responsibility lies for the deleting of records from the system and if the process is an automatic process or manual one.</p>	<p>There is risk that if items fall out of retention it may damage the reputation of the council as well as creating a possible financial penalty against the authority.</p> <p>There is a risk that that items could be non-compliant within GDPR regulations and that there is no system control of GDPR files.</p> <p>If there is a risk it is breach of GDPR regulations and potential of financial penalty.</p>	<p>To review the current system and allocate a responsible officer to introduce quarterly checks by the appointed officer to ensure that there is a control in place so any personal record that are found to be non-compliant with the retention cycle are disposed of within the correct year.</p>	<p><b>Responsible Manager:</b> Assistant Customer Support Manager</p> <p><b>Implementation date:</b> December 2020</p> <p>The complaints system was introduced in 2014 and complaints will be held for 5 years following closure. There are currently no records overdue for deletion, and the first record will be deleted in December 2020.</p> <p>Previous meetings with ICT had stated the system will remove records on an annual basis following 2020 however a check will need to be made to ensure this happens. Added to ICT development list.</p>	<p>Seeking confirmation of completion at time of reporting.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Follow Up results as at December 2019
<b>Audit: Treasury Management</b>						
<b>Assurance: Moderate</b>						
1	Medium (AMBER)	<p><b>Ledger Coding and Reconciliation</b></p> <p>There has not been any formal periodic reconciliation of treasury management activities in the ledger for either Council during the 2019/20 financial period. However it is understood that discussion are being held on the completion of these within the finance team with responsibility expected to sit with the Accountancy Assistants.</p> <p>It was noted during audit testing that one out of four tested Redditch Borough Council borrowing transactions was not correctly coded on the ledger instead being coded to the investment code.</p> <p>Additionally delays were recognised in posting treasury transactions to the ledger in excess of a month.</p>	<p>Failure to correctly account for financial transactions on the ledger, potentially resulting in reputational damage to the Councils.</p>	<p>A formal reconciliation of treasury management activities is required against the ledger postings at agreed intervals to be determined by the Finance Team, to ensure all financial activities have been fully accounted for and coded correctly.</p> <p>A monthly reconciliation would also ensure treasury transactions were posted to the ledger in a timely manner by capturing any unposted transactions.</p>	<p><b>Management Response:</b> Due to recent changes in the team, and resourcing issues this has not been possible to complete. This has now been remedied with posts being filled, so reconciliations will be undertaken going forwards as well as those which are outstanding.</p> <p><b>Implementation Date:</b> December 2019</p> <p><b>Responsible Officer:</b> Financial Services Manager</p>	<p>Seeking confirmation of completion at time of reporting. Rolled forward recommendation from 2018/19.</p>
2	Medium (AMBER)	<p><b>User Access</b></p> <p>A user account for an Accountancy Officer with access to the iDealTrade system was not removed at the point of the Officer</p>	<p>Failure to control access to key systems resulting in potential breaches which could result in reputational or financial loss for the</p>	<p>Ensure procedures for removing network access for previous employees are followed. Additional system access must also be removed in a timely manner, and</p>	<p><b>Management Response:</b> Agreed, as part of the leaving process going forwards access to ideal trade is reviewed to ensure that leavers no longer have access</p>	<p>Seeking confirmation of completion at time of reporting. Rolled forward recommendation from 2018/19.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Follow Up results as at December 2019
		leaving.	authority.	monitored by senior officers in the Finance team. Current access requirements to be reviewed on a periodic basis.	<p><b>Implementation Date:</b> October 2019</p> <p><b>Responsible Officer:</b> Financial Services Manager</p>	
3	High (RED)	<p><b>iDeal Trading System</b></p> <p>It was identified a number of officers have the ability to raise borrowing adverts on iDeal Trade with no supervision from any other senior officer.</p> <p>The maximum single loan limit was ascertained as £10 million, the limit on the number of adverts that can be placed is unknown.</p> <p>In addition the ability exists to set interest rates and terms (maximum term of 60 months). Interest rates are based on other borrowers on that day, however are not currently evidenced.</p> <p>The Officer raising the debts also sends the bank details to the lender via E-mail, but is not able to change the bank details on the iDeal Trade system.</p> <p>The iDeal Trade system can auto-match and agree a</p>	<p>Best value is not achieved in regards to interest rates/terms.</p> <p>Employee raises unrequired loans.</p> <p>Fraudulent loans are paid into personal bank accounts.</p> <p>Reputational Damage.</p>	<p>A segregation of duties and approval system is introduced to protect employees at each stage.</p> <p>Evidence of best value is recorded e.g. interest rates on the given day.</p>	<p><b>Managers Response:</b> Agreed, discussed with Arlingclose about putting in an additional step, training on the software has been booked.</p> <p><b>Implementation Date:</b> October 2019</p> <p><b>Responsible Officer:</b> Financial Services Manager</p>	<p>Seeking confirmation of completion at time of reporting.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Follow Up results as at December 2019
		deal autonomously if another iDeal Trade partner agrees the terms. An E-mail is generated by the software and sent to a number of officers only after the deal is agreed.				
<b>Audit: Document Retention</b>						
<b>Assurance: Limited</b>						
1	High (RED)	<p><b>Controls of retention schedule</b></p> <p>Testing of retained items against the retention schedule indicated that all service areas are archiving information but not all of them are destroying the information in a timely manner. E.g. within the year it requires destroying.</p>	<p>Redditch Borough Council could become non-compliant with GDPR regulation requirements increasing the potential for reputational damage and financial penalty.</p>	<p>To continue to encourage staff through the annual General Data Protection Act training that is provided by the information team to encourage the importance of removing information; it is to be encouraged through the recommendation to establish a clearance day routine to ensure that all documents are destroyed and appropriate actions are taken.</p> <p>Each service to ensure that it manages its data disposal in a timely manner.</p>	<p><b>Responsible Officers:-</b></p> <p>ICT Manager</p> <p>ICT Operations Manager</p> <p><b>Implementation Date: -</b></p> <p>Q4 2019/20</p> <ol style="list-style-type: none"> <li>1.) Reminders to staff via the orb to delete records that are passed the retention period.</li> <li>2.) To conduct a corporate annual clear out to remove documentation that is passed the retention period.</li> <li>3.) Review the retention schedule to ensure it remains fit for purpose.</li> </ol>	<p>Not due for completion at time of reporting.</p>
2	High (RED)	<p><b>Security of archived information</b></p> <p><b>Hard Copy</b></p> <p>Testing found that hard copy information that is stored at</p>	<p>There is the potential risk of unauthorised access to</p>	<p>Redditch Borough Council to ensure sensitive information that is</p>	<p><b>Responsible Officers:</b></p> <p>ICT Operations Manager</p>	



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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Follow Up results as at December 2019
		both authorities can be viewed by anyone. Although it is stored within specific areas for services, anyone can access the archives room and sensitive information including personnel files, personal financial records and investigations can be easily accessed.	sensitive information leading to reputation damage and/or a breach of Data Protection Act and General Data Protection Regulations.	being archived is not accessible to staff other than those that require it for their role and responsibilities. Also, the current arrangements to be reviewed to ascertain whether sensitive information is sufficiently protected from unauthorised use.	Head of Legal & Democratic Services (for deeds transfer item)  Senior H&S Officer  <b>Implementation Date</b> Q1 2020/21  All archive records are to be securely stored if not considered to be 'public' viewing.	Not due for completion at time of reporting.
3	Medium (AMBER)	<b><u>Retention Policy</u></b>  Testing found although there is a clear retention policy for IT available there is not a clear transparent policy available on the orb page in regard to retention.  <b>Review of Policy and Procedure schedule</b>  Testing found service areas are not updating the policy and procedure schedule.	If the policy is not transparent and readily available staff will not follow it potentially leading to the non-compliance with statutory requirements, reputation damage and financial loss through fines.	Current retention procedure to be reviewed to ensure it remains fit for purpose and a policy is published on the Orb for staff to reference and follow.  These key documents require periodic review and update in line with business need.	<b>Responsible Officer:-</b> ICT Operations Manager  <b>Implementation Date</b> Q1 2020/21  To revisit to ensure the retention policy remains fit for purpose and that conversations are happening to keep on top of the retention of documents.	Not due for completion at time of reporting.

end

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**Appendix 5**

**Quality Assurance Improvement Plan (QAIP) for 2019/20.**

Actions for points 1, 2 & 5 reported completed before 20<sup>th</sup> September 2019. Further progress has been made in regard to the remaining points as indicated below.

<b>Action No.</b>	<b>Area to be actioned</b>	<b>Outcome required</b>	<b>Action</b>	<b>To be undertaken by:</b>	<b>Date to be completed</b>	<b>Completed</b>	<b>Further Action Required</b>
<b>3</b>	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 place by either Head of Internal Audit or Team Leader	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	Ongoing. Included in July Team Meeting.	Feedback collated during August/September with live running October 2019 onwards. Monitoring being undertaken to ensure fully embedded.  <b>December update:</b> Live running commenced in October. Monitoring continuing.
<b>4</b>	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	First phase implementation completed but remains ongoing.	Continue to monitor to 31 <sup>st</sup> March 2020 to ensure fully embedded.  <b>December update:</b> Monitoring continuing.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**Date: 30<sup>th</sup> JANUARY 2020**THE 2020/21 INTERNAL AUDIT PLAN REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE, WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

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

**1. SUMMARY OF PROPOSALS**

## 1.1 To present:

- the Redditch Borough Council Draft Internal Audit Operational Plan for 2020/21;
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2020/21.

**2. RECOMMENDATIONS**

2.1 The Committee is asked to note the Audit Plan subject to any comments / proposed changes.

2.2 The Committee is asked to note 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 Regulation 6 of the Accounts and Audit Regulations 2018 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

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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**

WIASS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. The Internal Audit Plan for 2020/21, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the council's risk management, performance management, other assurance processes as well as organisational objectives and priorities. It has been based upon the risk priorities per the corporate and service risk registers. Large spend budget areas have also been considered, and, direct association has been made to the organisational objectives and priorities. The Internal Audit Plan for 2020/21 has been agreed with the s151 Officer and has been considered by Senior Management Team and is brought before Committee in draft form. It has been formulated with the aim to ensure Redditch Borough Council meets it's strategic purposes, delivers it's promises and has been directly linked the various aspects to identify the 'golden thread' in regards to the objectives and risk identification to Service delivery. It was brought before the Audit and Governance Committee in draft format 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.

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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 before the Audit, Governance and Standards Committee which was been formulated with the aim to ensure Redditch Borough Council meets it's strategic purposes it allows Members to have a positive input into the audit work programme for 2020/21 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer. Due to the continuing changing environment that exists in Local Government the plan must be seen as a framework for Internal Audit work for the forthcoming year. There is a need for improved flexibility in the plan due to a changing risk profile as well as emerging risks. To ensure flexibility there is the possibility that the plan will be updated during the year in order to address such challenges. It is planned that a six month review before Senior Management Team will take place to ensure the audit plan remains risk focussed and any required changes can be considered.

**3.5 Resource Allocation**

The Internal Audit Plan for 2020/21 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 at **Appendix 1**. Although all areas have been considered an assessment has been made whether to include in the plan based on the overall risk and governance profile. Areas that are considered to have a 'high' priority will be targeted first in regard to the plan delivery. 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 2019/20.

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

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE****Date: 30<sup>th</sup> JANUARY 2020**

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. However, during 2020/21 this will not be the case due to a planned change in system. 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 2020/21 is set out at **Appendix 1**.

**3.6 Monitoring and reporting of performance against the Plan**

Operational progress against the Internal Audit Plan for 2020/21 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), and, to the Audit, Governance and Standards 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.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**Date: 30<sup>th</sup> JANUARY 2020**5. APPENDICES**

Appendix 1 ~ Internal Audit Plan 2020/21  
Appendix 2 ~ Performance indicators 2020/21

**6. BACKGROUND PAPERS**

None

**7. KEY**

N/a

**AUTHOR OF REPORT**

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Worcestershire Internal Audit Shared Service  
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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**Date: 30<sup>th</sup> JANUARY 2020APPENDIX 1SUMMARY OF DETAILED PLAN

<b>Planned Days</b>	<b>2020/21</b>
Core Financial Systems	90
Corporate Work	78
Service Delivery	89
Other Operational Work	89
<b>Sub Total</b>	<b>346</b>
Audit management meetings	20
Corporate meetings / reading	9
Annual plans, reports & Committee support	25
<b>Sub Total</b>	<b>54</b>
<b>Total Audit Days</b>	<b>400</b>



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Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2020/21 Plan	Proposed Resource 2020/21
<b>FINANCIAL</b>					
Debtors	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/> *	12
Main Ledger/Budget Monitor/Bank Rec	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/> *	16
Creditors	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/> *	12
Treasury Management (incl. assets & acquisitions)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/> *	8
Council Tax	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/> *	8
Benefits (Transformation)	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"/>	16
<b>Sub TOTAL</b>					<b>90</b>
<b>CORPORATE</b>					
IT Audit (Server patching and disaster recovery)	Fundamental to strategic purpose delivery	ICT 7 & ICT 8	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"/> *	9
Procurement (Consultants action plan implementation)	Fundamental to strategic purpose delivery	S151 request	Medium	<input checked="" type="checkbox"/> *	10
GDPR – (Limited Assurance follow up)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/> *	10
Orb (Business Critical reliance)	Fundamental to strategic purpose delivery	N/a	High	<input checked="" type="checkbox"/> *	10

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**Date: 30<sup>th</sup> JANUARY 2020

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2020/21 Plan	Proposed Resource 2020/21
Use of Agency & Consultants (Cost and specification)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/> *	10
Projects (Critical Friend)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/> *	15
<b>Sub TOTAL</b>					<b>78</b>
<b>SERVICE DELIVERY</b>					
<b>Community Service</b>					
St David's House (No assurance follow up)	Help me to live my life independently	Hos request	Low/ Medium	<input checked="" type="checkbox"/>	15
<b>Environmental</b>					
Refuse Service scalability (new builds) (Critical Friend)	Keep my place safe and looking good	Env 24	Low/ Medium	<input checked="" type="checkbox"/> *	9
<b>Leisure and Culture - Rubicon</b>					
Contract Management Arrangements	Provide good things for me to see, do and visit	Contractual requirement -SLA	High	<input checked="" type="checkbox"/>	15
<b>Housing</b>					
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	Hou21	High	<input checked="" type="checkbox"/>	15
Annual Gas Inspection	Keep my place safe and looking good	Hou14	High	<input checked="" type="checkbox"/>	15
<b>Sub TOTAL</b>					<b>89</b>
<b>Other Operational Work</b>					
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	35
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	15
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"/>	6
Bus Operators Grant	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	6
<b>Sub TOTAL</b>					<b>89</b>

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Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2020/21 Plan	Proposed Resource 2020/21
Audit Management Meetings	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	20
Corporate Meetings / Reading	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	9
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	25
<b>Sub TOTAL</b>					<b>54</b>
<b>TOTAL CHARGEABLE</b>					<b>400</b>

Rubicon Leisure	Arms Length LA Company	N/a	N/a	<input checked="" type="checkbox"/>	<b>10</b>
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Explanatory Notes:

\*As part of the increasing joint and shared service working between Redditch Borough Council and Bromsgrove District 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 due to the risk profiling.

The customer journey will be considered overall as part of the service audits.

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**Date: 30<sup>th</sup> JANUARY 2020Appendix 2**PERFORMANCE INDICATORS 2020/21**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2020/21. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. KPI 4. The position will be reported on a cumulative basis throughout the year.

	<b>KPI</b>	<b>Trend/Target requirement/Direction of Travel</b>	<b>2020/21 Position (as at XXXXXXXX)</b>	<b>Frequency of Reporting</b>
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 16 Delivered = XX	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	XX	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	XX	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	XX	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	XX	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded  (<5%)	XX	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	XX	When Audit Committee convene

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

**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE & STANDARDS COMMITTEE 30<sup>th</sup> JANUARY 2020****APPOINTMENT OF INDEPENDENT MEMBER**

Relevant Portfolio Holder	Cllr David Thain
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering – Director Finance and Resources
Wards Affected	All
Ward Councillor Consulted	None specific

**1. SUMMARY OF PROPOSALS**

- 1.1 To enable Members to further consider the appointment of an independent member to the Committee .

**2. RECOMMENDATIONS**

- 2.1 **Members are asked to consider the report and to agree if an independent member is to be recruited.**

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

- 3.1 The independent member would be a voluntary post however a reimbursement for travelling would be made.

**Legal Implications**

- 3.2 The constitution of the Council states “ the Audit, Governance and Standards Committee shall be entitled to appoint a number of people as non-voting co-optees”. It is proposed that one independent member is recruited with the aim to review the value of the position after 12 months.

- 3.3 Independent members to the Audit, Governance and Standards Committee do not have voting rights in accordance with Section 13 of the Local Government and Housing Act 1989.

**Service / Operational Implications**

- 3.4 In 2013 Members of this Committee approved the recruitment of an independent member. Mr Jones secured the role and continued this appointment until 2018. Members felt the role was a support to their considerations during the Committee meetings.

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- 3.5 Should members agree a new appointment be made, it would be necessary to establish an interview panel, consisting of 4 elected members from amongst the Audit, Governance & Standards Committee in order to ensure political balance, with delegated authority to interview candidates for the position of independent member. For reference the draft Role Description is attached at Appendix 1.

**Customer / Equalities and Diversity Implications**

- 3.6 The appointment will be made in a fair and transparent manner and it is anticipated that the independent member will be able to enhance the role of the Audit, Governance & Standards Committee.

**4. RISK MANAGEMENT**

- 4.1 The appointment of an independent member is recognised as promoting good governance and best practice within the Council.

**5. APPENDICES**

Appendix 1 – Role Description

**AUTHOR OF REPORT**

Name: Jayne Pickering – Exec Director Finance and Resources  
E Mail: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk) 01527-881207

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE 30<sup>th</sup> JANUARY 2020**

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**REDDITCH BOROUGH COUNCIL****APPENDIX 1****INDEPENDENT MEMBER OF THE AUDIT, GOVERNANCE &  
STANDARDS COMMITTEE****JOB DESCRIPTION****Main Purpose**

To act as an independent member of the Council's Audit ,Governance & Standards Committee.

**Duties and Responsibilities**

1. To review the effectiveness of the Council's risk management framework and internal control environment, including overseeing:
  - risk management strategies
  - anti-fraud arrangements
2. To monitor the effectiveness of the Council's financial and non-financial performance to the extent that it affects exposure to risk and poor internal control.
3. To provide independent assurance to the Council in relation to the Annual Governance Statement.
4. To review and approve the annual statement of accounts, confirming the appropriate accounting policies have been followed, including the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
5. To monitor and review the activity and effectiveness of both Internal and External Audit.

**PERSON SPECIFICATION****Experience**

You will be a person who has experience working in a medium/large organisation at a senior level or other experience that would give similar benefits.

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE 30<sup>th</sup> JANUARY 2020**

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Financial management experience (accountancy, audit or management of a large budget) would be advantageous.

**Skills**

You should be able to:

- understand complex issues and the importance of accountability and probity in public life.
- analyse and assess evidence and come to a rational conclusion.
- demonstrate objectivity.
- demonstrate integrity and discretion.
- make decisions.
- possess effective interpersonal skills.

**Knowledge**

Some knowledge of local government would be useful.

Knowledge of corporate governance arrangements in either public or private sectors would be beneficial.

Knowledge of risk management.

**Commitment**

The Audit, Governance & Standards Committee meets approximately 5 times a year for about 2 hours on each occasion. Preparation time will also be required for each meeting.

**Payment**

This public office does not command a salary, however reimbursement of travelling and subsistence expenses will be paid.:



REDDITCH BOROUGH COUNCILAUDIT GOVERNANCE AND STANDARDS COMMITTEE30<sup>th</sup> January 2020APRIL – SEPTEMBER 2019/20 FINANCIAL SAVINGS MONITORING REPORT

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

**1. SUMMARY OF PROPOSALS**

To report to the Committee the monitoring of the savings for April – September 2019/20 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 April – September 2019/20 as detailed in the MTFP and approved by Council in February 2019.
- 3.2 The External Auditors, Grant Thornton, made a recommendation within their Section 24 Notice in relation to the monitoring of savings for 2019/20.
- 3.3 The recommendation stated that :
- A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20.
- 3.4 **Actions to meet the recommendation include:**
- All savings are monitored on a monthly basis with Heads of Service and budget holders during finance meetings with individual finance representatives
  - Quarterly reports to Executive and Audit and Governance Committee are presented to include detailed savings schedules showing delivery of savings

**REDDITCH BOROUGH COUNCIL****AUDIT GOVERNANCE AND STANDARDS COMMITTEE****30<sup>th</sup> January 2020**

or areas of concern where additional income or cost reductions are not being achieved. Action plans to be in place from Quarter 2 2019/20 to identify how any shortfalls will be met

- Quarterly identification of further additional income and savings detailed on separate schedule to ensure vacancy management savings and non allocated savings of £181k are being met
- Budgets to be adjusted to draw down additional savings to increase general fund balances where appropriate
- HRA – plans in place to mitigate spend on Repairs and Maintenance to ensure savings made to protect HRA balances
- Vacancy and non essential spend freeze in place with the aim to delivery additional savings to support the balances position for both HRA and General Fund
- Override on budgets no longer available and list of orders considered by the HOS on a monthly basis

As members may be aware during the budget process, heads of service propose savings that are to be delivered during future financial years. The budget allocation is then reduced to reflect the proposed saving and officers meet on a monthly basis to ensure that all estimated reductions to budget are being delivered.

- 3.6 The medium term financial plan included £1,127k of savings identified to be delivered during 2019/20 the breakdown of these savings is attached at appendix 1. £206k of these identified savings is in relation to a vacancy factor and £181k saving is in relation to transformational redesign.

To quarter 2 £579k of the £1,127k identified savings have been realised against the budgeted April to September savings of £563k. It is further anticipated that the actions above will deliver additional savings and income to improve the balances position for the year.

In addition to the above officers have been required to find further savings throughout the financial year 2019/20. At quarter 2 additional savings (above those identified) have been realised of £339k. The full details of the savings are included in the Quarter 2 monitoring reports as presented to Executive in December 2019.

3.7 **Legal Implications**

None as a direct result of this report.

3.8 **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 – September 2019/20

**7. BACKGROUND PAPERS**

Available from Financial Services

**AUTHOR OF REPORT**

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Tel: (01527) 881400

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Department	Strategic Purpose	Description of saving	2019-20 £'000	April - Sept 19/20	Quarter 2			
					On target Y/N	Additional (add to to in yr savings) £'000	below target Y/N	Pressure £'000
Community Services	Help me live my life independently	Lifeline - Additional Income from Cannock Chase contract	-90	-45	Y			
Community Services	Help me live my life independently	Lifeline - Additional Income from Cannock Chase contract - SLA	-30	-15	Y			
Community Services	Help me live my life independently	Reduction in budget following changes to the Grants to Voluntary Bodies scheme	-20	-10	Y			
Corporate Services	Enabling	Re-structure	0	0	Y			
Corporate Services	Enabling	Re-structure	0	0	Y			
Corporate Services	Enabling	Print contract	-54	-27	Y	-10		
Corporate Services	Enabling	Print contract	0	0	Y			
Corporate Services	Enabling	Savings realised on supplies and services	-2	-1	Y			
Corporate Services	Enabling	Savings realised on supplies and services	-1	-1	Y			
Corporate Services	Enabling	Savings realised on supplies and services	-1	-1	Y			
Corporate Services	Enabling	10 year pension liability from 2008 restructure	-84	-42	Y			
Corporate Services	Enabling	Vacancy management	-206	-103	Y			
Corporate Services	Enabling	Transformational service redesign	-181	-91	Y			
Customer Access & Financial Support	Enabling	NNDR budget	-13	-7	Y			
Customer Access & Financial Support	Help me be financially independent	Benefits - HRA Recharge for service	-40	-20	Y			
Customer Access & Financial Support	Help me run a successful business	Property - Additional rental income	-58	-29	Y			
Customer Access & Financial Support	Help me be financially independent	Audit budgets	-4	-2	Y			
Customer Access & Financial Support	Help me be financially independent	Audit budgets	-3	-2	Y			
Customer Access & Financial Support	Help me be financially independent	Audit budgets	-14	-7	Y			
Environmental Services	Keep my place safe and looking good	Additional Income from increased cremation fees	-32	-16	N		Y	10
Environmental Services	Keep my place safe and looking good	Budgets not required	-10	-5	Y			
Legal and Democratic	Help me find somewhere to live in my locality	Land charges	-1	-1	Y			
Legal and Democratic	Enabling	Additional Income	-5	-3	Y			
Rubicon Client	enabling	Reduction in forecast for ongoing systems implementation	-38	-19	Y			
Regulatory Client	Help me run a successful business	Additional Income	-3	-2	Y			
Regulatory Client	Help me run a successful business	Additional Income	-10	-5	Y			
Parenting & Family Support	help me live my life independently (incl health & activity)	Additional Income	-16	-8	Y	-16		
Housing General Fund	Help me to find somewhere to live in my locality	Accumulation of minor reductions in various budget lines	-5	-3	Y			
Housing General Fund	Help me to find somewhere to live in my locality	Reduction in crash pad costs	-11	-6	Y			
Housing General Fund	Help me to find somewhere to live in my locality	Potential savings due to new system procurement	0	0				
Housing General Fund	Help me to find somewhere to live in my locality	Additional homelessness prevention units rent charge income - offset by increased rent charged by HRA	0	0				
Housing General Fund	Help me to find somewhere to live in my locality	Cessation of reimbursement of service charge income for dispersed units (cc0409) - offset by cost on unavoidable tab	0	0				
Housing General Fund	Help me to find somewhere to live in my locality	Flexible Homelessness Support Grant awarded for 2019/20	-193	-97	Y			
Housing General Fund	Help me to find somewhere to live in my locality	Additional B&B rent charge income due to increased levels of homelessness cases - partially offsets increased B&B charges	0	0				
Housing General Fund	Help me to find somewhere to live in my locality	Public liability insurance budget removed as not applicable	-2	-1	Y			
			-1,127	-563		-26		10

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**REDDITCH BOROUGH COUNCIL****AUDIT, STANDARDS & GOVERNANCE COMMITTEE****30<sup>TH</sup> JANUARY 2020****HOUSING INTERNAL CONTROLS – S151 UPDATE**

Relevant Portfolio Holder	Cllr Matt Dormer
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering
Ward(s) Affected	All
Ward Councillor(s) Consulted	N/A

**1. SUMMARY OF PROPOSALS**

This provides a further progress report detailing the actions taken to deliver the improvements to Housing Internal Controls as recommended by Internal Audit reports and further identified by External Audit in 2018.

**2. RECOMMENDATIONS**

- 2.1 That Members consider the actions in place to provide assurance in relation to the weaknesses identified.
- 2.2 That Members request a further 6 monthly update on the implementation of actions contained within the reports.

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

- 3.1 As Members are aware as a result of Internal Audit reports in 2016/17 in relation to Housing Capital and Post Contract appraisal functions a significant number of recommendations in relation to contract compliance, contract management and procurement processes were identified.
- 3.2 Actions taken in response to the recommendations included:
  - Review of all contracts
  - Procurement Officer relocated within Legal
  - Appointed Specialist Officers
  - Review of delegations
  - Comprehensive mandatory training
  - Stock condition survey to be undertaken
  - Review of financial arrangements
- 3.3 Grant Thornton have noted that improvements have been made to procurement and contract management and further reports are being undertaken by Internal Audit to assess the actions undertaken.

**REDDITCH BOROUGH COUNCIL****AUDIT, STANDARDS & GOVERNANCE COMMITTEE****30<sup>TH</sup> JANUARY 2020**

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- 3.4 This report aims to update and assure Members that recommendations from the Audit team have been implemented or have a clear timeline as to when they will be actioned.

**Legal Implications**

- 3.5 The Council has a number of statutory duties to fulfil as a social landlord. Officers are also required to comply with a number of corporate policies including financial regulations and contract procedure rules. The improvements being made will ensure the Council officers comply with the regulations and processes in place.

**Service / Operational Implications**

- 3.6 Members will be aware that the Council's internal audit team carried out two audit investigations into the operation of the Council's Housing Services. These were finalised in March 2017.
- 3.7 As a result of these audit investigations certain recommendations were made to officers in respect of the financial controls within the Housing Service and how improvements can be made. The Audit Standards and Governance Committee's role is to provide assurance to the Council on the effectiveness of its internal controls and governance arrangements that are in place to secure this.
- 3.8 Training and development has been undertaken for all personnel who have roles or responsibilities in procuring; letting and managing contracts. In addition, the financial regulations and contract procedure rules were refreshed to give further clarity.
- 3.9 All major contracts continue to be reviewed and regularised where they were found to be holding over or operating outside of a framework.
- 3.10 The Legal and Procurement team have rolled out procurement and contract procedure rules training to all forth tier officers and further contract management training will continue as refresher sessions for officers.
- 3.11 All new contracts are being negotiated in line with procurement and contract procedure rules and support and guidance given to ensure that the contracts include meaningful and measurable performance tools and milestones in conjunction with regular client contractor meetings.
- 3.12 Officers have updated the action plans to reflect the current position and these are attached to this report:
- Appendix A details all of the actions either implemented or with a clear timeline of delivery for the Capital Programme Audit



- Appendix B details all of the actions either implemented or with a clear timeline for delivery of the Post Contract Appraisal Audit.

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

- 3.13 The improvements as recommended within the Internal Audit reports and the recent detailed operational and structural report to Executive will ensure that tenants receive a service that is compliant, safe and delivers good customer care.

### **4. RISK MANAGEMENT**

The Councils corporate risk register reflects the issues and actions required to mitigate risk

### **5. APPENDICES**

Appendix 1 - Housing Capital Programme  
Appendix 2 - Post Contract Appraisal

### **6. BACKGROUND PAPERS**

None.

### **7. KEY**

None.

### **AUTHOR OF REPORT**

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Housing Capital Programme – 2016/17  
Worcestershire Internal Audit Shared Service

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 15 <sup>th</sup> February 2018 1 <sup>st</sup> Follow up	Update January 2020
4.1 H	<p><b>Housing Capital Programme</b></p> <p>Original records must be obtained and reviewed in conjunction with major works that have been completed to date to determine:</p> <ul style="list-style-type: none"> <li>*• works that have been completed</li> <li>• properties that require upgrades/improvements</li> <li>• the required budget to be included in the current 5 year programme (i.e. 2017 – 2021) and going forward to the 30 year plan ending 2041.</li> </ul>	No response was expected from this audit	<p><b>In progress</b></p> <p>A review was carried out on previous stock condition data held by the Capital Team. There was very little data held on component replacements with no robust strategy to replace major components with the housing stock that were either at their remaining life or in a very poor condition. The last meaningful stock condition survey was carried out by Savills in 2001. Savills were contacted and provided a copy of the document that they had compiled, However they did express concerns if this document was still being used as it was only initially intended for budgetary purposes only. The survey data did not hold data against individual properties and schemes that required improvement works.</p> <p>The Stock survey will collect a minimum of 20% data on the housing stock. This will provide a more accurate and</p>	<p><b>In Progress</b></p> <p>RIDGE LLP were procured to carry out a Stock Condition Survey in January 19.</p> <p>Phase 1 has been complete with 1272 surveys being completed. These consisted of blocks and independent assets. This represents a sample size of approximately 21%.</p> <p>Phase 2 of the project commenced on the 1<sup>st</sup> Oct 2019. We have currently surveyed the following stock including blocks as shown in the table below</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 15 <sup>th</sup> February 2018 <b>1<sup>st</sup> Follow up</b>	Update January 2020														
[Red Bar]			<p>meaningful picture of the housing stock and to reflect changes that have occurred e.g. end of decent homes standard and compliance with the Housing Health &amp; Safety Rating Standards.. Members have agreed funding of £150k from HRA capital to fund the stock condition survey.</p> <p>The stock condition will initially be completed on 20% of the housing stock ensuring a good representative sample of all archetypes has been surveyed and then will continue focusing on high risk properties.</p> <p>Reviews are being conducted on previous projects that have been completed to ensure that work has been completed to a satisfactory standard and that all necessary documentation in place. Once this review is completed the data will be uploaded into the new Asset Management system.</p> <p>We envisage the following to be completed on data collection</p> <p>20% to be surveyed by 31<sup>st</sup> March 2019 70% to be surveyed by 31<sup>st</sup> March 2020 100% to be surveyed by 31<sup>st</sup> March</p>	<table border="1" data-bbox="1809 279 2161 526"> <thead> <tr> <th>Asset Type</th> <th>Surveyed</th> </tr> </thead> <tbody> <tr> <td>Block</td> <td>601</td> </tr> <tr> <td>Bungalow</td> <td>521</td> </tr> <tr> <td>Flat</td> <td>1023</td> </tr> <tr> <td>House</td> <td>1557</td> </tr> <tr> <td>Maisonette</td> <td>11</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>3713</b></td> </tr> </tbody> </table> <p>This represents a sample size of approximately 63%</p> <p>Garages are currently being surveyed and a revised asset register has been compiled. The garages will be completed by the 21/2/20.</p> <p>Procurement requires early sight of planned works programme will ensure complaint contracts available for implementation.</p>	Asset Type	Surveyed	Block	601	Bungalow	521	Flat	1023	House	1557	Maisonette	11	<b>Grand Total</b>	<b>3713</b>
	Asset Type	Surveyed																
Block	601																	
Bungalow	521																	
Flat	1023																	
House	1557																	
Maisonette	11																	
<b>Grand Total</b>	<b>3713</b>																	

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <b>1<sup>st</sup> Follow up</b>	<u>Update January 2020</u>
			<p>2021</p> <p>Until such time that we have robust plans to carry out planned capital works we will be reducing the spend on capital works and only carrying out necessary works following detailed surveys at properties and only where issues have been identified with meeting statutory legislation e.g. The Regulatory Reform (Fire Safety) Order 2005 and Control of Asbestos Regulations 2012.</p> <p>.</p>	
4.2 H	<p><b>Budget Monitoring</b></p> <p>Consideration should be given to:</p> <ul style="list-style-type: none"> <li>• Creating annual orders to commit expenditure.</li> <li>• Routinely incorporating work in progress in to the budget monitoring process to minimise the scope for overspends</li> </ul>	No response was expected from this audit	<p><b>In progress</b></p> <p>The Senior Contract Manager confirmed that he had met with the Housing Accountant and a revised process for monitoring capital spend agreed</p> <p>Expenditure on capital projects is committed and provisions have been made to take account of work:</p> <ul style="list-style-type: none"> <li>• Ordered</li> <li>• In progress (WIP)</li> <li>• Completed but not yet invoiced</li> <li>• Completed and Invoiced</li> <li>• Paid</li> </ul>	<p><b>Implemented</b></p> <p>For financial year 18/19 and going forward orders for capital works were placed using the Councils eProc financial system.</p> <p>This allowed better monitoring of budgets and expenditure.</p> <p>New contracts were also procured through frameworks to ensure that all works ordered</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u>  <u>1<sup>st</sup> Follow up</u>	<u>Update January 2020</u>
			<p>The Senior Contracts Manager will be responsible for monitoring all capital works expenditure. In the interim whilst the new Housing Management System is being procured and mobilised, the Senior Contracts Manager will be using the financial system eProc and eFin to raise works orders which initially will be for multiple works against one project and contractor to better manage budgets and expenditure.</p> <p>Furthermore a new process of closing accounts on a quarterly basis is being developed by the Senior Contracts Manager and Finance. This will allow potential overspends to be better managed and also ensure that end of year accruals are minimised.</p> <p>This should ensure a more robust approach is followed.</p> <p>Changes to revenue spend is reliant on new Housing Management System.</p>	<p>complied with the Councils Procurement rules.</p> <p>Meetings were held with finance to ensure that expenditure was controlled and managed as per the budgets.</p> <p>No overspend on the budgets is envisaged for financial year 18/19.</p> <p>Procurement need a full list of contract for the contracts register, we still do not have this complete.</p> <p>Also housing need to ensure all orders detail which framework we are utilising.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <b>1<sup>st</sup> Follow up</b>	<u>Update January 2020</u>
4.3 H	<p><b>Budget Overspends</b></p> <p>When the budget has been reached it is practice to halt the works.</p> <p>However, it is not common practice to review the contract management arrangements. Failure to routinely do this will not determine if poor contract management was contributory factor in the budget level being prematurely reached/ exceeded.</p>	<p>Where expenditure levels are at or exceeded the budget, then it would be prudent to confirm the reasons for this as opposed to just slowing or halting the works.</p>	<p>See above</p> <p>Regular budget monitoring reports (are produced , circulated and monitored by senior managers and the Portfolio Holder.</p>	
4.4 H	<p><b>Property Database</b></p> <p>For the purposes of accuracy and to ensure that the housing stock is maintained in accordance with the Decent Homes Standard, it is recommended that a central database is established.</p> <p>SAFFRON would be the obvious choice for storing property related data. However it is accepted that this is an old version of the application and has limitations.</p> <p>It may be appropriate to consider an alternative solution which will provide a 'fit for purpose' system that can be relied on and provide the requisite management information that will assist good decision</p>	<p>No response was expected from this audit</p>	<p><b>In progress</b></p> <p>A new asset management system has been procured from Asprey Management Solutions Ltd.</p> <p>The asset management system will hold all relevant property information such as property archetype, ownership, status (i.e. sold or RTB) plus survey condition data, Decent Homes and Housing Quality Standard rules, local rules, installation dates, suggested replacement dates (based on survey data), planned replacement dates etc. This module allows an analysis of current and future positions in terms of</p>	<p>In Progress</p> <p>The new asset management system was procured in 2018 and is currently being developed in line with RBC requirements.</p> <p>The asset register is complete and a physical survey was carried out of all blocks to ensure we had the correct independent assets were attributed to the correct blocks.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <b>1<sup>st</sup> Follow up</b>	<u>Update January 2020</u>
[Red Bar]	making and justifiable actions.		<p>Housing Quality standards, along with associated cost information, and via scenario planning, allows the user to determine the optimum route to reaching and maintaining the target level of decency/housing quality.</p> <p>The new system will also allow robust cost forecasting and budgeting for capital works, this can be done on a yearly basis or up to 30 years.</p> <p>The Senior Contracts Manager has been tasked with project managing the implementation of the new system. We envisage the system for initial data collection being in operation by Nov 18 and the full system operation from the 1<sup>st</sup> April 19.</p>	<p>The component register has also been completed detailing all the major components that will be collected during the stock condition surveys.</p> <p>We have also completed the component accounting schedule of rates which will inform RBC of the 30 year expenditure on the assets. The component accounting costs have also been verified externally and internally to ensure they are in line with industry costs.</p> <p>The rules and structures for Decent Homes, Housing health &amp; safety rating standard and RdSAP have also been completed.</p> <p>The system is live in an external environment and will be formally moved</p>



Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u>  <u>1<sup>st</sup> Follow up</u>	<u>Update January 2020</u>
				<p>over onto RBC servers once the garage surveys are complete.</p> <p>Work has also commenced on the other modules that we have procured, namely;</p> <p>Fire Risk Assessments Legionella Asbestos Electrics Gas Servicing Inspection &amp; Testing.</p> <p>The Senior Contracts Manager has been assigned as the Super User on the project and a team established to support the implementation of the modules.</p> <p>With the procurement of the new housing system this project has now been linked to the wider housing system project board to ensure that the</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <u>1<sup>st</sup> Follow up</u>	<u>Update January 2020</u>
				<p>project is managed in line with other business critical areas.</p> <p>We are now hoping the system is fully implemented by 30<sup>th</sup> August 2020. This will be done through phased approach ensuring key modules are implemented first.</p>
4.5 H	<p><b>Contract extensions</b></p> <p>Contracts should only be extended in accordance with the Standard Terms and Conditions of the Contract and value for key must be a key driving factor.</p>	<p>No response was expected from this audit</p>	<p><b>Implemented</b></p> <p>Following the review of existing contracts and the suspension of all existing contracts subject to a full review a new process has been implemented to manage contract extensions.</p> <p>No contracts will be extended on the expiration date of existing contracts. All new procurement contracts have been procured in line with the Councils Corporate Procurement Procedure rules. Upon the anniversary of the contract expiration new contracts will have been procured ensuring that</p>	<p><b>Implemented/Ongoing</b></p> <p>All new contracts have been procured in line with the Councils Corporate Procurement procedure Rules via a number of frameworks. The contracts procured have been as follows</p> <p>Voids works. R&amp;M Works. Asbestos removals. Asbestos surveying. Fire Stoppage Works.</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 15 <sup>th</sup> February 2018 <b>1<sup>st</sup> Follow up</b>	Update January 2020
			<p>adequate time and resources are tasked prior to the contract end date allowing enough time to procure any new contracts.</p> <p>The Senior contracts Manager has been tasked with responsibility to procure all new contracts and also keep an up to dated register of contracts with start and end dates which are regularly reviewed with the Procurement Officer.</p> <p>If for any reason a contract cannot be sought in line with Corporate Procedure Rules then a report will be compiled by the Senior Contracts Manager and Procurement Officer which will then only be approved by the Head of Service and the Management Team. This process will only be used in exceptional circumstances.</p>	<p>Stock condition surveys. Structural Surveys. Fire Risk assessments.</p> <p>The following tenders are in the process of being procured</p> <p>Electrical works Electrical compliance Electrical Upgrades Equipment &amp; Adaptation Drains &amp; Sewers Whole House Works Cyclical Painting Cleaning Regular meetings are held between the Senior Contracts Manager and Procurement officer to review contracts.</p> <p>Contracts still out of date (cleaning) or no complaint contracts in places (waste).</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u>  <u>1<sup>st</sup> Follow up</u>	<u>Update January 2020</u>
4.6 H	<p><b>Work not exposed to competition</b></p> <p>This work should be exposed to competition without delay.</p>	<p>No response was expected from this audit</p>	<p><b>In progress</b></p> <p>During the initial audit it had been confirmed that work carried out in connection with aerial repairs had not been exposed to tender and there were questions being raised regarding the current providers qualification to do this work.</p> <ul style="list-style-type: none"> <li>This work has not been tendered but is being examined with a view to including the works within the electrical contract procurement as a separate Lot.</li> </ul> <p>Electrical contracts will be out for tender in November/December 2018. Industry standard specifications (NATFED) will be used (amended as necessary) for this purpose. These specifications are available under a subscription service and are updated to ensure all appropriate legislation, health &amp; safety requirements etc. In future all contract specifications will follow this format starting with the Electrical contract.</p> <p>All future tenders will ensure that appropriate trade qualifications or membership of a professional body will</p>	<p><b>Implemented</b></p> <p>All new contracts procured have select questions that are completed by the relevant tenderers which specifically look at competency of the contractor.</p> <p>These will involve qualifications, professional accreditations, references, industry experience and quality assurance systems.</p> <p>This will ensure only competent contractors bid for any works</p> <p>Robust procurement process for all new contracts. Use of frameworks where possible for full transparency.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <b>1<sup>st</sup> Follow up</b>	<u>Update January 2020</u>
			be requested and confirmed as part of the tender/evaluation process.	
4.7 H	<p><b>Contract Register</b></p> <p>Expired contracts must be tendered as a matter of urgency. Records held by both Procurement &amp; Housing should be reviewed to ensure information is consistent and appropriate action is taken to prepare for letting the contract.</p>	No response was expected from this audit	<p><b>In progress</b></p> <p>All contracts have now been reviewed and the Senior Contracts Manager along with the Procurement Officer will be updating and reviewing the register on a regular basis.</p> <p>The contracts register will also be uploaded onto the Corporate procurement system Due North which will ensure that automatic updates will be sent to robustly manage the process.</p>	<p><b>Implemented</b></p> <p>Training has been provided on the Corporate Procedure Rules and Financial Regulations to the Housing capital team</p> <p>Training was also delivered by Anthony Collins Solicitors on Contract Management.</p> <p>Contracts register is still not up to date with all contracts.</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 15 <sup>th</sup> February 2018 1 <sup>st</sup> Follow up	Update January 2020
4.8 H	<p><b>Procurement training</b></p> <p>All staff engaged in the procurement process should be adequately trained.</p>	<p>Inexperienced staff should not be preparing specifications unless there is an adequate level of supervision.</p>	<p><b>In progress</b></p> <p>Training was provided to members of the Housing Capital team in May 2017 by the SCM.</p> <p>The Contract Group has identified council wide training to be delivered :</p> <ul style="list-style-type: none"> <li>• Contract Procedure Rules &amp; Fin Regulations – delivered with mop up sessions available</li> <li>• Contract Management Training – to be provided by HR</li> <li>• Mandatory Procurement Training has now been undertaken and lists of all who attended has been issued to HOS.</li> </ul>	<p>All training now undertaken and continue sessions to maintain knowledge.</p> <p>Training is taking place on Specifications and Scoring and Evaluation. Also we have Crown Commercial Services coming in February 20 to discuss Frameworks</p> <p>Further mop up general training provided to new starters/those who have not attended. Further sessions will be made available.</p> <p>New general training will be rolled out Autumn 2020 following process mapping work with Black Radley.</p> <p>Specification template now available.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <b>1<sup>st</sup> Follow up</b>	<u>Update January 2020</u>
4.9 H	<p><b>Contract Specifications</b></p> <p>There is no formal process in place that identifies key contract stages/requirements in the contract letting process e.g.</p> <ul style="list-style-type: none"> <li>• Specification</li> <li>• Advertising</li> <li>• Method of evaluation</li> <li>• Impact on other contracts</li> <li>• Liaison with procurement</li> <li>• Performance measures</li> </ul> <p>It is recommended for each contract a standard checklist is introduced that will help ensure that a disciplined approach is followed and, key elements have been identified.</p> <p>The checklist should also provide for management/senior officer review/sign off to provide assurance that key areas have been adequately addressed.</p>	No response was expected from this audit	<p><b>Implemented</b></p> <p>New processes have been developed to ensure that any procurement of contracts has fit for purpose specifications for the work required.</p> <p>All procurement for contracts has detailed timelines which identify key milestones along with named officers who are required in the process. As all procurement is now being viewed across the council this in turn will allow other departments who may use similar services to be part of the contract tender documentation. This negates the need to do multiple procurements for similar works ensuring a better streamlined process and value for money is being achieved.</p> <p>The Senior Contracts Manager is leading on this with support from the Procurement Officer to identify where procurement may overlap between different teams and departments.</p> <p>As mentioned in 4.7, contract specifications to be used in the future will now be standardised and up to date and available via a subscription service.</p>	<p><b>Implemented</b></p> <p>Contracts specifications have been re-done to ensure they are fit for purpose.</p> <p>Procurement of contracts now also include Public Buildings to ensure that duplication of works is avoided.</p> <p>We are currently holding training courses on Specification writing.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <b>1<sup>st</sup> Follow up</b>	<u>Update January 2020</u>
4.10 H	<p><b>Performance measures</b></p> <p>All contracts must include meaningful performance measures as indicated in the Contract Procedure Rules and be closely monitored as part of the overall contract management throughout the term of the contract.</p>	No response was expected from this audit	<p><b>Implemented</b></p> <p>A new suite of performance measures are in the process of being introduced on all new contracts</p>	<p><b>Implemented</b></p> <p>Use of frameworks provides robust performance measures mechanisms – checks needed to ensure these are appropriately monitored and used.</p> <p>No one is using the portal for contract management purposes.</p>
4.11 H	<p><b>Record retention/disposal</b></p> <p>Records must be retained as outlined in the procedure rules</p>	No response was expected from this audit	<p><b>Outstanding</b></p> <p>This is an area that has yet to be addressed by the Contracts Group and is now council wide and not restricted to Housing.</p> <p>A ‘contract amnesty’ was declared for the purpose of determining what contracts existed within the council</p>	The portal is still not up to date with contracts and documentation



Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <b>1<sup>st</sup> Follow up</b>	<u>Update January 2020</u>
			<p>which are not recorded anywhere &amp; to establish an accurate position. This piece of work has been carried out by the Contract W and contracts have been identified. This is still an ongoing piece of work</p> <p>In the medium term council wide use of the procurement application DUENORTH will enable all records to be held both electronically and centrally.</p>	
4.12 M	<p><b>Resilience</b></p> <p>It is recommended that the issue of resilience is factored into the process when these contracts are let.</p>	No response was expected from this audit	<p><b>In progress</b></p> <p>The contracts specifically electrical are go to be let in lots i.e. specific type of work. This will allow specialists, small, and multi skilled suppliers to tender. This will also help to provide resilience in this area.</p>	<b>In Progress</b>
4.13 M	<p><b>Contract / Procurement Guidance</b></p> <p>Procurement documents should be reviewed to ensure that guidance is; sufficient, consistent and that responsibilities are clearly defined</p>	No response was expected from this audit	<p><b>Implemented</b></p> <p>The Contract Procedure Rules (CPR) &amp; the Financial Procedure Rules have been reviewed and came into force wef 1<sup>st</sup> April 2018.</p> <p>The audit report made specific reference to 'contract extensions' &amp; 'novations' but</p>	<p><b>Implemented</b></p> <p>We are looking at updating the orb and website with further helpful information and documents.</p> <p>New specification</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 15 <sup>th</sup> February 2018 <b>1<sup>st</sup> Follow up</b>	Update January 2020
			<p>neither appear in the revised CPR. However it is intended for these areas to be covered in the contract management training.</p> <p>Consideration was given to centrally locating all contract/procurement advice/documents etc. However it was felt that staff wishing to procure services should be encouraged to deal directly with the Procurement Officer that way there is a greater degree of certainty that advice given will be consistent and the scope for error minimised.</p>	<p>template and outcome of Black Radley process mapping</p>
4.14 M	<p><b>Procurement Unit</b></p> <p>It is recommended that the Procurement Officer liaises with Heads Of Service &amp; staff involved with contracts to gauge views and ideas to determine an effective partnership going forward</p>	<p>No response was expected from this audit</p>	<p><b>In progress</b></p> <p>The Procurement Unit is now within Legal Service's and forms part of the new Commercial Team that includes solicitors.</p> <p>The Procurement profile has now been raised by this move. The Business Plan Template also requires that Procurement is involved at an early stage.</p> <p>Other Services (e.g. Environmental Services) are ensuring that advice is</p>	<p><b>Implemented and Continuing.</b></p> <p>Process mapping work with Black Radley and procurements champions outcome now going to CMT to be signed off before roll out through new procurement training and suite of template documents.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u> <b>1<sup>st</sup> Follow up</b>	<u>Update January 2020</u>
			sought from Procurement prior to tendering.	
4.15 M	<p><b>Contract Conditions</b></p> <p>It should not be accepted that the Council will meet these costs and as such these clauses should not be routinely incorporated into contracts.</p> <p>Consideration should also be given to having shorter contracts as opposed to the five year contracts that have been let.</p>	No response was expected from this audit	<p><b>Implemented</b></p> <p>Confirmed with both HOLM &amp; SCM that future contracts will not provide for rpi increases.</p> <p>Again the use of a report will reinforce this requirement.</p>	<p><b>Implemented</b></p> <p>No RPI increases as per previous contracts have been provided in new contracts that have been procured.</p>
4.16 M	<p><b>Whistleblowing Policy</b></p> <p>It is recommended that at the time contracts are exposed to tender, prospective tenderers are given an extract of the policy along with all other documents and the Policy is made easily available on the Council's website to encourage action if wrong doing is considered present.</p>	No response was expected from this audit	<p><b>In progress</b></p> <p>The Whistleblowing Policy (Confidential Reporting Policy) was reviewed and approved by Council in July 2016. The Policy appears in the staff handbook which is also part of the Constitution which can be found from the web site.</p> <p>Due to the suspension of contracts this recommendation has yet to be fully implemented. Though this should occur with the tendering for the Minor Civils</p>	<p><b>In progress.</b></p> <p>Use of frameworks means procurement conducted by independent 3<sup>rd</sup> party organisations</p>

<b>Ref./ Priority</b>	<b><u>Recommendation</u></b>	<b><u>Management Response and Action Plan</u></b>	<b><u>Position as at 15<sup>th</sup> February 2018</u></b>	<b><u>Update January 2020</u></b>
			<b><u>1<sup>st</sup> Follow up</u></b> contract which is due for tender imminently.	

## APPENDIX A

### Definition of Priority of Recommendations

<b>Priority</b>	<b>Definition</b>
<b>H</b>	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.  Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
<b>M</b>	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
<b>L</b>	Control weakness that has a low impact upon the achievement of key system, function or process objectives.

Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

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**APPENDIX B**

**Post Contract Appraisal 2016/17  
Worcestershire Internal Audit Shared Service**

<b>Ref./ Priority</b>	<b>Recommendation</b>	<b>Management Response and Action Plan</b>	<b>Position as at 5<sup>th</sup> March 2018 1<sup>st</sup> Follow up</b>	<b>Update January 2020</b>
4.1 H	<p><b>Performance Measures</b></p> <p>All contracts must include a meaningful set of measures that will allow contract performance to be effectively monitored.</p>	<p><b>Accepted</b></p> <p>As a starting point we will review all larger contracts to provide an assurance that where performance measures are included then they are monitored</p> <p>All new contracts will include meaningful performance measures and these will be monitored in conjunction with meetings scheduled with the contractor.</p> <p><b>Responsible Manager(s):</b></p> <p>Senior Contracts Manager Housing Property Services Manager Head of Environmental Services</p> <p><b>Implementation Date</b></p>	<p><b>Implemented</b></p> <p><b>Housing</b></p> <p>The Senior Contracts Manager will act as the Contracts Administrator on all contracts to ensure that all contracts are adequately administered and managed. All procurement contracts on Housing Property Contracts will now be underlined by signed contracts from the Joint Contracts Tribunal (JCT) suite of contracts. The Senior Contracts Manager along with the Team Leader – Contracts &amp; Commercial will review all contracts before they are signed as per the delegated authorities within the Council.</p> <p>Recorded contractor monitoring meetings will be maintained along</p>	<p><b>Implemented.</b></p> <p>Senior Contracts Manager has been named as Contracts Administrator on all new contracts that have been procured for Housing Property.</p> <p>These are as follows:</p> <p>R&amp;M Contract - AXIS Voids Contract – NOVUS Voids Contract – CLC Electrical Contract – Ortons Fire Safety – Fire Safe Asbestos Removal – EAS Asbestos Surveying – TERSUS Building Consultancy – RIDGE Fire Works – VENTRO</p> <p>All contracts have key measures built in to the contract documents and all contracts are from the JCT</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 <sup>th</sup> March 2018 1 <sup>st</sup> Follow up	Update January 2020
		31 <sup>st</sup> May 2017	with post inspections, to adequately manage and review performance measures  <b>Environmental Services</b>  See comments in 4.4	contract suite.  Housing can utilise the Due North system to manage contracts, at present this is not being used.  Use of frameworks provides robust performance measure mechanisms. Checks needed to ensure these are appropriately monitored and used.  <b>COMPLETE</b>
4.2 H	<b>Works Orders</b>  Orders for work should clearly state what is required together with measurements/quantities i.e. a clear schedule of requirement in regard to the job.	<b>Accepted</b>  Works carried out under the Roofing Renewals contract are subject to pre-measurement. A post inspection process is also in place and this will identify non adherence to the procedures.  <b>Responsible Managers:</b>  Senior Contracts Manager Housing Property Services Manager Head of Environmental Services  <b>Implementation Date:</b>	<b>In Progress</b>  All new procurement of contracts are issued from the outset with a detailed specification and general condition of works to ensure that quality is not compromised. The contracts also have schedule of rates that are broken down into quantities of measurement to ensure that the costs are better understood and can be assessed more easily on contracts.  Pre site meetings will be held with contractors to confirm the exact measurement and quantities of works are agreed prior to any works	<b>Implemented</b>  All major works have pre inspections which are carried out jointly with RBC and the contractor.  Detailed works are confirmed with a list of schedule of rates for each contract.  Pre contract meetings are held with all parties concerned including Housing locality to ensure that there is sound understanding of the project and its purpose.  Detailed schedule of rates are used on each contract along with a



Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 <sup>th</sup> March 2018 1 <sup>st</sup> Follow up	Update January 2020
			<p>starting on site.</p> <p>The contracts also have cost performance measures built in which will allow robust monitoring</p>	<p>detailed specification and measures of works.</p> <p>In order to ensure consistency across all contract the Nat Fed Schedule of rates is used which are industry standard.</p> <p>Consideration of use of the PFH Account card to log orders against operator to provide transparency</p> <p>Housing also need to include framework details on all orders to contractors used via a framework.</p> <p><b>COMPLETE</b></p>
	<p><b>Variation Orders</b></p> <p>All variations to the contract must be confirmed in writing with the contractor.</p>	<p><b>Accepted</b></p> <p>All staff involved in contract management have been instructed to confirm contract variations in writing.</p> <p><b>Responsible Manager:</b></p> <p>Senior Contracts Manager Housing Property Services Manager Head of Environmental Services</p>	<p><b>In Progress</b></p> <p>The new manager now responsible for this is the Senior Contracts Manager. All works are now assessed prior to any works starting on site and detailed schedule of rates are provided by the contractor</p> <p>Joint visits are conducted prior to any works starting with the contractor and the surveyors to</p>	<p><b>Implemented</b></p> <p>All Variation Orders are signed off by the Senior Contracts Manager.</p> <p>Once works are completed and prior to sign off a joint inspection is arranged on site and all works are confirmed along with any payments for the final invoice.</p> <p>An application system has been implemented for all capital works. This involves an application being</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 <sup>th</sup> March 2018 1 <sup>st</sup> Follow up	Update January 2020
		<p><b>Implementation Date:</b></p>	<p>assess the full extent of works required and confirm the rates to be applied.</p> <p>Any variances on the contract are agreed at stage of identification and signed off on site by the surveyor and then approved by the Senior Contracts Manager prior to the works being varied on the contract. This is then followed up by an email to the contractor and details recorded against the contract to allow for future auditing.</p> <p>All variances are discussed as a performance measure as part of the contract management processes and recorded.</p>	<p>submitted by the contractor prior to any invoice being received. The costs are then cross referenced against the original tender sum and site visits carried out to confirm the works that have been completed. These are signed off by the surveyor(s) and certification checked to confirm it has been received. Once this is approved then this is sent to the Senior contract manager for approval where the information is checked again. Once this process is approved then the contractor is asked to submit their invoice</p> <p><b>COMPLETE</b></p>
	4.4 H	<p><b>Contractor Meetings</b></p> <p>Whilst accepting that some contracts will lend themselves to more regularised meetings all contracts should include planned meeting frequencies (e.g. monthly, quarterly, six monthly) to ensure performance is effectively monitored.</p>	<p><b>Accepted</b></p> <p><b>Environmental Services</b></p> <p>In instances where there are no scheduled meetings e.g. Drain Clearance, there is regular contact with the contractor and a review of his work. However for all contracts there should be at least a minimum of an annual meeting to review performance and contract administrators will be asked to do</p>	<p><b>Implemented</b></p> <p><b>Environmental Services</b></p> <p>Drain Clearance contract to be re tendered mid 2018 &amp; this will be included in the contract documentation – in this case a minimum of an annual formal meeting.</p> <p>Minor Civil Engineering contract is in</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 <sup>th</sup> March 2018 1 <sup>st</sup> Follow up	Update January 2020
	<p>All meetings should be minuted with action points agreed and, where appropriate, contractors held to account.</p>	<p>this.</p> <p>All new contracts will stipulate the meeting frequency in the documentation.</p> <p><b>Responsible Manager:</b> Senior Contracts Manager Head of Environmental Services</p> <p><b>Implementation date:</b></p>	<p>progress. The tender documents have been prepared &amp; passed to the Procurement Officer for review. Internal Audit have reviewed the documents &amp; confirm that arrangements appear to be sound with the following appearing to be well covered</p> <ul style="list-style-type: none"> <li>- Tendered rates based on measurements, quantities</li> <li>- Specifications of materials, type measurement etc.</li> <li>- Subcontracting requirements included</li> <li>- Insurance</li> <li>- Planned contractor meetings together with specimen agenda.</li> </ul> <p>Seven number specific Performance Indicators have been included within Minor Civil Engineering and Ancillary Work Contract, and similarly within all future Contracts. These Performance Indicators will be analysed on a three month basis with the Contractor.</p> <p>See also 4.7</p>	<p>contract with current contractors for 12 months up until 31/3/20</p> <p>The Senior Contracts Manager will be procuring a new contract which will be completed by the end of this financial year with a start date of the 1<sup>st</sup> April 2020.</p> <p><b>Implemented</b></p> <p>As part of better contract management regular meetings (weekly/Monthly) have been set up with the contractor.</p> <p>These are held by either the surveyors or Senior Contracts Manager.</p> <p>The meetings discuss the following</p> <ul style="list-style-type: none"> <li>Progress on works</li> <li>Variances</li> <li>Payments</li> <li>Health &amp; safety</li> <li>Customer satisfaction</li> <li>Project Plan</li> </ul>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 <sup>th</sup> March 2018 1 <sup>st</sup> Follow up	Update January 2020
		<p><b>Housing Services</b></p> <p>Regular meetings are now held with contractors. The Housing Capital &amp; Repairs Maintenance Operations Manager is included in the circulation list for minutes and these are retained on the shared network drive.</p> <p><b>Responsible Manager:</b></p> <p>Housing Capital &amp; Repairs Maintenance Operations Manager</p> <p><b>Implementation Date:</b></p> <p><b>30<sup>th</sup> April 2017</b></p>	<p><b>Housing Services</b></p> <p><b>Housing Services (update)</b></p> <p>Regular meetings set up for any new contracts</p>	<p>All meetings are recorded and minutes circulated to all parties</p> <p>New PfH contracts with scheduled monthly/2 weekly meetings to monitor performance.</p> <p><b>COMPLETED</b></p> <p><b>COMPLETED</b></p>
4.5 H	<p><b>Contractor Payments</b></p> <p>Payment terms to be in accordance with the contract and any variation investigated prior to payment.</p>		<p><b>Implemented</b></p> <p>Contractor payments are made in accordance with the signed contracts we have with the new contractors. All costs are verified prior to payment by the relevant managers.</p> <p>See section 4.3</p>	<p><b>Implemented</b></p> <p>No variances are agreed or approved without a detailed reason and subsequent site visit or report and photographs.</p> <p>See section 4,3 of this report</p> <p>COMPLETE</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 <sup>th</sup> March 2018 1 <sup>st</sup> Follow up	Update January 2020
4.6 H	<p><b>Tender Evaluation</b></p> <p>Tender evaluation processes should be observed to maintain transparency in the process</p>	<p><b>Accepted</b></p> <p>Tender evaluation matrices must be completed to confirm that the contract award has been made in accordance with the award criteria.</p> <p>All officers involved with contract evaluation will be reminded of the need to follow this process.</p> <p><b>Responsible Manager:</b></p> <p>Head of Environmental Services</p> <p><b>Implementation Date</b></p>	<p><b>Implemented</b></p> <p>Confirmed that no further contracts relating to Stores &amp; Supplies have been let &amp; so this situation has not arising.</p> <p>The situation is the same within Stores, no contracts have been let however discussions are underway with Procurement to look at suitable frameworks for up and coming contracts. Stores Team Leader is aware of the need to undertake a full tender evaluation.</p>	<p>Procurement monitoring / checking scoring prior to award.</p> <p>No Tendered Contracts relating to Stores have been let in the last year, however there are some due this financial year.</p> <p>Update</p> <p>Contract relating to the supply of Stores Stock is currently being procured via a frame work agreement with the assistance of the procurement team.</p> <p>New stores contracts signed and will be fully implemented by 1<sup>st</sup> February 2020.</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 <sup>th</sup> March 2018 1 <sup>st</sup> Follow up	Update January 2020
4.7 M	<p><b>Contractors Insurance</b></p> <p>A checklist is devised for each contract to ensure the contract monitoring covers all aspects when it relates to renewables e.g. insurance and that products remain up to specification and standard.</p>	<p><b>Accepted</b></p> <p><b>Housing Services</b></p> <p>This is now in place for our Capital contracts and reviews are scheduled to be carried out as part of the frequent meetings with the contractors. Evidence is retained on the shared network drive.</p> <p><b>Responsible Manager:</b></p> <p>Senior Contracts Manager</p> <p><b>Implementation date:</b></p> <p><b>30<sup>th</sup> April 2018</b></p> <p><b>Environmental Services</b></p> <p>Contract Administrators will be asked to set up diary dates to review insurance and to retain</p>	<p><b>Implemented</b></p> <p><b>Housing Services</b> Implemented on 30<sup>th</sup> April 2018</p> <p>There is a procurement checklist that has been devised by the Procurement Officer which ensures that all contractors who are awarded contracts have the necessary pre qualification information current and relevant.</p> <p>All contracts awarded through frameworks have this information for all contractors on the framework and this is managed and collected by the relevant framework providers. Furthermore this information is also detailed in the JCT contracts and copies are stored on the server for future auditing purposes.</p> <p>This process is the responsibility of the Senior Contracts Manager and managed by the relevant Managers and Surveyors</p> <p><b>Environmental Services</b> 16 April 2018</p>	<p>Contractors asked to confirm that required insurances in place – checking documents is contract manager function.</p> <p>Use of frameworks provides means of standard insurance requirements pre checked by framework provider.</p> <p>IMPLEMENTED</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 <sup>th</sup> March 2018 1 <sup>st</sup> Follow up	Update January 2020
		<p>evidence.</p> <p><b>Responsible Manger:</b> Head of Environmental Services</p> <p><b>Implementation Date:</b> 31<sup>st</sup> May 2017</p>	<p>Contract documents now include this item as one of the specific Performance Indicators reviewed every three months.</p> <p>The revised Contract Procedure Rules also include a requirement to confirm that insurance remains in place throughout the life of the contract. Both Training on the revised CPR's &amp; contract management have been delivered with mop up sessions available</p>	
4.8 M	<p><b>Contract Documents</b></p> <p>The Contract Procedure Rules should be followed regarding the retention of signed contracts.</p>	<p><b>Accepted</b></p> <p>All staff will be advised to ensure that signed contract documents meeting this criterion will be passed to Legal Services for safe keeping.</p> <p>However to assist in this process, it is important that all procedures relating to contracts are readily and easily available to staff</p> <p><b>Responsible Manager:</b></p> <p>Head of Environmental Services Senior Contracts Manager Housing Property Services Manager</p>	<p><b>In progress</b></p> <p>All new contracts will be advertised using DUENORTH. This application will also be used for Contracts Management and the retention of all related document.</p> <p>Tracking &amp; tracing 'old' documents remains in progress and this is reported in the Housing Capital Programme audit follow up.</p>	<p><b>Implemented and Ongoing</b></p> <p>All contracts within the Capital and Compliance Team have been drawn up and signed as per the council's standing orders.</p> <p>Original copies are sent to legal and a scanned copy is sent to the team members.</p> <p>Contract management area of Dues North not fully utilised.</p> <p>Tracking and tracing of old documents less relevant as contracts re-procured.</p>

<b>Ref./ Priority</b>	<b>Recommendation</b>	<b>Management Response and Action Plan</b>	<b>Position as at 5<sup>th</sup> March 2018 1<sup>st</sup> Follow up</b>	<b>Update January 2020</b>
		<b>Implementation date:</b> 31 <sup>st</sup> May 2017		

## APPENDIX A

### Definition of Priority of Recommendations

<b>Priority</b>	<b>Definition</b>
<b>H</b>	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.  Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
<b>M</b>	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
<b>L</b>	Control weakness that has a low impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation is desirable as it will improve overall control within the system.



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

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### **Work Programme**

#### **30<sup>th</sup> January 2020**

- Monitoring Officer's Report
- Grant Thornton - External Audit – Grant Claims Certification Work Report 2018/19
- Grant Thornton – Progress Report/Action Plan Update
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2020/21
- Internal Audit on St David's House – Follow Up Presentation (in respect of action taken in response to the issues raised in the audit)
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2020/21
- Role of Independent Member
- HRA Internal Controls - S151 update
- Financial Savings Monitoring Report
- Committee Action List and Work Programme

#### **9<sup>th</sup> April 2020**

- Monitoring Officer's Report
- External Audit – Update Report
- Internal Audit – Progress Report
- External Audit - Informing the Risk Assessment (Communicating with those charged with governance)
- Grant Thornton - External Audit – 2019/20 Audit Plan
- 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

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