



Audit, Governance & Standards

Committee

Thu 27 Jan
2022
7.00 pm

Council Chamber
Redditch Town Hall

REDDITCH BOROUGH COUNCIL

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difference*

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**If you have any queries on this Agenda please contact
Jo Gresham**

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GUIDANCE ON FACE-TO-FACE MEETINGS

Due to the current Covid-19 pandemic Redditch Borough Council will be applying social distancing arrangements for holding face-to-face meetings.

Please note that this is a public meeting and is open to the public to attend

If you have any questions regarding the agenda or attached papers, please do not hesitate to contact the officer named above.

GUIDANCE FOR ELECTED MEMBERS ATTENDING MEETINGS IN PERSON

In advance of the Committee meeting, Members are strongly encouraged to take a lateral flow test on the day of the meeting, which can be obtained from the NHS website. Should the test be positive for Covid-19 then the Member must not attend the Committee meeting, should provide their apologies to the Democratic Services team and should self-isolate in accordance with national rules.

Members and officers must wear face masks during the Audit, Governance and Standards Committee meeting, unless exempt. Face masks should only be removed temporarily if the Councillor or officer is speaking or if they require a sip of water and should be reapplied as soon as possible. As Councillors may remove their masks from time to time during the meeting, seating will be placed two metres apart, in line with social distancing measures to protect meeting participants.

Hand sanitiser will be provided for Members to use throughout the meeting.

The meeting venue will be fully ventilated and Members and officers may need to consider wearing appropriate clothing in order to remain comfortable during proceedings.

PUBLIC SPEAKING

The usual process for public speaking at Committee meetings will continue to be followed subject to some adjustments which allow written statements to be read out on behalf of residents and the virtual participation of residents at meetings of the Audit, Governance and Standards Committee. Members of the public are encouraged to log in virtually, either to speak or observe meetings wherever possible.

Members of the public will be able to access the meeting if they wish to do so. However, due to social distancing requirements to ensure the safety of participants during the Covid-19 pandemic, there will be limited capacity and members of the public will be allowed access on a first come, first served basis. Members of the public in attendance must wear face masks unless they are exempt, and use the hand sanitiser that will be provided and will be required to sit in a socially distanced manner at the meetings. It should be noted that members of the public who choose to attend in person do so at their own risk.

In line with Government guidelines, any member of the public who has received a positive result in a Covid-19 test on the day of a meeting must not attend in person and must self-isolate in accordance with the national rules.

Notes:

Although this is a public meeting, there are circumstances when Council might have to move into closed session to consider exempt or confidential information. For agenda items that are exempt, the public are excluded.



Audit, Governance & Standards

Thursday, 27th January, 2022

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

| | | |
|--------|---------------------------------|--------------------------------|
| Cllrs: | Jennifer Wheeler (Chair) | Julian Grubb Emma Marshall |
| | Juliet Brunner (Vice- Chair) | Timothy Pearman David Thain |
| | Salman Akbar | |
| | Tom Baker-Price | |
| | Luke Court | |

1. Apologies and named Substitutes

2. Declarations of Interest

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

3. Minutes (Pages 1 - 12)

4. 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 Tuesday 25th January 2022. A maximum of 15 minutes will be allocated to public speaking.

5. Monitoring Officer's Report - Standards Regime (Pages 13 - 18)

6. Grant Thornton - Sector Update (Pages 19 - 42)

7. Grant Thornton - Annual Audit Letter 2019/20 (Pages 43 - 64)

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- 8.** Decision to opt Into the National Scheme For Auditor Appointments Managed By PSAA (Pages 65 - 70)
- 9.** Internal Audit Progress Report (Pages 71 - 124)
- 10.** Risk Champion Update - Councillor Baker-Price
- 11.** Committee Work Programme (Pages 125 - 126)

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Audit, Governance & Standards Committee

Thursday, 28th October,
2021

MINUTES

Present:

Councillor Jennifer Wheeler (Chair), Councillor Juliet Brunner (Vice-Chair) and Councillors Tom Baker-Price, Luke Court, Aled Evans, Julian Grubb and Timothy Pearman

Also Present:

Councillor David Thain, Portfolio Holder for Finance and Enabling
Mr. J. Murray - Grant Thornton

Officers:

Andy Bromage, Claire Felton, Chris Forrester, Simon Parry and Guy Revans

Democratic Services Officers:

Jess Bayley-Hill and Pauline Ross (via Teams)

14. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Salman Akbar and Emma Marshall.

15. DECLARATIONS OF INTEREST

There were no declarations of interest.

16. MINUTES

RESOLVED that

Chair

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the minutes of the meeting of the Audit, Governance and Standards Committee held on Thursday 29th July 2021 be approved as a true and correct record.

17. PUBLIC SPEAKING

The Chair confirmed that there were no registered public speakers on this occasion.

18. MONITORING OFFICER'S REPORT - STANDARDS REGIME

The Head of Legal, Equalities and Democratic Services presented the Monitoring Officer's report for the Committee's consideration and in doing so highlighted the following:

- There had been no new Member complaints received since the last meeting of the Committee and there were non-ongoing.
- The Council continued to strongly encourage social distancing at committee meetings, and this informed arrangements when organising meetings.
- An in-depth all Planning Member training session had taken place online on 8th September 2021. The session was concerned with 'Decision Making and Material Planning Considerations' and was facilitated by the Development Management Manager and members of the Legal department.

In response to questions with regard to two meetings of the Constitution Review Working Party being cancelled, the Head of Legal, Equalities and Democratic Services explained that meetings were scheduled throughout the municipal year 2021/2022. If there was no business to be conducted and no constitutional changes, then the scheduled meeting was cancelled.

RESOLVED that

the Monitoring Officer's report be noted.

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19. GRANT THORNTON EXTERNAL AUDIT PROGRESS REPORT AND SECTOR VERBAL UPDATE

The Engagement Lead for Grant Thornton provided Members with a brief verbal update and in doing so stated that it was unfortunate that the Audit Opinion for 2019/2020 had not yet been issued. Members were reminded that at the last meeting it was noted that there was outstanding information from officers.

The remaining issue was in regard to outstanding information on the Asset Register and one particular piece of land, which had been sold but not included on the Asset Register. The Head of Finance and Customer Services and his team were aware of this, and it had now been included on the Asset Register. It was concluded that this was a 'one off' anomaly.

The final version of the Statement of Accounts had been agreed and was ready, however, final confirmation of an electronic signature was required before the Audit Opinion 2019/2020 could be issued, hopefully before Friday 29th October 2021.

Members were further informed that their audit opinion would be as follows:

- Unqualified – Value for Money (VFM) conclusion
- Unqualified - Financial Statements Audit

It was confirmed to Members that Grant Thornton were currently liaising with the finance team with regard to the draft Statement of Accounts for 2020/2021. It was hoped that this would be finalised in quarter 1 of 2022, if not by April 2022.

Members were informed that the Audit Plan and Financial Statements 2020/2021 would be presented to the next meeting of the Committee.

In response to concerns raised by some Members in respect of whether quarter 1 was a realistic timescale for completion of the Statement of accounts 2020/2021. The Engagement Lead for Grant Thornton stated that theoretically it was possible. He also reported

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that that this target needed to be met otherwise it could be difficult to get back on track. There was a willingness from both Grant Thornton and Finance officers to achieve this. It was reported that the draft accounts and working papers were needed and that it would be necessary to complete this work by April 2022 at the latest, before going into a heavy workload with NHS accounts and other local authorities accounts.

In response to further questions raised, the Head of Finance and Customer Services commented that the size of the Finance team had been reduced due to officers leaving. Regarding the recruitment of new officers Members were informed that it was absolutely necessary to ensure that the right quality of people were recruited into the various vacant roles. Officers were trying to set the accounts and budget, whilst closing off the current financial year. The Head of Finance and Customer Services had endeavoured to get a set of accounts together and on time this year, whereby a lot of other Council's had not signed off their accounts.

Councillor D. Thain, Portfolio Holder for Finance and Enabling, took the opportunity to reassure Members. The Finance team had been under considerable pressure with resource issues. The new Enterprise Resource Planning (ERP) system would provide the required documents more easily and readily. Officers were doing their very best and would get the job done.

The Head of Finance and Customer Services responded to further questions with regard to staffing levels and agency staff and agreed to provide specific information to Councillor J. Brunner.

The Chair took the opportunity to thank the Engagement Lead for Grant Thornton.

RESOLVED that

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

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20. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report from the Head of Worcestershire Internal Audit Shared Service regarding the Internal Audit Annual Report for the period 1st April 2021 to 30th September 2021 against the performance indicators agreed.

The following was highlighted for Members' attention:

- Page 18 - detailed the reports that had been completed since the last progress report. The outcome of these audits were detailed at Appendix 3 to the report.
- Pages 18/19 - detailed the 2021/2022 audits taking place as at 30th September 2022. The Projects review had been finalised and was detailed at Appendix 3 to the report.
- Two further reviews – Worcester Regulatory Services and Strategic Acquisitions would be presented to the next meeting of the Committee.
- With regards to the high priority recommendations for:
 - Council Tax
 - NNDR 2020/2021
 - Health and Safety Training Records
 - Payroll

Members were informed that the new system would address these, once fully implemented and embedded.

- The medium priority recommendations were all clear, with management action plans and implementation dates provided.
- The National Fraud Initiative (NFI) work would continue.
- Appendix 5 to the report detailed the Quality Assurance Improvement Plan.

The Head of Worcestershire Internal Audit Shared Service responded to questions from Members with regard to implementation dates being missed, and in doing so stated that, implementation dates that had passed would be checked and any actions taken would be reported back to Committee Members. Officers usually followed up any recommendations and

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implementation dates when they revisited that service area and would follow up on any particular areas if needed.

Officers were now going into a period of undertaking a further review and would expect items to have now been implemented. The review would be looked at in some detail, to see how the plan was looking going forward, to ensure protection of the Borough's position.

The Head of Worcestershire Internal Audit Shared Service responded to further questions from Members with regard to the Critical Review – Use of Agency staff and consultants 2020/2021. Members were informed that the Council had used Matrix for a number of years to provide certain agency staff. Agency staff had been used outside of Matrix due to the technical/specific skills required for certain staffing positions.

With regards to questions on the Council's Dashboard, the Head of Worcestershire Internal Audit Shared Service commented that the Dashboard was looked at from an audit perspective. Officers would not be looking to influence the measures to be shown on the Dashboard, they would look at the comparison/delivery for the future. A lot of work had been done and he would expect the Dashboard to reflect this and that the data entered was accurate.

The Head of Worcestershire Internal Audit Shared Service responded to further questions in respect of the Risk Register showing both operational / tactical risks being detailed. Members were informed that Officers used the Risk Register as a basis for service areas to identify potential areas where there may be a risk. The Risk Register was the responsibility of the management team and risks were considered prior to an audit taking place.

RESOLVED that

the report be noted.

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21. HRA UPDATE

Members received a report which detailed the Internal Audit Report – Housing Capital Programme: Position Statement October 2021.

The Head of Worcestershire Internal Audit Shared Service drew Members' attention to pages 100 and 101 of the report and were informed that the Housing Capital Programme review was originally undertaken during 2016/2017. The outcome of the review had identified several areas of the business which had required a more substantial control environment to better protect the Council. The review was reported as 'limited' assurance, with several recommendations made with 'high' priority allocation due to the nature of the potential risk identified. It was a very complex position that the Housing Management faced to enhance the control environment as one element was reliant on another and were intrinsically linked.

After a very short time the current Executive Director of Resources had required a better understanding of the risk profile associated with this area and had requested that a piece of work be undertaken in order to provide an evidenced based assurance of progress. It was agreed that to achieve this, that Internal Audit would work closely with the Housing Property Services Manager to pull together a dossier of evidence proving the progress that had been made by the Housing Team.

Appendix 1 to the report set out the position at September 2021 but included information from the three follow ups (where applicable) thus the progression.

Members' attention was further drawn to the Conclusion, as detailed on page 101 of the report.

Councillor J. Brunner congratulated Officers that 88% of the recommendations had been addressed; and further commented that it had been a pleasure working with the Housing Property Services Manager and that she had realised the difficulty of the work that had to be undertaken.

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The Head of Environmental & Housing Property Services stated that Officers still used SAFFRON and had been making better use of the system.

In response to further questions from Members, the Housing Property Services Manager informed Members that all contracts used for Capital works had been verified. His background in surveying gave him a wide understanding of procurement and procurement regulations. The Covid-19 pandemic had prevented a lot of activities with being unable to go into resident's homes. A catalogue detailing these activities was currently with the team and they were putting together a new Capital programme, requiring those properties not surveyed to be surveyed, with a rolling programme which would be 5 years in duration. Allowing officers to enter properties to identify the work needed. With regards to properties being inspected on a yearly basis, on in the private sector; this had been picked up and was one of the things in review with the tenancy officers. Risk based checks would be carried out, not on a yearly basis, but through an on-going programme.

Members commented that a lot of hard work had been put in, moving from a reactive position to a proactive position.

The Head of Environmental & Housing Property Services further commented that in terms of going forward, the importance of the in-house works team and the reliance of contractors, the fact of having a tenancy side and a property side had meant that good links had now been built.

The Housing Property Services Manager explained to Members his role with the previous organisation he had been employed with, detailing his previous knowledge and skill set that he was now bringing to his current role within the authority.

The Housing Property Services Manager further responded to questions from Members with regards to the current framework that had been inherited and the National Framework and that frameworks were good for supplying specialist contractors. Internal

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refurbishments would be tendered for on an open market, using local supply chains and companies. However, there could be an increase in prices and a shortage of building materials, which would be dictated by the market.

In response to the Chair in respect of the changes that had taken place within the service area and training; the Head of Environmental & Housing Property Services informed Members that procurement training had been provided throughout the Council. Training for all members of staff in the team and all new members of staff. Officers would look at other skills that staff had, then look at any gaps internally and do a skill set appraisal, which would determine the future training offered.

The Chair took the opportunity to thank Officers for the detailed report and their responses to the questions raised.

RESOLVED that

the report be noted.

22. TREASURY REPORT - VERBAL UPDATE

A verbal update in respect of the Treasury Report was provided by the Head of Finance and Customer Services, as follows: -

We have stayed below our operational borrowing limit, and consequently our authorised limit. We have had lower borrowing needs than forecast as capital schemes were delayed by Covid-19 and we have had significant grant funding from Central Government, which allowed for internal funds to be used. These had largely been used now so we would look to revert to our borrowing strategy where needed from other local authorities as it still offered best value.

There was a risk that interest rates would increase slightly in the near future as inflation was increasing, which may increase borrowing costs. In turn though this should increase the return on short term investments when made.

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Furlough coming to an end had not seen mass unemployment, rather the opposite and we were currently struggling to hire enough staff.

Capital financing requirement was likely to be lower than forecast due to capital schemes being delayed and the minimum revenue provision paying down.

RESOLVED that

the Treasury Report Verbal Update be noted.

23. CORPORATE RISK REGISTER - VERBAL UPDATE

A verbal update in respect of the Corporate Risk Register was provided by the Head of Finance and Customer Services.

Members were informed that there was currently a lot of work being undertaken with the Council's insurance provider, Zurich.

The Council's Insurance Officer had undertaken a lot of internal work and was engaging with Zurich. A report would be provided to the Corporate Management Team (CMT) and to a future meeting of the Committee.

RESOLVED that

the Corporate Risk Register Verbal Update be noted.

24. REVIEW OF THE ROLE OF INDEPENDENT MEMBER

The Chair commented that she had only become aware of the Independent Member role when elected as Chair of the Committee.

The Chair continued and stated that she was aware that last year officers had tried to recruit into the role, and this had not been successful. It was quite an undertaking, as it was not a paid role and there was a lot to learn and a considerable amount of

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paperwork to concentrate on, which took time. She could see that it was very problematic to recruit into the role.

It was noted that the role of an Independent Person for Audit was not a legal requirement, however it was considered best practice.

Further discussion took place with regard to the calibre of person recruited, training that was necessary and the possibility of a small sum of money to pay someone recruited into the role.

Officers reiterated that they had tried to recruit into the role and not one person had applied. Contact was also made with Feckenham Parish Council but there were no volunteers. There was also a cost incurred with each advertisement placed.

Members suggested if some research could be carried out and also look at how other Council's recruited into such roles and the age spectrum, look at the possibility of recruiting a finance student.

The Senior Democratic Services Officer (Redditch) commented that the Democratic Services Team could carry out some research with the S151 officer, however, it was currently a very busy time for the Finance Team. With this in mind, Members agreed to include this item on the Work Programme.

RESOLVED that

the discussion on the Review of the Independent Member be noted and research, as detailed in the preamble above, be included on the Committee's Work Programme.

25. RISK CHAMPION UPDATE - COUNCILLOR BAKER-PRICE

Councillor T. Baker-Price provided a Risk Champion update to the Committee and in doing so referred to the following: -

- The additional costs incurred with a Public Sector pay rise.
- Rubicon Leisure.
- National Insurance contributions rise.

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- The need for a balanced budget.
- Economic factors.
- Issues around recruiting agency staff, retaining staff and recruiting sufficient staff.

Councillor Baker-Price questioned what the best approach was going forward considering the significant risks to the budget.

In response the Head of Finance and Customer Services agreed with the items referred to by Councillor Baker-Price and stated that there were micro factors, with current staffing levels and the difficulty in recruiting, which was harder when you were recruiting into specialist roles. The Public Sector pay rise could be rejected. Officers had noted that they had not seen an increase in bad debts due to the Covid-19 pandemic.

RESOLVED that

the Risk Champion Verbal Update be noted.

26. COMMITTEE WORK PROGRAMME

The Senior Democratic Services Officer confirmed that any additions that had been identified by Members during the course of the meeting, would be added to the Work Programme.

RESOLVED that

the contents of the Committee's Work Programme be noted.

The Meeting commenced at 7.01 pm
and closed at 8.47 pm

**Audit, Governance &
Standards Committee
2022**

27th January

MONITORING OFFICER'S REPORT

| | |
|--|--|
| Relevant Portfolio Holder | Councillor Mike Rouse – Portfolio Holder for Finance and Enabling (including Governance) |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Yes |
| Report Author Claire Felton | Job Title: Head of Legal, Democratic and Property Services Contact email: c.felton@bromsgroveandredditch.gov.uk |
| Wards Affected | N/A |
| Ward Councillor(s) consulted | N/A |
| Relevant Strategic Purpose(s) | An Effective and Sustainable Council |
| Non-Key Decision | |
| If you have any questions about this report, please contact the report author in advance of the meeting. | |

1. RECOMMENDATIONS

The Audit, Governance and Standards Committee is asked to RESOLVE that:-

1) subject to Members' comments, the report be noted

2. BACKGROUND

2.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Governance and Standards Committee since the last update provided at the meeting of the Committee in October 2021.

2.2 It has been 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.

**Audit, Governance &
Standards Committee
2022**27th January

-
- 2.3 Any further updates arising after publication of this report, including any relevant standards issues raised by Parish Councils, will be reported on orally by Officers at the meeting.

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

- 4.1 Chapter 7 of Part 1 of the Localism Act 2011 ('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.

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

- 5.1 It is important to ensure that the Council manages standards regime matters in an appropriate manner. The issues detailed in this report help to ensure that there is an effective and sustainable Council.

Climate Change Implications

- 5.2 There are no specific climate change implications

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

- 6.1 There are no direct implications arising out of this report. Details of the Council's arrangements for managing standards complaints under the Localism Act 2011 are available on the Council's website and from the Monitoring Officer on request.

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Operational Implications**6.2 Member Complaints**

Since the last meeting of the Committee, there have been no new Member complaints received and there are none ongoing.

Model Code of Conduct

- 6.3 Since last reported to members on 27th July 2021, Monitoring Officers across the county have, as members agreed, been working to agree a version, based on the LGA's Model Code of Conduct, to apply across the county and all levels of local government, which members were keen to achieve. This work is now largely completed and a full report with the proposed new Code for discussion, will be presented to the next meeting of the committee on 14th April 2022.

The New Normal

- 6.4 Since 7th May 2021, elected Members have needed to attend formal Committee meetings in person. These rules do not apply to informal meetings, such as Scrutiny Task Groups or Member training and consequently a lot of informal and private meetings continue to take place remotely.
- 6.5 Due to the emergence of the Omicron variant in the UK, Plan B guidelines were announced by the Government on 8th December 2021. Although Council meetings were not specifically highlighted as part of the Plan B guidelines, a risk-assessed approach has been adopted by the Council in response to this when organising and holding committee meetings. The Council continues to maintain social distancing measures at committee meetings. Therefore, meetings held in-person are being organised so that, wherever possible, attendees sit at least two metres apart. Meeting rooms are fully ventilated throughout the meeting. Following consultation with Group Leaders, it was agreed that all Members should wear a face covering throughout the meeting unless they were exempt. In addition to this, the Council strongly encourages Members to take a lateral flow test on the day of the meeting.

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6.6 The Member Support Steering Group continues to meet regularly and is currently in the process of reviewing the content of the draft Member Induction programme for Councillors due to be elected in May 2022. The next meeting of the group is due to take place on 15th February 2022.

6.7 The Constitutional Review Working Party continues to meet regularly. Any recommendations arising from meetings of this group will be reported to Council for Members' consideration.

7. RISK MANAGEMENT

7.1 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.

8. APPENDICES and BACKGROUND PAPERS

No appendices.

Chapter 7 of the Localism Act 2011.

9. REPORT SIGN OFF

| Department | Name and Job Title | Date |
|------------------------------------|---|-------------|
| Portfolio Holder | Councillor Mike Rouse – Portfolio Holder for Governance | 17/01/2022 |
| Lead Director / Head of Service | Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer | 14/01/2022 |
| Financial Services | N/A | |
| Legal Services | Claire Felton - Head of Legal, Equalities and Democratic | 14/01/2022 |

**Audit, Governance &
Standards Committee**
2022

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| | Services and Monitoring Officer | |
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Audit, Governance & Standards Committee 2022

27th January

GRANT THORNTON – SECTOR REPORT

| | |
|--|--|
| Relevant Portfolio Holder | Councillor Michael Rouse, Portfolio Holder for Finance and Enabling |
| Portfolio Holder Consulted | - |
| Relevant Head of Service | Chris Forrester – Head of Finance and Customer Services |
| Report Author Chris Forrester | Job Title: Head of Finance and Customer Services Contact email: chris.forrester@bromsgroveandredditch.gov.uk Contact Tel: 01527 54252 |
| Wards Affected | All Wards |
| Ward Councillor(s) consulted | No |
| Relevant Strategic Purpose(s) | An effective and sustainable Council |
| Non-Key Decision | |
| If you have any questions about this report, please contact the report author in advance of the meeting. | |

1. RECOMMENDATIONS

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

2. BACKGROUND

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

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

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

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- 5.1 The issues detailed in this report help to ensure that there is an effective and sustainable Council.

Climate Change Implications

- 5.2 There are no Climate Change implications arising out of this report.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 There are no Equality and Diversity implications arising out of this report.

Operational Implications

- 6.2 The report attached at Appendix 1 updates Members on the progress on work undertaken by Grant Thornton since the last Committee meeting. It sets out key audit deliverables and a sector update which includes a number of matters that are relevant to Local Government. It is also important to note that the report details a new approach to the value for money element of the audit.

7. RISK MANAGEMENT

- 7.1 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.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 - Grant Thornton Report

**Audit, Governance &
Standards Committee
2022**

27th January

9. REPORT SIGN OFF

| Department | Name and Job Title | Date |
|---|---|--------------|
| Portfolio Holder | Councillor Michael Rouse, Portfolio Holder for Finance and Enabling | N/A |
| Lead Director / Head of Service | Chris Forrester – Head of Finance and Customer Services | January 2022 |
| Financial Services | Chris Forrester – Head of Finance and Customer Services | January 2022 |
| Legal Services | N/A | |
| Policy Team (if equalities implications apply) | N/A | |
| Climate Change Officer (if climate change implications apply) | N/A | |

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Redditch Borough Council Sector Update

27 January 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit 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 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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Introduction

Your key Grant Thornton team members are:

Jackson Murray

Engagement Lead

T: 0117 305 7859

E: jackson.murray@uk.gt.com

Neil Preece

Manager

T: 0121 232 5292

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

This paper provides the Audit, Governance & Standards Committee with 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.

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.

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

| Grade | Number 2020/21 | Number 2019/20 | Number 2018/19 |
|---|----------------|----------------|----------------|
| Good with limited improvements (Grade 1 or 2) | 6 | 1 | 1 |
| Improvements required (Grade 3) | 3 | 5 | 2 |
| Significant improvements required (Grade 4) | 0 | 0 | 1 |
| Total | 9 | 6 | 4 |

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

| Grade | Number 2020/21 | Number 2019/20 |
|---|----------------|----------------|
| Good with limited improvements (Grade 1 or 2) | 6 | 6 |
| Improvements required (Grade 3) | 0 | 0 |
| Significant improvements required (Grade 4) | 0 | 0 |
| Total | 6 | 6 |

Financial Reporting Council annual report (cont.)

Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

| Grade | Number 2020/21 | Number 2020/19 | Number 2019/18 |
|-------------------------------------|----------------|----------------|----------------|
| Satisfactory / generally acceptable | 5 | 6 | 2 |
| Improvement required | 0 | 1 | 0 |
| Significant improvement required | 0 | 0 | 0 |
| Total | 5 | 7 | 2 |

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Sector Update

Authorities 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:

A teal rectangular button with the text "Public Sector" in white, sans-serif font.

Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font.

Local
government

What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

<https://www.grantthornton.co.uk/en/insights/lessons-from-recent-public-interest-reports/>

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principal risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report-2020)

Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry of Housing, Communities & Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to COVID-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

| Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21) | | | | | | |
|---|----------------|------------------|-------------------|-----------------------|------------------|------------------|
| | Shire District | Shire County | Unitary Authority | Metropolitan District | London Borough | Total |
| Adult Social Care – total | 0.473 | 1,254.880 | 848.656 | 663.404 | 413.842 | 3,181.254 |
| Children's social care – total (excluding SEND) | 0.000 | 94.933 | 131.127 | 89.799 | 62.987 | 378.846 |
| Housing – total (including homelessness services) excluding HRA | 63.129 | 5.254 | 74.949 | 42.281 | 112.971 | 298.584 |
| Environmental and regulatory services – total | 33.564 | 68.097 | 67.512 | 66.704 | 63.556 | 299.433 |
| Finance & corporate services – total | 48.222 | 53.445 | 83.984 | 76.923 | 78.284 | 340.858 |
| All other service areas not listed in rows above | 184.550 | 634.578 | 584.924 | 564.737 | 395.137 | 2,363.926 |
| Total | 329.937 | 2,111.187 | 1,791.153 | 1,503.848 | 1,126.777 | 6,862.902 |



The figures are available in full here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

| Income losses due to COVID-19 by class and source of income (£ millions) (2020-21) | | | | | | |
|--|------------------|----------------|-------------------|-----------------------|------------------|------------------|
| | Shire District | Shire County | Unitary Authority | Metropolitan District | London Borough | Total |
| Business rates | 276.498 | 0.000 | 194.192 | 207.351 | 537.667 | 1,215.708 |
| Council tax | 399.037 | 0.000 | 217.633 | 191.219 | 232.727 | 1,040.616 |
| Sales fees and charges | 516.426 | 194.923 | 553.907 | 396.745 | 475.728 | 2,137.728 |
| Commercial income | 82.448 | 24.159 | 120.629 | 204.211 | 52.154 | 483.600 |
| Other | 33.494 | 39.947 | 27.163 | 53.664 | 45.166 | 199.435 |
| Total | 1,307.903 | 259.029 | 1,113.524 | 1,053.190 | 1,343.441 | 5,077.087 |

Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

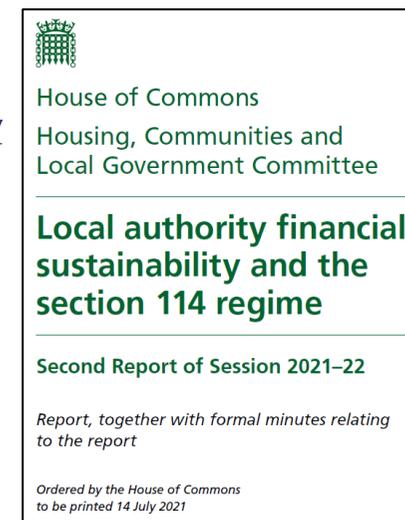
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond’s independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states “The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively.”

The press release goes on to state the “measures finalise the government’s response to Sir Tony Redmond’s independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

[Government publishes update to audit review response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response)

Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

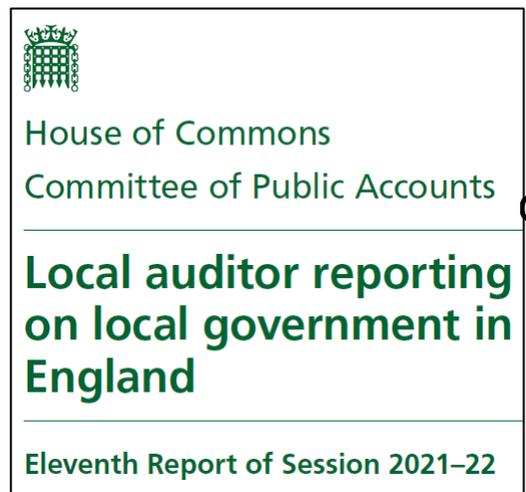
- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psaa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

2023-24 audit appointments – Public Sector

Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

[Councils given power to build more homes for first time buyers and for social rent - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/press-releases/2022/05/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent)

Guide to support Value for Money (VfM) analysis for public managers – CIPFA

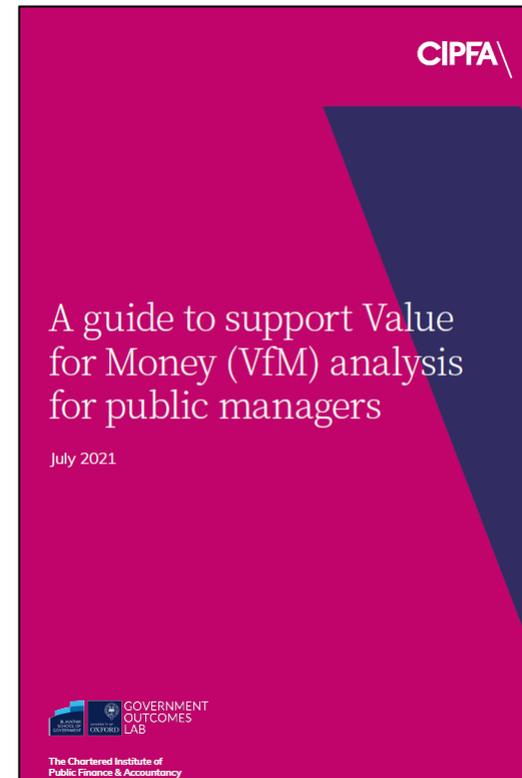
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK’s statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

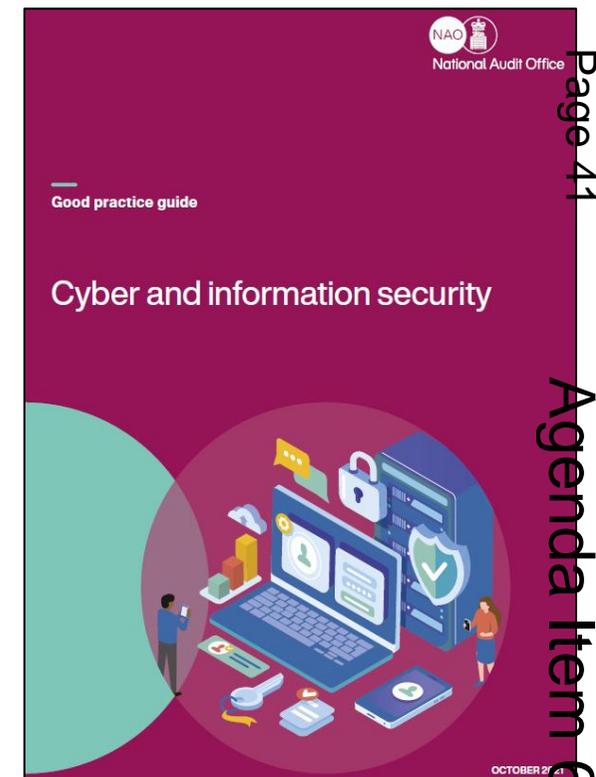
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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**AUDIT, STANDARDS & GOVERNANCE
COMMITTEE**

27 January 2022

GRANT THORNTON ANNUAL AUDIT LETTER 2019/20

| | |
|---|--|
| Relevant Portfolio Holder | Councillor Michael Rouse |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | James Howse |
| Report Author | Job Title: James Howse Contact email:james.howse@bromsgroveandredditch.gov.uk Contact Tel: 1205 |
| Wards Affected | ALL |
| Ward Councillor(s) consulted | Non Specific |
| Relevant Strategic Purpose(s) | |
| Non-Key Decision | |
| If you have any questions about this report, please contact the report author in advance of the meeting. | |
| This report contains exempt information as defined in Paragraph(s) of Part I of Schedule 12A to the Local Government Act 1972, as amended | |

1. RECOMMENDATIONS

The Executive Committee is asked to NOTE the Audit Letter as included in Appendix 1.

2. BACKGROUND

To present to Members the Grant Thornton Annual Audit Letter which summarises the key findings arising from the work carried out at the Council for the year ended 31 March 2020.

3. FINANCIAL IMPLICATIONS

3.1 Fee variations as set out in the attached report.

4. LEGAL IMPLICATIONS

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

**AUDIT, STANDARDS & GOVERNANCE
COMMITTEE**27 January 2022

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

5.1 None as a direct result of this report.

Climate Change Implications

5.2 None as a direct result of this report.

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

6.1 None as a direct result of this report.

Operational Implications

6.2 The Council received an unqualified opinion on the Financial Statements for 2019/20.

6.3 The Audit Letter refers details Grant Thornton's findings as a result of the work undertaken as part of the final accounts for 2019/20 and reflects the Audit opinion reported to this committee.

7. RISK MANAGEMENT

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

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 – Grant Thornton Annual Audit Letter

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

27 January 2022

9. REPORT SIGN OFF

| Department | Name and Job Title | Date |
|---|--|------|
| Portfolio Holder | Councillor Mike Rouse | |
| Lead Director / Head of Service | James Howse, Executive Director of Resources | |
| Financial Services | | |
| Legal Services | | |
| Policy Team (if equalities implications apply) | | |
| Climate Change Officer (if climate change implications apply) | | |

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The Annual Audit Letter for Redditch Borough Council

Year ended 31 March 2020

24 November 2021



Contents



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Redditch Borough Council (the Council) and its subsidiary (the group) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Governance & Standards Committee as those charged with governance in our Audit Findings Report on 1 March 2021.

Our work

Respective responsibilities

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

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

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

| | |
|-------------------------------------|---|
| Materiality | We determined materiality for the audit of the Council's financial statements to be £1.3m and £1.33m for the group, both of which equate to approximately 2% of the gross cost of services. |
| Financial Statements opinion | <p>We gave an unqualified opinion on the group's financial statements on 8 November 2021.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.</p> <p>As part of our audit work our disposals testing identified that the Council had sold an asset which did not appear on the Fixed Asset Register (FAR). We therefore challenged officers over the completeness of the FAR. The asset disposed of was a small piece of land which became saleable as part of a wider development by an external contractor. Officers undertook a considerable amount of work in order to be able to provide sufficient, appropriate assurance that the issue was isolated. This work, and our review, led to further delays in completing the audit.</p> |

Executive Summary

Financial Statements opinion (continued)

We expect to receive draft financial statements for the year ended 31 March 2021 in February or March 2022. The deadline by which these should have been published, and available for audit, is 30 July 2021. The excessive delay in completing the audit of the 2019/20 financial statements, and in receiving draft 2020/21 statements, has potentially serious consequences. In its report “Local auditor reporting on local government in England”, published on 8 July 2021, the House of Commons Committee of Public Accounts stated “If local authorities are to effectively recover from the pandemic, it is critical that citizens have the necessary assurances that their finances are in order and being managed in the correct manner.” And “The Department [the Ministry of Housing, Communities & Local Government] considered that a local authority was in a stronger position to complete its budget setting process each Autumn if its auditors had already completed their audit of the previous year’s accounts, as the audited accounts often formed the underlying basis for the budget setting process. The Department felt that audited accounts provided confidence, assurance and transparency for the budget setting process. It noted that there had been recent cases where an audit had revealed information that affected the value of a local authority’s reserves and which had knock-on effects on future budgets.”

Whole of Government Accounts (WGA)

We completed work on the Council’s consolidation return following guidance issued by the NAO.

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

Value for Money arrangements

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources, except for in relation to financial sustainability.

We also considered whether the significant challenges in relation to the financial statements audit also need to be reflected in our value for money conclusion, given one of the NAO VFM criteria relates to “Unreliable and untimely financial reporting that doesn’t support the delivery of strategic priorities, such as the late submission of financial statements for audit”. This was considered by an independent consistency panel who agreed with our assessment that the VFM Conclusion should not be qualified in this regard. This was principally because of the support from the Chief Executive to the Acting S.151 Officer, and of the audit process. We updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We did not identify any new VFM risks in relation to Covid-19.

We therefore issued an ‘except for’ qualified value for money conclusion. We reported our findings in our Audit Findings Report of March 2021.

Executive Summary

Certificate We certified that we have completed the audit of the financial statements of Redditch Borough Council in accordance with the requirements of the Code of Audit Practice on 8 November 2021.

Working with the Council

The impact of the Covid-19 pandemic on the Council, operationally and in preparing the financial statements, has been significant. Finance and audit staff have been working remotely, and meeting through MS Teams. Not being able to meet face to face had a significant impact on the time taken to complete our audit work.

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

Grant Thornton UK LLP
November 2021

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the group financial statements to be £1.33m, which is 2% of the group's gross cost of services. We determined materiality for the audit of the Council's financial statements to be £1.3m, which is 2% of the Council's gross cost of services. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a separate lower materiality level for the disclosure note on remuneration of individual senior managers. In view of the sensitivity of this note to the reader of the accounts, we have set a materiality level of £7k, being 2% of the earnings disclosed in the prior year remuneration note.

We set a lower threshold of £65k, above which we reported errors to the Audit, Governance & Standards Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

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

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

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

Audit of the Financial Statements

Significant Audit Risks

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

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|--|---|
| <p>Covid-19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation; volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates; financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach; liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose. An example of this is the audit approach to the material valuation uncertainty disclosed by property valuers and the Emphasis of Matter paragraph included in audit opinions; evaluated the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic; evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely; evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances; evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and discussed with management any potential implications for our audit report if we were unable to obtain sufficient audit evidence. | <p>As a result of the pandemic and other challenges experienced during the audit aspects of our work have been much more challenging as we were unable to meet with officers to discuss issues. Being able to do this makes discussing issues and resolving questions much easier. Our audit opinion was provided significantly later than planned.</p> |

Audit of the Financial Statements

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|--|---|
| <p>Valuation of land and buildings</p> <p>The Council and group 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 Council 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>As part of our audit work we:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; wrote to the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. | <p>We noted in our Audit Plan dated 30 January 2020 that the FRC has determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We 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. This resulted in significantly more work than previous years, including review and challenge of the source data used by the valuer to prepare valuations. This work was particularly challenging as we were not able to meet in person with the valuer to go through this work.</p> <p>In completing this work we encountered some very serious challenges and delays, and some examples are set out below:</p> <ul style="list-style-type: none"> we had difficulty in obtaining the previous revaluation reports. This delayed us being able to select a sample for detailed testing; having selected a sample for detailed testing we were unable to follow the accounting treatment, necessitating further discussions with Officers; Officers were unable to provide us with floor areas for those properties revalued, which is a key input in the valuation calculation. This is surprising as we would expect the Council to know the floor area of buildings it owns for other purposes. These were eventually provided by the Valuer, but obtaining them took a significant amount of time; Officers were initially unable to provide us with evidence to support the comparable properties used to value the HRA properties. After a significant number of requests and conversations this information was provided, and was satisfactory; Officers have not engaged the external valuer through a Letter of Engagement. This makes it impossible to ascertain whether the valuer completed all of the work requested or intended; and we identified two assets for which an out of date valuation had been used. The net effect of these is that surplus assets were understated by £405k and non operational assets overstated by £29k. |

Audit of the Financial Statements

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|---|---|
| <p>Valuation of net pension liability</p> <p>The Council'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 Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested 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; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and • obtained 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. | <p>Our work in this area we identified 11 different areas that needed to be amended to correctly reflect the actuarial reports. None of these affected the assets, liabilities or amounts paid and the final financial statements were appropriately updated.</p> |

Audit of the Financial Statements

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|---|---|
| <p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We 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>As part of our audit work we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. | <p>Our work in this area not identify any issues in respect of management override of controls.</p> |

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council and group's financial statements on 8 November 2021.

Preparation of the financial statements

We reported the significant challenges in completing our audit work in our Audit Findings Report presented to Audit, Governance & Standards Committee on 1 March 2021. We had previously presented a report to the Committee on 26 November 2020. We highlighted our concerns and challenges regarding quality of working papers supporting the financial statements and responses to audit questions, and provided some illustrative examples. During the ensuing discussion Members recognised the issues both officers and auditors face.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit, Governance & Standards Committee on the two dates noted above.

In our Audit Findings Report presented to Committee on 1 March 2021 we noted that our audit was substantially complete, with the following to complete:

- employee remuneration testing;
- completion of our debtors testing;
- completion of year end income and expenditure testing;
- receipt of management representation letter; and
- review of the final set of financial statements.

We were presented with five further versions of the financial statements which did not reflect all of the agreed amendments. The sixth version did include all of the changes. Considerable audit time was spent checking each of the six versions, discussing the financial statements with Officers, and updating our consideration of events after the balance sheet date through minute reviews.

In our Audit Findings Report presented to Committee on 1 March 2021 we reported "the final audit fee is to be confirmed, pending discussions with Officers and PSAA regarding additional fee as a result of:

- the additional work required to resolve the very high number of questions we raised, inadequate explanations to our questions, and the number of amendments required to the Statement of Accounts (estimated £10,000); and
- the additional work and time as a result of the impact of Covid-19 (estimated £8,750).

In our "Audit Findings Report Addendum" we stated "These additional errors and changes mean that we now cannot contain the fee within the extra £10,000 previously estimated and reported in respect of the quality of the financial statements and working papers. We will agree a final fee with the Acting S.151 Officer once the audit is completed."

As a result of the additional audit time required in the eight months between 1 March and 8 November we have discussed with Officers that further additional fees will be required. The final audit fee variation will now be £23,000.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the draft Statement of Accounts by the end of August 2020.

Our work on the Annual Governance Statement identified a significant number of typographical errors, not referring to the CIPFA / SOLACE requirements, and saying nothing about the "Significant Governance Issues". The Statement was significantly enhanced in order to meet the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.

Our work on the Narrative Report identified a number of areas for enhancement. The amended Report meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.

Audit of the Financial Statements

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Redditch Borough Council in accordance with the requirements of the Code of Audit Practice on 8 November 2021.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

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

Key findings

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

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

Based on the work we performed to address the significant risk, we are satisfied that, except for the matter we identified in respect of financial sustainability, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We also considered whether the significant challenges in relation to the financial statements audit also needed to be reflected in our value for money conclusion, given one of the NAO VFM criteria relates to “Unreliable and untimely financial reporting that doesn’t support the delivery of strategic priorities, such as the late submission of financial statements for audit”. This was considered by an independent consistency panel, who agreed with our assessment that the VFM Conclusion should not be qualified in this regard. This was principally because of the support from the Chief Executive to the Acting S.151 Officer, and of the audit process.

We therefore issued a qualified 'except for' conclusion.

Value for Money conclusion

Value for Money Risks

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|---|
| <p>Financial sustainability</p> <p>How robust is the Medium Term Financial Strategy (MTFS) and how well developed are savings plans?</p> <p>In 2018/19 we issued an "Adverse" VFM Conclusion and a Statutory Recommendation around the lack of progress to bridge the financial deficit. We report our follow up of the Statutory Recommendation on pages 24-26.</p> <p>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:</p> <p>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;</p> <p>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.</p> | <p>1) We have monitored the Council response to its financial challenge, both pre- and post-Covid 19. In December 2019 Members were presented with a report which set out the key messages and emerging issues from the MTFP planning as it was at that time. It shows the movements from previous forecast, the large cost pressures and savings, and the impact on balances. Members were therefore given plenty of opportunity to consider the proposed MTFP in advance of formal approval in February. It was clear that difficult decisions would be needed to deliver the savings required.</p> <p>The MTFP presented in February 2020 is clear, concise and based on reasonable assumptions. For example, 2% pay growth & inflation, 2% increase in Council Tax, and reductions in New Homes Bonus. Quarterly Finance Reports and Savings Monitoring Reports show progress against the agreed budget and delivery of the savings and income generation schemes. Members are provided with clear and concise reports, and given the opportunity to discuss key decisions in advance. While there is scope to make reporting of savings against the MTFP more sophisticated, it does provide Members with some detail and a RAG rating. Where there are under or overspends in portfolios these are clearly reported. The financial outturn shows that, despite the challenges of Covid-19, particularly the impact on leisure services, an underspend of £403k was achieved against the revised budget.</p> | <p>Members have made some difficult decisions in order to move to a more balanced financial position. However, the Council still needs to save around £1.7m by 2023/24, and non earmarked general fund reserves of £1.6m as at 31 March 2020 will be insufficient to cover this. This is without knowing the full impact of Covid-19.</p> <p>In 2019/20 the HRA position was reasonably balanced, and at 31 March 2020 reserves were £744k. However, a number of reports to Members have set out the ongoing challenges the HRA faces, even before the impact of Covid-19, which could be around £2m.</p> <p>While we are satisfied that progress has been made against the Statutory Recommendation it is clear that the Council still faces significant challenges to ensure that the general fund and HRA are in a long term financially sustainable position.</p> <p>Management response</p> <p>See next page.</p> |

Value for Money conclusion

Value for Money Risks

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|---|
| <p>Financial sustainability</p> <p>How robust is the Medium Term Financial Strategy (MTFS) and how well developed are savings plans?</p> <p>In 2018/19 we issued an "Adverse" VFM Conclusion and a Statutory Recommendation around the lack of progress to bridge the financial deficit. We report our follow up of the Statutory Recommendation on pages 24-26.</p> <p>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:</p> <p>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;</p> <p>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.</p> | <p>2) We selected 11 schemes to test in detail. Our selection was based on our perceived risk of the savings, and the value involved. We did not consider New Homes Bonus, Council Tax increases or Council Tax Surplus as these are "known". The schemes we tested below amount to £2,245k against a total (excluding NHB, CT & CT Surplus) per the MTFP, of £2,410k = 93%.</p> <p>Generally, the savings were fully developed, reasonable and appropriately reported to Members. These include those that required Members to make difficult decisions - closure of the One Stop Shops, withdrawal from the Rubicon Business Centre, reduction in Dial a Ride costs and reallocation of Voluntary Community Service funding. Other savings are essentially "known" - these include the Minimum Revenue Provision savings from re-profiling capital expenditure and reviewing asset lives, savings on a new insurance contract which is based on competitive tender, and reduced pension fund contributions.</p> <p>Other schemes were less certain. For example, for reduction in enabling costs of 1%, how the 1% cost reduction will be achieved has not been worked through yet, and service restructure is still going through the process of approval and implementation. These two items amount to £75k.</p> <p>The Council estimates that the financial impact of Covid-19 could amount to £2.5m, which is partly offset by grants totalling £1m. Leaving a net deficit of £1.5m. The Council (with others) continues to lobby government for additional funding to cover certain specific areas, such as leisure and non payment of housing rents, and more recently the National Leisure Recovery Fund was announced. Officers have been very clear in their reporting to Members of the impact this will have on the financial position, but have also developed a detailed "Recovery Plan". While the situation around Covid-19 remains uncertain there is little more that the Council can do, and appropriate actions are being taken.</p> | <p>Management response</p> <p>Management agrees with the auditor conclusion in this area. Significant progress has been made in the last year which is a credit to the Council, however further significant work is required to ensure that the Council remains financially robust going forwards. There are significant budget gaps in future years which Councillors and budget managers will need to address early in 2021 to ensure that the gap is closed. Covid-19 has had a significant impact on the Council and while grants have been received from central government to help mitigate this it remains unclear to what extent the Council's finances will change as a result.</p> |

A. Reports issued and fees

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

Reports issued

| Report | Date issued |
|--|---------------------------------------|
| Audit Plan | 30 January 2020 |
| Audit Progress Report and Sector Updates | 15 September 2020 26 November 2020 |
| Audit Findings Report | 1 March 2021 |
| Annual Audit Letter | November 2021 |

Fees

| | Planned £ | Actual fees £ | 2018/19 fees £ |
|-------------------|---------------|------------------|-------------------|
| Statutory audit | 53,379 | 76,379 | 57,629 |
| Total fees | 53,379 | 76,379 | 57,629 |

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £44,629 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Fee variations are subject to PSAA approval.

Fees for non-audit services

| Service | Fees £ |
|---|--------|
| Audit related services | 24,000 |
| - Certification of Housing Benefit subsidy claim | |
| - Certification of Pooling of Housing Capital Receipts return | 2,500 |
| Non-Audit related services | |
| - None | |

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.

We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

A. Reports issued and fees continued

| Area | Reason | Fee proposed |
|--|---|---------------|
| Pensions – IAS 19 | The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this. | 1,750 |
| PPE Valuation – work of experts | As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this. | 3,000 |
| Increased challenge and depth of work | The Financial Reporting Council (FRC) has raised the threshold of what it assesses as a good quality audit. | 2,500 |
| New accounting standards | The proposed implementation of IFRS16. This was deferred as a result of Covid-19, and the proposed additional fee has been netted off the figures below | 1,500 |
| Total per audit plan | | 8,750 |
| Qualitative issues | The additional work required to resolve the very high number of questions we raised, inadequate explanations to our questions, the number of amendments required to the Statement of Accounts, Fixed Asset Register completeness and reviewing six further versions. The has been reported to Members at various points throughout our audit. | 15,000 |
| Covid-19 | The additional work and time as a result of the impact of Covid-19. | 8,000 |
| Revised total | | 31,750 |
| Scale fee | | 44,629 |
| Proposed fee | | 76,379 |



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REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee**

17th Jan 2022

DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PSAA AS THE 'APPOINTING PERSON'

| | |
|---|--|
| Relevant Portfolio Holder | Councillor Mike Rouse |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | |
| Report Author | Job Title: Executive Director of Resources Contact email:james.howse@bromsgroveandredditch.gov.uk Contact Tel: 0152764252 |
| Wards Affected | N/A |
| Ward Councillor(s) consulted | N/A |
| Relevant Strategic Purpose(s) | N/A |
| Non-Key Decision | |
| If you have any questions about this report, please contact the report author in advance of the meeting. | |
| This report contains exempt information as defined in Paragraph(s) of Part I of Schedule 12A to the Local Government Act 1972, as amended | |

1. RECOMMENDATIONS

The Audit, Governance and Standards Committee recommend to Council that it:

- **accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for a procurement period of five financial years from 1 April 2023 (that is to say from 2023/24 to 2027/28).**

2. BACKGROUND

- 2.1 This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.
- 2.2 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 2.3 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee**

17th Jan 2022

- 2.4 The Council has the option of arranging its own procurement and to make the appointment itself, or it has the option of running a joint procurement in conjunction with other bodies, or the Council can join and take advantage of the national collective scheme administered by PSAA. This report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
- a) collective procurement **reduces costs** for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
 - b) if it does not use the national appointment arrangements, the Council will need to establish its **own administrative arrangements** including an auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
 - c) it is the best opportunity to **secure audit quality** through the appointment of a qualified, registered auditor (noting that there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement); and
 - d) supporting the sector-led body offers the best way of to ensuring there is a continuing and **sustainable public audit market** into the medium and long term (noting that the Local Government Association strongly supports the PSAA option).
- 2.5 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022.

3. FINANCIAL IMPLICATIONS

- 3.1 There is a risk that current external audit fee levels could increase when the current contracts end under all options. It is clear that in recent years the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
- 3.2 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.

Audit, Governance and Standards Committee

17th Jan 2022

- 3.3 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

4. LEGAL IMPLICATIONS

- 4.1 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 4.2 Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.
- 4.3 Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
- 4.4 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.
- 4.5 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at Full Council, hence the purpose of this report.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 No direct impact.

Climate Change Implications

- 5.2 No climate change implications identified.

Audit, Governance and Standards Committee

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6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

6.1 No equalities implications noted.

Operational Implications

6.2 The Finance Team and Section 151 Officer have experience of working with auditors appointed under the PSAA arrangements.

7. RISK MANAGEMENT

7.1 The principal risks are that the Council fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or does not achieve value for money in the appointment process.

7.2 These risks are considered best mitigated by opting into the sector-led approach through PSAA.

8. APPENDICES and BACKGROUND PAPERS

8.1 None.

Audit, Governance and Standards Committee

17th Jan 2022

9. REPORT SIGN OFF

| Department | Name and Job Title | Date |
|---|--------------------------------------|-------------|
| Portfolio Holder | Cllr Mike Rouse | 17/1/2022 |
| Lead Director / Head of Service | James Howse, Exec Director | 17/1/2022 |
| Financial Services | Clare Flanagan – Principal Solicitor | 18/1/2022 |
| Legal Services | | |
| Policy Team (if equalities implications apply) | N/A | |
| Climate Change Officer (if climate change implications apply) | N/A | |

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Date: 27th January 2022**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****THE INTERNAL AUDIT PROGRESS REPORT**

| | |
|--|--|
| Relevant Portfolio Holder | Councillor Mike Rouse |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Chris Forrester, Head of Finance and Customer Services |
| Report Author | Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: andy.bromage@worcester.gov.uk Contact Tel: 01905 722051 |
| Wards Affected | All Wards |
| Ward Councillor(s) consulted | No |
| Relevant Strategic Purpose(s) | Good Governance & Risk Management Underpins all the Strategic Purposes. |
| Non-Key Decision | |
| If you have any questions about this report, please contact the report author in advance of the meeting. | |

1. RECOMMENDATIONS

The Audit, Governance & Standards Committee recommend:-

1) the report is noted.

2. BACKGROUND

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

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2021 to 31st December 2021 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

Summary Dashboard 2021/22:

| | |
|---|---------------------------|
| Total reviews planned for 2021/22 | 15 (minimum originally) |
| Reviews finalised to date for 2021/22: | 5 (incl. WRS) |
| Assurance of 'moderate' or below: | 2 |
| Reviews awaiting final sign off: | 2 |
| Reviews ongoing: | 9 |
| Reviews to commence (Q4): | 4 |
| Number of 'High' Priority recommendations reported: | 1 |
| Satisfied 'High' priority recommendations to date: | 0 |
| Productivity: | 56% |
| Overall plan delivery to December 2021: | 50% (against target >90%) |

Date: 27th January 2022**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Since the last progress report presented to the Committee, 4 reports have been finalised and are reported in Appendix 3.

Follow Up reports that have been finalised since the last progress report presented before Committee are reported in Appendix 4.

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

2021/22 AUDITS TAKING PLACE AS AT 31st DECEMBER 2021

Due to the implementation of the new financial system and an extended delay to provide audit with a 'read only' access profile the rolling testing programme that should have been continuing during quarters 1 and 2 for Debtors and Creditors did not take place. Partial access was established at the end of September but full read only access was not established until December. This has impacted the testing the result being a smaller sample overall and a reliance on the review testing due to take place in Q3 and Q4 to provide formal assurance. Payroll has been completed on a rolling basis.

The reviews that have been finalised and reported at Appendix 3 are:

- Strategic Acquisitions
- General Data Protection Regulations (GDPR)
- Treasury Management
- Worcester Regulatory Services

The reviews at clearance stage are:

- Budget Monitoring
- Benefits

Reviews that had commenced and at planning or testing stages included:

- Procurement
- Grants
- NNDR
- Council Tax
- Gas Inspections
- Asbestos Regulation Compliance
- Debtors
- Payroll
- Fuel Use

As the above are classified as 'on going' the assurance and outcome of the reviews will be reported at Committee on completion.

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

Date: 27th January 2022**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

scheduled review a decision is made regarding the audit approach. Where there is significant change taking place due to transformation, restructuring, significant legislative updates or a comparison required a critical review approach will be used. To assist the service area to move forwards 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. The outturn from the reviews will be reported in summary format as part of the regular reporting.

Internal Audit are continuing to consider new processes emerging from the changing working arrangements that have been necessary to continue to provide Redditch residents with services because of the pandemic. Plan flexibility is continuing to be required to include and provide assurance on potential areas of change.

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 outcomes of the follow up reviews are reported in full so the general direction of travel and the risk exposure can be considered by Committee. An escalation process involving CMT and SMT is in place to ensure more effective use of resource regarding follow up to reduce the number of revisits necessary to confirm the recommendations have been satisfied. There are no material exceptions to report currently.

3.4 AUDIT DAYS

Appendix 1 shows the progress made towards delivering the 2021/22 Internal Audit Plan and achieving the targets set for the year. At the 31st December 2021 a total of 192 days had been delivered against an overall target of 385 days for 2021/22.

Appendix 2 shows the performance indicators for the service. Performance and management indicators were approved by the Committee on the 29th July 2021 for 2021/22.

Appendix 3 provides copies of the reports that have been completed and final reports issued since the previous progress report presented to Committee.

Appendix 4 provides the Committee with 'Follow Up' reports that have been undertaken to monitor audit recommendation implementation progress by management.

Appendix 5 provides an overview of the Quality Assurance Improvement Plan.

Date: 27th January 2022**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

3.5 OTHER KEY AUDIT WORK

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

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

National Fraud Initiative

- 3.6 NFI data set uploads were completed by the end of December 2021. WIASS continue to provide advice and assistance regarding the process.

Monitoring

- 3.7 To ensure the delivery of the 2021/22 plan and any revision required there continues to be 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 to ensure an internal audit opinion can be reached using reviews from the authority’s core financial systems, as well as other systems which have been deemed to be ‘high’ and ‘medium’ risk. Any changes to the plan will be discussed with the s151 Officer and reported to Committee.

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

Date: 27th January 2022**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

- 4.1 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”.

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

- 5.1 Good governance along with risk management underpin all the Corporate strategic purposes. This report provides an independent assurance over certain aspects of the Council’s operations.

Climate Change Implications

- 5.2 The actions proposed do not have a direct impact on climate change implications.

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

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

Operational Implications

- 6.2 There are no new operational implications arising from this report.

7. RISK MANAGEMENT

- 7.1 The main risks associated with the details included in this report are to:
- Insufficiently complete the planned programme of audit work within the financial year leading to an inability to produce an annual opinion; and,
 - a continuous provision of an internal audit service is not maintained.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ Internal Audit Plan delivery 2021/22

Appendix 2 ~ Performance indicators 2021/22

Appendix 3 ~ Finalised audit reports including definitions.2021/22

Appendix 4 ~ ‘Follow-up’ reports

Appendix 5 ~ Quality Assurance Improvement Plan

Date: 27th January 2022**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 1****Delivery against Internal Audit Plan for 2021/22**
1st April 2021 to 31st December 2021

| Audit Area | Original 2021/22 Plan Days | Forecasted days to the 31st March 2022 | Actual Days used to 31st December 2021 |
|--|---|--|--|
| Core Financial Systems (see note 1) | 112 | 112 | 70 |
| Corporate Audits | 76 | 76 | 59 |
| Other Systems Audits (see note 2) | 143 | 108 | 36 |
| SUB TOTAL | 331 | 296 | 165 |
| | | | |
| Audit Management Meetings | 20 | 20 | 14 |
| Corporate Meetings / Reading | 9 | 9 | 7 |
| Annual Plans, Reports and Audit Committee Support | 25 | 25 | 6 |
| Other chargeable (see note 3) | | | |
| SUB TOTAL | 54 | 54 | 27 |
| TOTAL | 385 | 350 | 192 |

Audit days used are rounded to the nearest whole.

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, but internal audit has been unable to deliver this during 2021/22 due to restricted system access. Partial access was provided during September 2021 with further access established during December 2021. The overall results will be reported during Q4.

Note 2: Several budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters potentially resulting in unallocated days. This is expected during 21/22 hence the reason why the forecasted figure shows a reduction.

Note 3: 'Other chargeable' days equate to times where there has been, for example, significant disruption to the IT provision resulting in lost productivity.

REDDITCH BOROUGH COUNCILDate: 27th January 2022**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****Appendix 2****PERFORMANCE INDICATORS 2021/22**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2021/22. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. KPI 4 to 6. The position will be reported on a cumulative basis throughout the year.

| | KPI | Trend/Target requirement/Direction of Travel | 2021/22 Position (as at 31 st December 2021) | Frequency of Reporting |
|-------------------------|--|--|--|------------------------------|
| Operational | | | | |
| 1 | No. of audits achieved during the year | Per target | Target = 15 (Minimum originally) Delivered = 5 (incl. WRS) 2 @ Clearance 9 in progress | When Audit Committee convene |
| 2 | Percentage of Plan delivered | >90% of agreed annual plan | 50% | When Audit Committee convene |
| 3 | Service productivity | Positive direction year on year | Q3 Average 56% (2020/21 average 62%) | When Audit Committee convene |
| Monitoring & Governance | | | | |
| 4 | No. of 'high' priority recommendations | Downward (minimal) | 1 (2020/21 = 4) | When Audit Committee convene |
| 5 | No. of moderate or below assurances | Downward (minimal) | 2 (2020/21 = 6) | When Audit Committee convene |
| 6 | 'Follow Up' results | Management action plan implementation date exceeded (Nil) | 1 (2020/21 = 0) | When Audit Committee convene |
| Customer Satisfaction | | | | |
| 7 | No. of customers who assess the service as 'excellent' | Upward (increasing) | 1 issued to date Rec'd 1x Excellent 2020/21 1x Excellent | When Audit Committee convene |

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

Appendices A & B are indicated below and are applied to all reports. To save duplication these have been produced once and listed below for information but can also be applied to Appendix 4.

Appendix A

Definition of Audit Opinion Levels of Assurance

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

Appendix B
Definition of Priority of Recommendations

| Priority | Definition |
|-----------------|---|
| High | 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. |
| Medium | 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. |
| Low | 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. |

2021/22 Audit Reports.

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Strategic Acquisitions (Purchasing for regeneration land and property) Audit 2021/22

Date: 13th October 2021

Distribution:

To: Head of Financial and Customer Services

CC: Executive Director of Resources (Section 151 Officer)
Chief Executive

Contents

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| 2. Audit Scope and objective | 12 |
| 3. Audit Opinion and Executive Summary | 12 |
| 4. Detailed Findings and Recommendations | 13 |
| Independence and Ethics: | 15 |
| APPENDIX A | Error! Bookmark not defined. |
| APPENDIX B | Error! Bookmark not defined. |

1. Introduction

The audit of the Strategic Acquisitions (Purchasing for regeneration land and property) was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2021/22 which was approved by the Governance and Standards Committee on 29th July 2021 and for Bromsgrove District Council by the Audit, Standards and Governance Committee on 22nd July 2021. The audit was a risk-based systems audit of the Strategic Acquisitions (Purchasing for regeneration land and property) as operated by Redditch Borough Council.

- 1.1. This area of review is a back-office function and therefore underpins all the Strategic Purposes
- 1.2. There were no service or corporate risks relevant to this review.
- 1.3. This review was undertaken during the month of September 2021

2. Audit Scope and objective

- 2.1. This review was undertaken to provide assurance that:
- processes in place for Strategic Acquisitions for the purchasing for regeneration have been formally agreed are robust, compliant, and transparent in relation to decision making and incorporates a clear assessment and understanding of associated risks.
- 2.2. The scope covered:
- Policies and Procedures/Capital Programme Planning
 - Allocation of responsibilities, delegated powers, transparency, and audit trail of the decision-making process
- 2.3. This review covered processes in place at the time of the audit.
- 2.4. The audit did not express an opinion on the actual assets acquired for regeneration.

3. Audit Opinion and Executive Summary

- 3.1. From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.
- 3.2. We have given an opinion of **significant assurance** in this area because there is a generally sound system of internal control in place but that our testing has identified an isolated weakness in the design of controls and / or inconsistent application of controls in one area.
- 3.3. The review found the following areas of the system were working well:
- There are defined Acquisition and Investment Strategy Processes for each Council
 - Detailed reports for the proposed Investments
 - Capital Programme in place

Audit, Governance & Standards Committee

27th January 2022

3.4. Testing for re generation investments has only been carried out against the Redditch Acquisition and Investment Strategy as no re generation investment purchases have been made since the introduction of the new strategy for Bromsgrove District Council.

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

| | Priority (see Appendix B) | Section 4 Recommendation number |
|--|------------------------------|---------------------------------------|
| Scoring and transparency of the criteria within the report | Medium | 1 |

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium, and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|----------------------------|----------|--|---|--|--|
| New matters arising | | | | | |
| 1 | M | <p>Scoring and transparency of the criteria within the report</p> <p>The reports did not reflect the terminology used within the criteria table 1 as detailed within the Acquisition & Investment Strategy. It is unclear what score was given to each of the areas within the criteria and the policy doesn't make it clear how a decision would be made from the scoring in table 1, if</p> | <p>Financial loss, a potential lack of transparency and reputational damage if unable to fully justify the reason for investment in the event of a challenge against the process.</p> | <p>The report and criteria need to reflect one another to ensure consistency and no assumptions. Either changing the criteria within the strategy or using the criteria within the report is required.</p> <p>There needs to be a reason documented within the report if the</p> | <p>Response: Agree with the findings.</p> <p>Action: Review and amend the Acquisition and Investment Strategy for Redditch Borough Council and Bromsgrove District Council adjusting the criteria so that it falls under headings so that the report will reflect the criteria. Will consider what documents</p> |

| | | | | | |
|--|--|--|--|---|---|
| | | <p>the scoring fell across a range of the measures.</p> <p>There was an inconsistency in the documentation submitted with each report. There was a financial check on the tenants of the business and a building surveys report provided but not for both cases.</p> | | <p>investment does not meet the Excellent, Very Good, Good and why the Council is still proceeding with the Investment. If it does fit, why it exceeds expectation.</p> <p>The Strategy needs to be clear as to what documents need to be submitted with the report to gain approval for the investment. If documents are optional a clear statement of exception must be included in the report.</p> | <p>need to be submitted or optional and update the Strategies.</p> <p>Responsible Manager: Head of Financial and Customer Services</p> <p>Implementation date: 31st March 2022</p> |
|--|--|--|--|---|---|

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

GDPR – Document Retention 2021/22

5th November 2021

Distribution:

To: Head of Transformation
ICT Transformation Manager
ICT Operations Manager

CC: Chief Executive

Introduction

- 1.1 The audit of the GDPR document retention was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2021/22 as approved by the Audit, Governance and Standards Committee on 29th July 2021 and for Bromsgrove District Council as approved by the Audit, Standards and Governance Committee on 22nd July 2021. The audit was a risk based systems audit of the GDPR Document Retention as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 This review underpins all of the strategic purposes of the council as GDPR is in place to protect all of the data used by each Council in their day to day provision of services.
- 1.3 The following Service risks were relevant to this review:
 - CUS 20 - RBC data protection - unintended or unauthorised disclosure of information
 - CUS 21 - BDC data protection - unintended or unauthorised disclosure of information
 - ICT 4 - Breach of Data Protection – disclosure of data / staff not aware of guidelines
 - ICT 11 - System functionality to manage records
- 1.4 There is the potential for fraud as staff are able to work from home, there is possible risk of fraud occurring, as staff could find it easier to copy and share confidential information in collusion for financial gain.
- 1.5 This review was undertaken by Sami Al-Moghraby during the months of May, June and July 2021.

2. Audit Scope and objective

- 2.1. This review has been undertaken to provide assurance that:
 - There is a fit for purpose retention policy in place and that all document retention/disposals are being undertaken in line with GDPR requirements. (Hard copy and electronic) That electronic data is securely held and that any home working access to systems is both secure and in line with GDPR.
 - The Councils decision to block the ability to print from home is working and that arrangements put in place is compliant with GDPR
- 2.2. The scope covered:
 - Retention Policies and Asset Information registers

- Procedures for printing when working from home.
- That each authority is compliant with the retention schedule of electronic data i.e – destroying electronic data and emails on time.
- That there are good security protocols in place to protect sensitive data.

2.3. The review looked to provide assurance over the controls in place at the time of the audit review.

3. Audit Opinion and Executive Summary

3.1. From the audit work carried out we have given an opinion of **moderate assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.

3.2. We have given an opinion of **moderate assurance** in this area because 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.

3.3. The review found that multiple service areas including Environmental, Housing, Property and Finance are in the transition stage of moving to new systems; including cloud-based systems during the 2021-22 financial year. As these systems are still being developed or not yet finalised, full assurance could not be provided in relation to the data security and data retention aspects.

Although full assurance could not be provided during this review on these key areas, assurance can be provided on the direction of travel as each service area spoken to have already considered GDPR, data security and data retention and are moving to systems either with GDPR modules built in or that automatically delete the data after the retention period is over.

3.4. There is an emerging risk in relation to the two-factor authentication within each authority; as services are currently unaware whether the new systems being implemented are going to have a single or two step authentication, including those which are cloud based and can be accessed off the network.

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

- There is a GDPR policy in place that covers data security and document retention.

- All user accounts have taken refresher GDPR and data security training in 2021 on netconsent.
- There is a robust bring your own device policy that stipulates sanctions are in place if it is found that a data breach occurs, or devices are used for purposes outside of the scope of the policy.
- Good communication on the orb in relation to GDPR and data security during Covid-19.
- Good controls are in place to prevent users copying data from inside to outside the network.
- There are appropriate controls in place to restrict access to service area specific folders.
- Appropriate controls are in place over monitoring of confidential and highly sensitive emails.
- There is a robust VPN/WIFI and data encryption monitoring process in place at the authorities.

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

| | Priority (see Appendix B) | Section 4 Recommendation number |
|---|--------------------------------------|--|
| Two Factor Authentication | High | 1 |
| Asset Information Register and Retention of Electronic Data | Medium | 2 |
| Printing from home policy and Docmail | Medium | 3 |

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

| Ref. | Priority | Finding | Risk | Recommendation | Management Comment and Action Plan |
|----------------------------|-----------------|--|---|--|---|
| New matters arising | | | | | |
| 1 | H | <p><u>Two factor authentications</u></p> <p>The review found that the two-step authentication is currently not working for officers who are not</p> | <p>There is high risk of financial loss from fines if data breaches occur from having a</p> | <p>To review if the security protocols currently in place on the network and on cloud-</p> | <p>Responsible Manager: ICT Manager</p> <p>Implementation date: December 2021</p> |

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| | | <p>internal employees of either Redditch Borough Council and Bromsgrove District Council network.</p> <p>It was also found that cloud-based systems such as Tech-One currently do not have a two-step authentication in place.</p> | <p>lack of controls on access to systems.</p> | <p>based systems is secure enough especially those that only have single factor authentication.</p> | <p>It is accepted that there is a risk around the two-factor authentication and the authority is aware of the current risks around 3rd party users.</p> <p>This is currently in progress as ICT are working through a list of all 3rd party users and looking to move these to a two-factor authentication when accessing the network.</p> <p>Some mitigation is being put in place for the 3rd parties by doing a posture check on all devices to ensure they are who they say they are.</p> <p>In relation to Tech one – ICT are working with the tech team at Tech one and are working to resolve the issue.</p> |
| 2 | M | <p><u>Asset Information Register and Retention of Electronic Data</u></p> <p>Information Asset Register</p> <p>Testing identified: -</p> | <p>No controls in place to monitor with the authority is compliant</p> | <p>As a new Information asset register is being developed,</p> | <p>Responsible Manager:</p> |

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| | <p>1.) Currently there is confusion as to who holds the responsibility to keep the live document updated.</p> <p>2.) Several services have not updated the live document retention schedule.</p> <p>3.) There are no protocols currently in place to give assurance that this is being monitored or what sanctions are in place for services that choose to not update it.</p> <p>Retention of data</p> <p>6 service areas were tested during the review, where it was found that:</p> <p>-</p> <p>1.) Service areas are not updating the live retention document as originally intended.</p> <p>2.) The live retention schedule does not stipulate what information has been destroyed i.e. that the data in 2010-2011 has been cleansed and is up to date.</p> <p>3.) 2 out of the 6 services tested believe the information management team is responsible for deleting their data once the retention period ends.</p> <p>4.) 3 out of the 6 service areas tested admitted that due to the</p> | <p>with privacy notices, FOI and GDPR.</p> <p>Risk that information is being held longer than necessary and longer than the purpose it was originally collected.</p> <p>Also, reputational damage for not having a system or control that is fit for purpose in place,</p> | <p>there needs to be a process in place that clearly allocates responsibilities to ensure the document is kept up to date and that data is being destroyed in an appropriate and timely manner in case of challenge by the ISO. For examples a sign off sheet is completed by service areas annually.</p> <p>Clarity needs to be provided to service areas as part of the plans of the new system, as to what the corporate expectation is for updating records and ensuring all data is cleansed as required.</p> | <p>ICT Manager and Head of Transformation & Organisational Development</p> <p>Implementation date: December 2021</p> <p>There is a campaign currently in place with the comms team to help with destroying information once it has surpassed the data retention period.</p> <p>Both authorities are working to conduct an Interactive approach to help staff change their behaviour when it comes to the cleansing of data and keeping the asset register and retention schedule up to date.</p> <p>Currently if an issue is found, it gets reported to the ICT manager on a weekly basis, which would then be escalated by the ICT Manager to the Head of Service of the service area.</p> <p>Accept the risk that there is no current sanctions if this continues after talking to the Head of Service, so proposing taking the</p> |
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| | | <p>pandemic, deletion of electronic data and monitoring has not been at the front of their minds.</p> | | | <p>escalation further to CMT for sanctions to take place.</p> |
| 3 | M | <p><u>Printing from home policy and Docmail</u></p> <p>Printing from home and print Policy Although controls have been put in place by ICT to block printing from home testing found that officers have been able to print from home using a USB and Bluetooth printer.</p> <p>Although it is advised not to print from home; the review found that there is no policy in place stating that staff cannot print from home and that documents must be destroyed using the confidential waste within a public building.</p> <p>Also there is nothing within the existing policy to state if sanctions would be provided to staff found printing from home.</p> <p>Docmail</p> <p>The review found: - 1.) Currently there are no controls in place to prevent staff from</p> | <p>There is a risk that if staff are able to print from home, that the documents are not being destroyed appropriately and also more risk to the security of the data as civilians outside of the organisation may be in view of sensitive information, leading to reputational risk to the authority.</p> | <p>If printing from home is not going to be allowed, then this needs to be clearly communicated to all staff and a review undertaken outside of the network on work devices, to ensure that appropriate controls are in place to disable printers such as Bluetooth/USB/WIFI from being added to the laptop.</p> <p>To review the current ICT security policy and decide if printing from home needs to be included within the policy, so that if caught sanctions can be provided, especially if the authority is moving towards a more agile way of working.</p> | <p>Responsible Manager: ICT Manager and Head of Transformation & Organisational Development</p> <p>Implementation date: March 2022</p> <p>Currently there is an agile working policy in draft which is going to CMT for approval. This policy will include information in relation to not printing from home and will encourage more electronic data rather than hard copy.</p> <p>Investigations by ICT to take place to check if administration rights are enabled for staff to add printers when working from home. If so, will remove admin rights to do this and add</p> |
| | | <p>The review found: - 1.) Currently there are no controls in place to prevent staff from</p> | <p>There is a risk that if there are no controls in place to police</p> | <p>To review the Docmail system and decide if</p> | |

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|--|--|---|---|---|--|
| | | <p>setting up the Docmail for themselves and arrange for items to be printed by Docmail and sent by post to their personal address. 2.) Although users can monitor their own printing, there is no corporate controls in place or daily reports to monitor what gets printed. 3.) Users can amend the return address from the authority location to their personal address if they wish on Docmail application.</p> | <p>and monitor the flow of information the authority is at risk of both making a loss financially as well as open to sensitive information not being destroyed correctly.</p> | <p>additional procedures and policies need to be developed to either permit staff to be able to use the Docmail freely or if sanctions need to be introduced against staff as a deterrent from sending information to their homes which could ultimately lead to either a data breach or financial cost to the council.</p> | <p>appropriate measures to reduce the risk. In relation to Docmail – The Head of Transformation & Organisational Development will speak with the Personal Assistant responsible for the Docmail system to assess the measures that can be put in place to monitor and reduce the risk.</p> |
|--|--|---|---|---|--|

5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 (revised 1st April 2017) and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Light Touch Treasury Management Audit 2021/22

Date 5th January 2022

Distribution:

To: Financial Services Manager

CC: Head of Financial and Customer Services
Executive Director of Resources (Section 151 Officer)
Chief Executive

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1. Introduction

- 1.1 The audit of the Light touch Treasury Management Audit was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2021/22 which was approved by the Governance and Standards Committee on 29th July 2021. The audit was a light touch risk-based systems audit of the Treasury Management system as operated by Redditch Borough Council.
- 1.2 This area of review is a back-office function and therefore underpins all of the Strategic Purposes
- 1.3 The service risks relevant to this review:
 - Fin 2 Poor Treasury Management
- 1.4 There is a potential for fraud in this area with the transfer of funds fraudulently to personal or third party bank accounts.
- 1.5 This review was undertaken by Joanne Edge during the month of December 2021

Audit, Governance & Standards Committee

27th January 2022

2 Audit Scope and objective

- 2.1 A full audit was undertaken in 2020/21. No concerns were raised so this year a light touch audit has been undertaken to provide assurance that controls are still in place and operating effectively.
- 2.2 The review covered authorisation on investment and borrowings, compliance with the Treasury Management Strategy in relation to Institutions invested in and the limits invested, and the interest received and paid. In addition to this the 2020/21 audit findings were also followed up.
- 2.3 This review covered processes in place at the time of the audit.

3 Audit Opinion and Executive Summary

- 3.1 From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.
- 3.2 We have given an opinion of **significant assurance** in this area because there is a generally sound system of internal control in place but that our testing has identified an isolated weakness in the design of controls and / or inconsistent application of controls in one area.
- 3.3 The review found the following areas of the system were working well:
- Management approval had been obtained for the Investments/Borrowing
 - Ledger shows the money being paid out and back in.
 - Investments were made in line with the Counterparties lists and were within investment limits
- 3.4 The review found the following areas of the system where controls could be strengthened:

| | Priority (see Appendix B) | Section Recommendation number | 4 |
|---------------------------------------|------------------------------|-------------------------------------|---|
| Reconciliation and Borrowing Sign off | Medium | 1 | |

Audit, Governance & Standards Committee

27th January 2022

4 Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|---|----------|--|---|---|--|
| Issues brought forward from previous audit | | | | | |
| 1 | M | <p>Reconciliation and Borrowing Sign off (Follow up from the 2020/21 Audit)</p> <p>The Treasury Management is undertaken by several officers on a day to day basis and although there is an authorisation of transfer of funds on investments there is no formally established authorisation of borrowings. A discussion does take place with the Head of Finance and Customer Services, and there is a period of grace whereby an agreement to borrow can be cancelled but there is no formal record of the decision made, and reconciliations although undertaken are not signed off by Management except at the year end.</p> <p>Therefore, there is no official monitoring to ensure that monies that should have been received are received.</p> <p>The implementation of a new system and the turnover of staff has resulted in the resources being reallocated to high risk areas.</p> | <p>Risk of financial loss borrowings are agreed when they are not required, or the interest rate is not a good deal for the Council</p> | <p>As a minimum and in order to ensure that the process does not suffer undue delay the Treasury Management reconciliation should be reviewed and signed off by Management on a quarterly basis as part of the quarterly reporting to Members.</p> <p>This will ensure that all monies that should have been received have been</p> | <p>Responsible Manager: Financial Services Manager</p> <p>Agreed that this is a sensible approach.</p> <p>Implementation date: By end of June 22</p> |

New matters arising

There have been no areas of control issues or risks highlighted by this light touch review that require reporting.

5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 (revised 1st April 2017) and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council

www.bromsgrove.gov.uk

Final Internal Audit Report

Licensing 2020-21 & 2021-22

15th October 2021

Distribution:

To: Licensing and Support Services Manager
Head of Regulatory Services

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1. Introduction

- 1.1 The audit of Licensing was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2020/21 and 2021/22 as approved at the Audit, Standards and Governance Committee on 5th March 2020 and 15th July 2021. The audit was a risk-based systems audit of Licensing as operated by Bromsgrove District Council.
- 1.2 This review links directly to the Bromsgrove District Council Plan 2019-23 purpose - Run and grow a successful business and Communities which are safe, well maintained, and green.
- 1.3 A limited risk of fraud exists if, via collusion, controls surrounding licensing processes are bypassed to allow actions to go undetected or required actions are not undertaken appropriately leading to inappropriate licensing.

2. Audit Scope and objective

- 2.1 The audit was to provide assurance on the processes surrounding the management of licenses issued by Worcestershire Regulatory Services, including the recovery of expired, revoked or suspended licenses, The assurance was predominantly regarding Taxi Driver and Vehicle Licensing, but other licensing was considered as part of the review to provide assurance on consistency of approach and embedded practice.
- 2.2 Scope:
- Processes in place to capture decisions from licensing committees regarding all changes to licensing requirements for businesses and individuals
 - Comprehensive notes are held against records to ensure full case history is available and can be reported at any point in time
 - Physical recovery of expired, revoked or suspended licenses along with reconciliation
 - Recording of licenses and embedded system abilities to manage licenses and actions
 - Review process for licensing applicants (to identify if licenses have previously been issued)
 - Reporting of position to each Authority in regard to cases is clear, concise and timely.
- 2.3 The review covered the period from 1st April 2020 to the date of the audit and ran across two municipal years.
- 2.4 The review was performed during April to June 2021.

3 Audit Opinion and Executive Summary

- 3.1 From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit. We have given an opinion of **significant assurance** in this area because there is generally a 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.
- 3.2 It should be noted regarding Taxi Licensing there are layered controls to ensure as much as possible suspended drivers are unable to operate. Due to the nature of the licensing and mobility of both vehicles and driver's controls can be severely tested. On occasions immediate collection of the licensing plates and licenses may not be possible due to the very nature of taxi driving/licensing. There is a clear protocol in place which notifies various agencies including the Police there is action pending. The audit identified there are reasonable and practical controls in place to identify required actions and minimise any

delays in the obtaining of any license after suspension. The audit has also identified a number of controls newly or in the process of being implemented to further improve the control environment and mitigate any potential risk to the public in this particular area of licensing. The areas of enhanced control include:

- Implementation and use of the National Register of Taxi and Private Hire License Revocations and Refusals (NR3)
- Review of suspension letters to ensure wording is clear and drivers understand the actions taken and their responsibility to surrender licenses
- Time at the end of Magistrates Court Appeals to physically recover the license
- A follow up letter also sent to the prison (if required) reminding the licence holder it is a criminal offence to drive whilst their licence has been suspended or the licence has been revoked.

Even with enhanced controls in place any actions required are fundamental and intrinsically linked to the information that is agreed at committee and fed back/noted on a case-by-case basis by the officer in attendance. There will always be a potential risk of an individual operating without the necessary license but there are mitigations in place that reduce this to a minimum.

- 3.3 The review found the following areas of the system were working well:
- Attendance and provision of information for Committees and Sub-Committees
 - Record keeping of license holders via a uniformed system
 - Existing and additional controls for the recovery of licenses and the development of processes to improve controls.
 - System abilities to manage license variations and produce reports for management purposes
 - Identification of applicants who have previously had a license suspended or revoked and the introduction of the National Register of Taxi and Private Hire Licence Revocations and Refusals (NR3)
- 3.4 The review found the following areas of the system where controls could be strengthened:

| | Priority | Section 4 Recommendation number |
|---|-----------------|--|
| New Matters Arising | | |
| Use of Authority Enforcement Officers & Exception Reporting | Low | 1 |

4 Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

| Ref. | Priority | Finding | Risk | Recommendation | Clearance meeting discussion points |
|-----------------------------|------------|---|---|---|--|
| New findings arising | | | | | |
| 1 | Low | <p>Use of Authority Enforcement Officers & Exception Reporting</p> <p>As reported in the overview the risk of drivers operating without a licence or during a suspension can never be eliminated due to the nature of the licence. Additional controls could be considered to aid in the limitation of reputational damage and to reduce the number or time drivers operate without a valid licence.</p> | <p>Increased reputational damage to Worcestershire Regulatory Services and the Client Authority if drivers are unlicensed.</p> <p>Taxi drivers operating without a valid licence for extended periods could potentially render themselves uninsured leading to increased risk to the public and other road users should there be an incident.</p> | <p>At the point a license is suspended and especially if a license cannot be located and recovered the relevant Officers at the client authority are made aware at the earliest opportunity and kept updated as the case progresses to ensure that potential reputational damage can be managed. To further minimise risk and increase the potential to spot unlicensed drivers, consideration is given to whether Worcestershire Regulatory Services could work with the Civil</p> | <p>Management Response:</p> <p>WRS are acutely aware of both the importance and risk associated with not retrieving a driver's badge once there is a decision made to suspend or revoke a licence.</p> <p>Currently WRS undertake 2 visits to the licence holders named residence to retrieve a badge if it is not:</p> <ol style="list-style-type: none"> 1. Returned to WRS by the licensee once a letter of suspension/revocation has been hand delivered. 2. Retrieved from the licence holder after the Court hearing <p>Further to this we have introduced a warning letter that each district legal team are notified of which is sent to the</p> |

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| | | | | <p>Enforcement Officers (CEO's) of the various Authorities. As the CEO's patrol the districts daily and they could potentially identify locations of unlicensed taxi drivers and pass that intel to Worcestershire Regulatory Services for action. Enforcement would be via WRS and the Police, but it may improve visual coverage within each of the districts thus acting as a deterrent regarding unlicensed driving. It is recommended that this approach is only used when necessary and any such approach or working arrangements would need to be agreed.</p> | <p>home address and prison (if necessary) to remind the driver that it is an offense to drive without a licence and the badge should be returned to WRS.</p> <p>WRS have previously attempted to engage with all district enforcement teams with a view they could provide on the ground support to licensing officers including the power to issue points through our internal points system.</p> <p>WRS will continue to pursue this direction of travel and will contact all districts again as a response to this audit. There was positive groundwork maintained with Worcester City prior to the pandemic with one of our Senior officers presenting to all enforcement officers through a virtual meeting. WRS are more than happy to engage with the teams on a regular basis but as already specified these would need to be within certain parameters.</p> <p>During recent months the team have concentrated more on proactive enforcement with officers actively being out in districts but also taking</p> |
|--|--|--|--|--|---|

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| | | | | | part in joint operations with the police. The pandemic has strengthened our partnership with the Police and, we continue to work with them closely on all licencing matters not just taxis. Officers have been working with most of these drivers for long periods of time and know themselves who are suspended therefore all these initiatives are small steps to achieving the overall objectives set out in this audit. |
|--|--|--|--|--|---|

5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 (revised 1st April 2017) and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services

FOLLOW-UP REPORTS:

Since the previous progress report reported to Committee there have been three finalised 'Follow-Up' reports.

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Safeguarding - Children 2019/20
(Evidence to Support the Section 11 Audit Return)

3rd Follow-up Report - 20th September 2021

Distribution:

To: Head of Community and Housing Services
Human Resources & Development Manager
Cc: Head of Transformation, Organisational Development and Digital Services

Audit, Governance & Standards Committee

27th January 2022

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Section A - Justification of Audit Follow-up Approach

The date of the final audit report was 05/03/2020 with the first follow up report on 31/07/2020 and the second follow up report on 4th March 2021. The review is being followed up again because:

- 1 high and 1 medium priority recommendations remained outstanding: and
- At least three months have passed since the previous follow-up:

Please note that recommendation implemented from the previous follow up have not been included in this report

The following audit approach has therefore been applied:

- The 1 high and 1 medium priority recommendations outstanding from the second follow up have been updated with the current position. (Please see Section C)
- Where required recommendations against weaknesses in key controls have been tested substantively/evidenced.

Section B - Conclusion - Current Position statement

The original audit report gave **Moderate Assurance** over the control environment and this is the third follow-up. The first follow up was reported to committee on the position at the 31st July 2020. This was compiled with information provided by the Head of Service. The second follow up was reported to committee on the position at the 11th January 2021.

As reported within the second follow up, progress had been made against the various actions.

Audit, Governance & Standards Committee

27th January 2022

This follow up has identified the high priority area, training and monitoring, remains outstanding and to be actioned as the new HR system is still awaiting implementation. There has been no formal policy change at this point. The ERP system will be integral to HR in reviewing policy and process which will include the safer recruitment policy and training.

The medium priority recommendation has been implemented. The latest Safeguarding policy May 2021 and the induction booklet, 'working for us' is now available for staff to read on the Orb.

There is a service risk COM 3 on the 4risk system relating to safeguarding where the system highlights the review from date as 31/07/21.

A further follow up will be carried out in 6 months.

This follow up was undertaken during the month of August and September 2021

Section C – Current Position

| <u>Ref./ Priority</u> | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>2nd Follow up Position as at 11th January 2021</u> | <u>3rd Follow up Position as at 13th September 2021</u> |
|-----------------------|-------------------------|--|--|---|
| 1 High | Training and Monitoring | | Implemented | Not Implemented (In progress) |

| Ref./ Priority | Recommendation | Management Response and Action Plan | 2nd Follow up Position as at 11th January 2021 | 3rd Follow up Position as at 13th September 2021 |
|-----------------------|--|--|---|---|
| | <p>To ensure there is a clear Corporate Safeguarding training plan in place for each year.</p> <p>A review of the safeguarding training record and establish a protocol to ensure that where mandatory training is required its completion is monitored and timely reminders are issued and followed up for non-completion. Procedures for the provision of regular fresher training should be established.</p> <p>Send out a communication to staff reminding them of who the safeguard leads within Redditch Borough Council and Bromsgrove District Council are.</p> <p>If feasible, request that the consent the staff agree to which confirms they have understood the safeguarding training is moved to the end of the training so that the presentation has to be read and test completed</p> | <p>Responsible Manager Head of Community and Housing Services</p> <p>Action To review and improve the training record to ensure it is up to date with the ability to set up reminders including escalation to Managers</p> <p>Implementation Date 31st October 2020</p> <p>Action To identify replacement training resources for staff who are in regular contact with children.</p> <p>Implementation Date 31st May 2020</p> <p>Action If possible, to make changes to Net consent as recommended.</p> <p>Implementation Date 31st May 2020</p> | <p>A group of safeguarding champions have been established and two meetings have already taken place in June and October 2020 within which priorities for the champion role were discussed. Since these meetings Communication has been sent to the safeguarding champions with updates and offers of training</p> <p>The purpose of the champion role is defined within the draft Safeguarding Policy July 2020.</p> <p>Not Implemented Net Consent which is used to trigger reminders for the safeguarding online training has currently been taken offline. It is planned that this will be reinstated shortly. Therefore, while this eLearning system has been unavailable there has been no system in place to remind staff or carry out the basic mandatory safeguarding awareness level</p> | <p>NETconsent is now up and running. However there has been a gap where the safeguarding training has not been available for staff to complete the basic safeguarding training on this system. A presentation and test questions in line with the new policy is in the process of being uploaded and this is due to be completed by the middle of October 2021 and then rolled out to staff.</p> <p>Not Implemented</p> <p>The new HR Training has not gone live as intended and waiting on a revised implementation date.</p> <p>Partially implemented</p> <p>The referral log is to allow the referral information to be collated and this will be the case for</p> |

| Ref./ Priority | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>2nd Follow up Position as at 11th January 2021</u> | <u>3rd Follow up Position as at 13th September 2021</u> |
|-----------------------|---|--|---|---|
| | <p>before they can agree their understanding.</p> <p>Source and implement suitable training for those staff dealing with vulnerable children on a regular basis.</p> <p>Review the purpose and process of the Safeguard log as it is not capturing referrals across all services including housing and no output is being recorded.</p> <p>Review what Safer Recruitment training is in place and if this training is being rolled out and effective.</p> <p>Liaise with Human Resources as to when the induction handbook is likely to be finalised and published.</p> | <p>Action Re-run the results of the net consent safeguarding testing to determine if staff are still getting the question relating to who the safeguarding leads are wrong and if so, appropriate action to be taken.</p> <p>Implementation Date 30th September 2020</p> <p>Action To review the safeguarding log and determine an appropriate process for recording referrals from all services including the housing service.</p> <p>Implementation Date 31st July 2020</p> <p>Management Response / Action</p> <p>New Induction booklet on track to be launched Spring 2020. New starters have access to the system currently and will continue to</p> | <p>training. More specific training such as Child Exploitation and Vulnerability has been offered by Worcester Children First to RBC/BDC Staff. A recording system is still to be established to record what staff have been on various training to ensure staff have the correct level of training required for their job role. In the meantime there is a reliance on managers to keep their own record of the training that staff attend although moving forward this will be incorporated into the new HR Training system which is due to go live in July 2021, this will then ensure that there is a record of all training attended by all staff members</p> <p>The implementation date has been revised to 31st July 2021.</p> <p>The referral log is contained on a shared access drive for all the Safeguarding Leads to complete. Outcomes from the referrals are recorded. Housing safeguarding</p> | <p>Housing related cases once the new Civica Housing system is in place and this will be April 2022.</p> <p>Implemented</p> <p>The Induction handbook titled Working for us. Your Induction to Bromsgrove Council and Redditch Borough Council is now available on the Orb.</p> <p>Not Implemented</p> <p>(Wider recruitment training to include safer recruitment)</p> <p>There has been no formal policy change at this point, the ERP system will be integral to reviewing the policy and process. However, interim training is being provided to recruitment managers as needed in advance of a wider rollout on the back of the policy review.</p> |

| Ref./ Priority | Recommendation | Management Response and Action Plan | 2nd Follow up Position as at 11th January 2021 | 3rd Follow up Position as at 13th September 2021 |
|-----------------------|--|---|--|--|
| | | <p>trigger the launch of the safeguarding awareness training via Net consent.</p> <p>Responsible Manager Human Resources and Development Manager</p> <p>Implementation Date 30th June 2020</p> <p>Action Explore options for safer recruitment training</p> <p>Responsible Manager Human Resources and Development Manager</p> <p>Implementation Date 30th June 2020</p> | <p>referrals are recorded on the relevant housing system. Further consideration is still ongoing as to how to collate this information to ensure accurate reporting.</p> <p>Not Implemented</p> <p>The Induction booklet is due to be published and available on the Orb by the end of January 2021 (revised date from original audit)</p> <p>HR are reviewing wider recruitment training this will also incorporate safer recruitment, the training that is required and appropriate recording of any training undertaken.</p> <p>Revised implementation date July 2021 (as advised in the 1st follow up position 31/07/2020)</p> | |
| 3 Medium | <p>Safeguarding Policy April 2019</p> <p>Update the old version on the Orb or remove.</p> | <p>Responsible Manager Head of Community & Housing Services</p> <p>Action</p> | <p>Implemented</p> <p>Policy listed under the Corporate section of the Orb removed</p> | <p>Implemented</p> <p>The updated policy (published 13th September 2021) dated May</p> |

| Ref./ Priority | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>2nd Follow up Position as at 11th January 2021</u> | <u>3rd Follow up Position as at 13th September 2021</u> |
|-----------------------|--|--|---|--|
| | <p>Ensure that any changes to the Safeguard Policy are communicated within a timely manner to staff and evidenced.</p> <p>To retain evidence for the responses given in the Section 11 that can be accessed within an organised folder or hyperlinked to the documents and produced within a timely manner if requested.</p> | <p>1. Policy listed under the Corporate section of the Orb removed 2. Annual update to the Safeguarding Policy promoted on Team Brief 3. Evidence quoted for future Section 11 audits to be cross referenced for accuracy and recorded electronically.</p> <p>Implementation Date Action point 1 completed November 2019</p> <p>Action point 2 – 31st May 2020</p> <p>Action Point 3 – to be determined by date of next S11 audit</p> | <p>Partially implemented</p> <p>The Safeguarding Policy July 2020 is still in draft. However, the draft version is on the Orb for staff to view. There is no evidence that the changes within this draft version have been communicated/promoted through the team brief and it is expected to be made final in March 2021.</p> <p>Implemented</p> <p>Evidence quoted for future Section 11 audits to be cross referenced for accuracy and recorded electronically. This cannot be determined until the next S11 audit. However, the electronic folder is established for retaining evidence and is ongoing.</p> | <p>2021 is now on the Orb for staff to refer to.</p> |

Worcestershire Internal Audit Shared Service



Document Retention 2019/20

1st Follow-up Report - 29th September 2021

Distribution:

To: Head of Transformation and Organisational Development

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Section A - Justification of Audit Follow-up Approach

The date of the final audit report was 05/11/2019 and is being followed up because:

- 2 high and 1 medium priority recommendations were made.

The following audit approach was therefore applied:

1. The 2 high and 1 medium priority recommendations have been updated with the current position.
2. Where required recommendations against weaknesses in key controls have been tested substantively/ evidenced.

Section B - Conclusion - Current Position statement

The original audit report gave **Limited Assurance** over the control environment and this is the 1st follow-up.

Out of the 3 recommendation both the 1 high priority recommendation in relation to security of archived information and the 1 the medium priority recommendation in relation to the retention policy has been implemented. The 1 high priority recommendation in relation to the controls of the retention schedule has been partially implemented.

Although each authority is in a better position and the direction of travel is showing that the risk has been reduced, a further follow up will required to be undertaken in 3 months time to provide assurance that the implementation work of the 1st high priority recommendation around 'controls of retention schedule' is working.

This follow up was undertaken during the month of September 2021.

Section C – Current Position

| Ref./ Priority | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>1st Follow up Position as at 28th September 2021</u> |
|---------------------------|---|---|---|
| <p>1 High</p> | <p>Controls of retention schedule</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>Responsible Officers:-</p> <p>ICT Manager</p> <p>ICT Operations Manager</p> <p>Implementation Date: - Q4 2019/20</p> <p>1.) Reminders to staff via the orb to delete records that are passed the retention period.</p> <p>2.) To conduct a corporate annual clear out to remove documentation that is passed the retention period.</p> <p>Review the retention schedule to ensure it remains fit for purpose</p> | <p>Partially Implemented</p> <p>Reminders have been provided to staff via the orb to delete records.</p> <p>Staff are also being encouraged at each authority to conduct an annual clear out.</p> <p>Although assurance can be provided on these areas and t this has been implemented, a further follow up will be required within 3 months of the report to check that the data has been cleansed.</p> <p>The retention schedule has recently been reviewed and new controls have been added to improve the way it is monitored, as a new information asset register has been introduced (more on this in recommendation 3).</p> |

| Ref./ Priority | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>1st Follow up</u> <u>Position as at 28th September 2021</u> |
|-----------------------------------|--|--|--|
| <p>2 High</p> | <p>Security of archived information</p> <p>Redditch Borough Council and Bromsgrove District Council to ensure sensitive information that is 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.</p> <p>The deeds are currently vulnerable to potential loss in the event of fire or flood so consideration to be given to how best to mitigate this risk e.g. electronic storage.</p> | <p>Responsible Officers:</p> <p>ICT Operations Manager</p> <p>Head of Legal & Democratic Services (for deeds transfer item)</p> <p>Senior H&S Officer</p> <p>Implementation Date Q1 2020/21</p> <p>All archive records are to be securely stored if not considered to be 'public' viewing.</p> <p>The archive facility at Parkside was never designed to be flood and/or fireproof due to the building. Consideration to be given to transferring documentation to Redditch Borough Council Town Hall deeds room which provides this security.</p> | <p>implemented</p> <p>All items that are not meant to be in the public viewing have been identified and are now securely stored with their own archive.</p> <p>After consideration, it was decided not to move the files from Bromsgrove Parkside to Redditch Townhall deeds room, as the deeds room is currently at full capacity and unable to hold anymore information at this time, therefore the risk has been accepted.</p> <p>There has been an alignment in the processes to access the archives at Bromsgrove Parkside building, as they have amended the approach to match that of Redditch Borough Council Townhall, with an appropriate sign in and sign out sheet.</p> |
| <p>3 Medium</p> | <p>Retention Policy</p> <p>Current retention procedure to be reviewed to ensure it remains fit for</p> | <p>Responsible Officer:- ICT Operations Manager</p> <p>Implementation Date</p> | <p>Implemented – but on-going</p> <p>The retention policy has been reviewed and updated.</p> |

Audit, Governance & Standards Committee

27th January 2022

| Ref./ Priority | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>1st Follow up</u> <u>Position as at 28th September 2021</u> |
|---------------------------|--|---|--|
| | <p>purpose and a policy is published on the Orb for staff to reference and follow.</p> <p>These key documents require periodic review and update in line with business need.</p> | <p>Q1 2020/21</p> <p>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.</p> | <p>The review will become an on-going project and will continue to be updated as time progresses on an annual basis.</p> |

Worcestershire Internal Audit Shared Service



Compliments and Complaints 2019/20

2nd Follow-up Report - 30th September 2021

Distribution:

To: Head of Finance and Customer Services
Assistant Customer Support Manager

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Section A - Justification of Audit Follow-up Approach

The date of the final audit report was 06/12/2019 with the first follow up report on 16/10/2020 and is being followed up again because:

- 1 high and 2 medium priority recommendations remained outstanding: and
- At least three months have passed since the previous follow-up:

Please note that recommendation implemented from the previous follow up have not been included in this report

The following audit approach was therefore applied:

3. The 1 high and 2 medium priority recommendations outstanding from the first follow up have been updated with the current position.
4. Where required recommendations against weaknesses in key controls have been tested substantively/ evidenced.

Section B - Conclusion - Current Position statement

The original audit report gave **Moderate Assurance** over the control environment and this is the 2nd follow-up. The 1st follow-up report found that 1 medium recommendation had been implemented, 1 high recommendation had been partially implemented and 2 medium recommendations had not been implemented.

The second follow-up has found that out of the 1 'high' priority and 2 'medium' priority recommendations detailed in the table in Section C have been implemented with the service accepting the risk associated with the limitations of the system.

Audit, Governance & Standards Committee

27th January 2022

Internal Audit are satisfied that consideration around the GDPR aspects of the system has been made and that the service has accepted the risk in relation to the current system not having an automated approach. As the system is still new and within the 7 year retention period, mitigation will be put in place once there is a requirement to delete the data in December 2022.

From the information sought and as all recommendations have been fully implemented, no further follow up will be required take place.

This follow up was undertaken during August and September 2021.

Section C – Current Position

| Ref./ Priority | Recommendation | Management Response and Action Plan | 1 st Follow up Position as at 16 th October 2020 | 2nd Follow up Position as at 30 th September 2021 |
|----------------|--|--|--|---|
| 1 High | <p>Complaints Recording Management System Issues</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</p> | <p>Responsible Manager: ICT Operations Manager</p> <p>Implementation date: 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>Partially Implemented</p> <ol style="list-style-type: none"> 1) The first management response action point has been implemented as there is now a clear audit trail within the compliments and complaints system. 2) The second point in the management response has not yet been completed as there is a requirement to still update the active directory and investigate if it is possible for the system to | <p>Implemented</p> <p>Everything that could have been achieved within the current system has.</p> <p>To achieve anything further would require a new system to be bought. It was deemed not worth attempting to update the current system any further as with the features required, a new system would be needed due to the</p> |

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| Ref./ Priority | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>1st Follow up Position as at 16th October 2020</u> | <u>2nd Follow up Position as at 30th September 2021</u> |
|----------------|---|--|--|--|
| | <p>options that will best fit the Council's requirements in relation to the tracking and monitoring of complaints.</p> <p>The system requires a 2nd 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>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) 2nd 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>allow open tickets to be escalated further. It was noted within the follow up meeting that if this is not possible the service would accept the risk.</p> <p>3) The planned specification for 2nd stage complaints to be developed within the system has been developed and implemented.</p> <p>4) Planned specification was agreed and ICT was tested</p> | <p>capacity and knowledge available within IT.</p> <p>Therefore, the authority accepts any further risks in relation to this system.</p> |

| Ref./ Priority | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>1st Follow up Position as at 16th October 2020</u> | <u>2nd Follow up Position as at 30th September 2021</u> |
|----------------------------|---|--|--|---|
| <p>2 Medium</p> | <p>Compliments and Complaints Reporting</p> <p>Once the integrity of the data within the system has been assured to consider introducing quarterly reports to senior management 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>To consider the use of reporting compliments through staff newsletters/corporate events to celebrate success and help to boost morale throughout the Councils.</p> | <p>Responsible Manager: Assistant Customer Support Manager</p> <p>Implementation date: 1st 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 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 1st December 2019.</p> | <p>Not Implemented</p> <p>On reflection Management decided that if the service was to publish the complaint data on a monthly basis on the web, it may lead to reputational damage to the authority.</p> <p>Therefore, on review the Assistant Customer Support Manager has been in discussions with the Section 151 Officer to gain approval for the report to be submitted on a quarterly basis in a CMT platform.</p> <p>Due to the section 151 leaving and COVID-19, this has not yet been implemented, but assurance has been provided this will be implemented by April 2021.</p> | <p>Implemented</p> <p>Reports have started to be submitted to CMT and will continue to be on-going on a quarterly basis.</p> |

| Ref./ Priority | <u>Recommendation</u> | <u>Management Response and Action Plan</u> | <u>1st Follow up Position as at 16th October 2020</u> | <u>2nd Follow up Position as at 30th September 2021</u> |
|----------------------------|---|---|---|---|
| <p>3 Medium</p> | <p>GDPR</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>Responsible Manager: Assistant Customer Support Manager</p> <p>Implementation date: 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>Full Implementation date not yet reached</p> <p>The actual document retention is not on a 5 year cycle, but rather a 7 year cycle. Therefore, as the data has not yet reached 7 years, the implementation date would have been December 2022.</p> <p>Decisions have not been made as to if the document retention will be possible to achieved on an automated approach or if a manual approach would be required.</p> <p>As the implementation will not be until 2022, the risk of the retention element has been accepted by the service,</p> | <p>Implemented as far as practical with some risk accepted.</p> <p>Retention is in line with the current retention schedule and no deletion of records is required until December 2022. The service is working to this date.</p> <p>ICT have investigated the system and found that the automated approach would not work within the current system to delete the footprint altogether and a manual deletion is still required. The service has accepted the risk on this.</p> |

APPENDIX 5

Quality Assurance Improvement Plan.

| Action Number | Area for Action and Standards Reference | Outcome Required | Action | Lead person | Target Date for completion | Date of Completion | Latest Position (Quarterly) |
|----------------------|--|--|---|--------------------|-----------------------------------|---------------------------|--|
| 1 | 1210.A1 - Training Requirements | Professional qualifications to be obtained. | Auditors to enhance their skills and qualifications through professional study e.g. IIA | Auditors | 2023/24 | Ongoing | December 2021: Auditor enrolled with IIA and continuing training to obtain further professional qualifications. Progressing. |
| 2 | 2420 - Timely Completion of Review Stages | Improvement in issuing the 'Draft Report' to the agreed date as set out in the Brief. To make improvements in the monitoring of the management response after the issue of a Draft Report. | Monitor the issue of Draft Reports and the receipt of management response during the financial year taking appropriate and timely action where the target dates are stressed. | Auditors | Mar-22 | Ongoing | December 2021: Being monitored Progressing. |
| 3 | 2500.A1 - Follow Up | More efficient and timely follow up regarding reported management action plans. | To review and enhance the follow up process, and monitor progress to reduce potential slippage. | Audit Team Leader | Mar-22 | Ongoing | December 2021: Included in Auditors work plan for the year. Being monitored and tracked and discussed at 1:2:1s Progressing. |

Audit, Governance & Standards Committee

27th January 2022

9. REPORT SIGN OFF

| Department | Name and Job Title | Date |
|---|---------------------------|--------------|
| Portfolio Holder | | |
| Lead Director / Head of Service | | |
| Financial Services | | |
| Legal Services | | |
| Policy Team (if equalities implications apply) | N/a | January 2022 |
| Climate Change Officer (if climate change implications apply) | N/a | January 2022 |

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Work Programme 2021-22

January 2022

- Monitoring Officer's Report
- Grant Thornton - External Audit Plan 2020/21
- Grant Thornton - External Audit Progress Report and Sector Update
- Internal Audit Progress Report
- Decision to opt Into the National Scheme For Auditor Appointments Managed By PSAA
- Treasury, Capital, and Investments reports (moved to April meeting)
- Corporate Risk Register (moved to April meeting)
- Risk Champion Update
- Committee Work Programme

April 2022

- Grant Thornton - External Audit Plan 2020/21
- Grant Thornton - Informing The Audit Risk Assessment
- Grant Thornton - External Audit Progress Report and Sector Update
- Internal Audit Progress Report
- Draft 2022/23 Internal Audit Plan
- Treasury, Capital, and Investments reports
- Corporate Risk Register
- Review of the Independent Member
- Risk Champion Update
- Committee Work Programme

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