



Audit, Governance & Standards Committee

Mon 1 Mar
2021
7.00 pm

Microsoft Teams

REDDITCH BOROUGH COUNCIL

*making
a
difference*

www.redditchbc.gov.uk

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

Town Hall, Walter Stranz Square, Redditch, B98 8AH
Tel: (01527) 64252 (Ext. 3031)
e.mail: joanne.gresham@bromsgroveandredditch.gov.uk

GUIDANCE ON VIRTUAL MEETINGS

Due to the current Covid-19 pandemic Redditch Borough Council will be holding this meeting in accordance with the relevant legislative arrangements for remote meetings of a local authority. For more information please refer to the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police Crime Panels meetings) (England and Wales) Regulations 2020.

Please note that this is a public meeting conducted remotely by Microsoft Teams conferencing between invited participants and live streamed for general access via the Council's YouTube channel.

You are able to access the livestream of the meeting from the Committee Pages of the website, alongside the agenda for the meeting.

[Live Stream for Audit, Governance and Standards Committee Meeting - 1st March 2021](#)

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

Notes:

As referred to above, the virtual Microsoft Teams meeting will be streamed live and accessible to view. Although this is a public meeting, there are circumstances when the committee might have to move into closed session to consider exempt or confidential information. For agenda items that are exempt, the public are excluded and for any such items the live stream will be suspended and that part of the meeting will not be recorded.

Audit, Governance & Standards

Monday, 1st March, 2021

7.00 pm

Microsoft Teams

Agenda

Membership:

Cllrs:

John Fisher (Chair)
Mark Shurmer (Vice-
Chair)
Salman Akbar
Tom Baker-Price
Juliet Brunner

Peter Fleming
Yvonne Smith
David Thain
Craig Warhurst

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 the day of the meeting. A maximum of 15 minutes will be allocated to public speaking.

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

6. Model Code of Conduct (Pages 19 - 40)

7. External Audit - Audit Findings Report 2019/20 (Pages 41 - 86)

8. Statement of Accounts 2019/2020

(Report to follow).

9. Internal Audit Progress Report (Pages 87 - 116)

Audit, Governance & Standards

Monday, 1st March, 2021

10. Risk Champion Verbal Update - Councillor David Thain

11. Committee Work Programme (Pages 117 - 118)



Audit, Governance & Standards Committee

Thursday, 26th November,
2020

MINUTES

Present:

Councillor Mark Shurmer (Vice-Chair) and Councillors Salman Akbar, Tom Baker-Price, Juliet Brunner, Peter Fleming, Andrew Fry, Yvonne Smith, David Thain and Craig Warhurst

Also Present:

Jackson Murray – Engagement Lead for Grant Thornton
Neil Preece – Engagement Lead for Grant Thornton

Officers:

Kevin Dicks, Clare Flanagan, Chris Forrester and Andy Bromage

Democratic Services Officers:

Jo Gresham and Pauline Ross

30. APOLOGIES AND NAMED SUBSTITUTES

An apology for absence was received from Councillor J. Fisher, with Councillor A. Fry in attendance as the substitute member.

31. DECLARATIONS OF INTEREST

There were no declarations of interest.

32. MINUTES FROM THE LAST AUDIT, GOVERNANCE AND STANDARDS MEETING HELD ON 15TH SEPTEMBER 2020.

RESOLVED that

Chair

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

the minutes of the meeting of the Audit, Governance and Standards Committee held on Tuesday 15th September 2020 be approved as a true and correct record.

33. PUBLIC SPEAKING

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

34. MONITORING OFFICER'S REPORT - STANDARDS REGIME

The Principal Solicitor presented the Monitoring Officer's report for Members' consideration

Members were informed that, as detailed in the report, all committees were now being held remotely. The legislation which was put in place at the beginning of lockdown would remain in place until 7th May 2021, although it was anticipated that this would be reviewed prior to that date and that remote meetings would continue well into 2021.

The Principal Solicitor further advised Members that the Local Government Association (LGA), the Association of Lawyers in local government and the Association of Democratic Services Officers (ADSO) had collectively written to the government regarding the ability to hold remote meetings, not only until May 2021, but also to continue to hold some meetings remotely in the future. Members would be kept updated with any responses received.

The Principal Solicitor drew Members attention to the report, which highlighted that, the Constitution Review Working Party had continued to meet and at its last meeting had discussed delegations in respect of Section 106 monies and delegations to officers for some planning applications being considered at Planning Committee. A report on their findings was presented to full Council on 16th November 2020.

RESOLVED that

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

the Monitoring Officer's report be noted.

35. PROGRESS ON BEST PRACTICE RECOMMENDATIONS FOR AUDIT, STANDARDS AND GOVERNANCE COMMITTEES

The Principal Solicitor presented a report on the progress of Best Practice Recommendations and in doing so drew Members' attention to the Recommendations, the Committee on Standards in Public Life (CSPL) Local Government Ethical Standards -15 Best Practice Recommendations and the updated Arrangements for handling Member Complaints.

It was reported to Members that the CSPL Local Government Ethical Standards -15 Best Practice Recommendations ran parallel with a review of the Code of Conduct. Issuing a model Code of Conduct, in the interim, the CSPL had also issued the Best Practice Recommendations that they felt councils should adopt when dealing with the code of conduct and the processes in place for handling member complaints.

The CSPL had required an update on what the council had done / were doing to meet the Best Practice Recommendations.

Members were asked to note that, by and large the council had implemented all of the recommendations and that there were only two elements that needed to be addressed.

Members were informed that it was a statutory requirement to have Arrangements in place as to how the Council would handle complaints, and it was felt that this was the correct place for two of the recommendations to be included. Members were advised that the Monitoring Officer in conjunction with the Independent Person would decide whether complaints should be further investigated.

Should Members be minded to agree with the Recommendations as detailed in the report, then officers could answer positively to the majority of questions that had been asked by the Chairman of the Standards Committee.

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

Some Members commented that, if there was a conflict of interest by the Monitoring Officer, there was the Worcestershire Network of Monitoring Officers, but there was nothing regards a potential conflict of interest if the complaint involved the Monitoring Officer and therefore, she would delegate that to another Monitoring Officer. There were no formal mechanics so that the Monitoring Officer could delegate any such complaints to another Monitoring Officer within the County, if she felt that there was a conflict of interest and that she could not personally resolve the complaint.

The Principal Solicitor responded and in doing so stated that she was happy to take this up with colleagues. The Monitoring Officers met regularly, and she would raise this at the Monitoring Officers forum, if this could be made formal and included in the policy.

There was discussion in regard to Independent Person recruitment, and that some authorities struggled to recruit into this role. It was noted that Coventry City Council had a panel of Independent Persons that could be used by other authorities and would it be beneficial to have a committee of Independent Persons across the County that other authorities could share rather than one or two Independent Persons just for Redditch Borough Council. West Midlands Combined Authority used this arrangement along with West Midlands Fire authority.

The Principal Solicitor informed the Committee that this was already implemented across the County and where necessary / relevant, other authorities would make one Independent Person available to another authority. However, she was happy to take the suggestion forward, as there was no formal agreement in place. But as part of the review process, this could be considered as part of those review discussions. She was happy to look at the possibility of a panel of Independent Persons. In addition to this it was queried how often the Independent Person was changed and what training they received to ensure that safeguards were in place in order to maintain a transparent and healthy authority.

Members queried the role of the Monitoring Officer and the Principal Solicitor explained that the Monitoring Officer was a member of the

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

Corporate Management Team, who reported directly to the Chief Executive / Head of Paid Service. It was clarified that this was a statutory role within the Local Government regulations and Housing Act 1989, which required local authorities to have a number of statutory officers. The Monitoring Officer was responsible for ensuring that the authority acted lawfully and within the statutory framework of all the functions and powers that the council executed.

The Chief Executive reiterated this, and further added that the Monitoring Officer post was one of the three statutory officer roles within the authority, and as such had autonomy within that perspective in order to ensure that the Council accords with all procedures the Council had. As Head of Paid Service, his role was to make sure that that person was suitably equipped in order to discharge their functions and to be trained and developed to keep up with current legislation.

The Principal Solicitor took the opportunity to further explain to Members that with regard to the Independent Person, the Council had established very good working relationships with the existing Independent Person; and in her personal opinion that was not something you might have with a revolving panel of Independent Persons. It was very important that you built up an understanding around the Council's Code of Conduct, legislation and all of the framework under the Localism Act and Code of Conduct for handling Member complaints. That relationship was very important and generally Independent Persons had been very upstanding members of the community who had filled those roles. Therefore, they were not expected to undertake the same training offered to Members.

The Principal Solicitor agreed to provide further reports at future meetings of the Committee on the new national Model Code of Conduct.

It was clarified to Members that the Standards Hearing Sub-Committee comprised of three Members from the parent Committee (Audit, Governance & Standards), it was not politically balanced, as the political group of the Councillor who was the subject of the

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

complaint had to be taken into account. Furthermore, the Chair would not be from the same political group as the Councillor who was the subject of the complaint.

In response to Members, the Principal Solicitor undertook to find out if the Independent Person was a paid position and to provide the information to Committee Members.

RESOLVED that

- a) the amended arrangements for the handling of Member complaints, be approved; and**
- b) the Council's response to the Chairman of the Committee of Standards for Public Life's recommendations be approved and returned to him before the deadline of 30th November 2020.**

36. GRANT THORNTON - PROGRESS AND SECTOR UPDATE

Members received an update report from the Engagement Lead for Grant Thornton on progress in delivering their responsibilities as the Council's external auditors.

The Engagement Lead for Grant Thornton drew Members' attention to the progress at 9th November 2020, and in doing so stated that officers were totally committed to getting the audit completed. However, currently they were not in a position whereby they could commission that audit opinion. Members were asked to note that, officers had had to reprofile various projects, but additional resources were being made available.

In order to meet legal requirements, officers were required to place a notice as such on the Council's website that the audit was still ongoing, once the audits were completed, the notice would be replaced with the Council's financial statements.

Members' attention was further drawn to the following:

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

- The total additional audit fees that could be around £20,000. These additional fees would be discussed with Members, the Chief Executive, the Acting Director of Resources; with any additional agreed fees also needing approval from the Public Sector Audit Appointment (PSAA).
- The Value for Money Conclusion would be reported to the next meeting of the Committee and 'Other Areas, which included certifying the Council's Housing Benefit Subsidy claim.
- The Outcome of The Redmond Review.

In response to Members, the Engagement Lead for Grant Thornton stated that Covid-19 had absolutely had an impact and had presented challenges to both themselves and the Finance team and the responsibilities they had.

Members were informed by the Head of Finance and Customer Services that officers had historically struggled to get some of the required documents readily available because of having to rely on multiple and archaic systems. The new Enterprise Resource Planning (ERP) system would provide the required documents more easily and readily and officers would then be in a position to use the new ERP system to generate detailed documents for future audits.

In response to Members, the Head of Finance and Customer Services explained that he was anticipating that the new ERP system would go live by the end of January 2021. There had been some delays for additional testing, but officers were hoping that the core system would be ready to go live at the end of January 2021 and then embedded into the service area.

The Engagement Lead for Grant Thornton further commented that lessons had been learnt with regards to remote working and that regular communication was important. The Chief Executive also added that staff had received extensive support around remote working.

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

The Head of Finance and Customer Service further commented that the audit timescale being extended was not ideal, however, the Chief Executive had been very supportive and had dedicated additional resources into the Finance department and officers were anticipating that everything would be completed by January 2021.

The Chief Executive took the opportunity to thank the Engagement Lead for Grant Thornton and his team for the work carried out with the Finance team. Additional support had been provided to the finance team, but it was a national problem. However, officers still wanted to complete things as quickly as possible.

The Chief Executive, the Head of Finance and Customer Service and the Engagement Lead for Grant Thornton reassured Members that everyone was working closely towards January 2021, and officers were confident. However, should this date not be met, Members would be kept fully informed.

Members took the opportunity to thank all officers for their hard work.

RESOLVED that

the report be noted.

37. INTERNAL AUDIT PROGRESS REPORT

The Head of the Worcestershire Internal Audit Shared Service explained to Members that this was a progress report on the internal audit work for 2020/2021 for the period 1st April to 31st October 2020.

Members' attention was drawn to the following:

- Two reviews had been finalised since the last meeting of the Committee.
- Seven reviews, on the core financials, were moving through the scoping and testing stages, and once they were finalised, they would be presented to the Committee.

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

- A review was undertaken on behalf on Worcestershire County Council on Disabled Facilities Grants.
- National Fraud Initiative data set uploads had been ongoing from the beginning of October for Redditch Borough Council with regard to 2020/2021. Data set uploading would continue until December 2020.
- The outcome of the Quality Assurance Improvement Plan.

As referred to, during the previous agenda item, by the Engagement Lead for Grant Thornton, Covid-19 had had an impact on carrying out audits.

Members were informed that Internal Audit had adopted a new way of working, although not fully remotely. Officers were looking at how best they could ensure that they undertook as much of the 2020/2021 audit programme as possible over the next few months. There could be a need to roll forward 1 or 2 lesser risk audits into 2021/2022. Officers would endeavour to provide Members with an overview of the current 2020/2021 audit plan and a draft of the proposed audit plan for 2021/2022. It was noted that it was easier to liaise with officers in the workplace than by remote working, but he assured Members that the quality of the work for audit reviews had remained high, very much focused on risk and the impact and implications that had.

Some additional work was required to be undertaken in respect of Covid-19 grants administered for Redditch Borough Council to businesses and residents but that there was still work to be done on this in order to identify and deal with any potential frauds associated with these particular grants. This would be featured in next year's audit plan and resources would be allocated for this ongoing work in order to ensure the protection of the public purse as best as we could.

In response to Members, the Head of the Worcestershire Internal Audit Shared Service highlighted from their perspective this was a high-risk area for all authorities. The National Fraud Initiative (NFI) required an upload of a data set which would be checked against other data sets from a national perspective and they would report

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

back any potential matches which 'may' indicate fraud. This would then be looked at by either internal audit or the Revenue Services Managers team, to ensure that the public purse was protected from any grants that had been fraudulently claimed or paid in error. Officers would look to recover any such money.

Members agreed that the work on Covid-19 grants and the National Fraud Initiative to be included on the Committee's Work Programme.

RESOLVED that

the contents of the Internal Audit Progress Report be noted.

38. CORPORATE GOVERNANCE MONITORING AND RISK - VERBAL UPDATE

The Head of Finance and Customer Service provided Members with a verbal update on the Corporate Governance Monitoring and Risk.

Members were informed that it had been a while since officers had last provided an update. Zurich had highlighted some areas of risk that officers needed to monitor more effectively. Officers had carried out some work with Zurich to try and identify those areas, however, this had been delayed due to Covid-19.

Since the last update to Members, officers had carried out a huge amount of work around the business interruption planning and the business interruption plans, which were quite detailed and included how officers could work off site in response to Covid-19. Officers had continued to update those plans as they have learnt more during Covid-19 and risks were much more effectively managed.

Officers had also produced a more effective risk strategy which would be circulated to the Members at the next Committee meeting.

Members were further informed of the items now included on the Corporate Risk Register as follows:

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

- Failure to be non-compliant with Health and Safety regulations.
- Failure to deliver a sustainable financial plan for the general fund of HRA.
- Failure to manage the impact of Covid-19.
- Failure to manage the impact of Brexit.
- Business Continuity Plans
- Failure to deliver the Council Plan.
- IT system infrastructure.

Councillor Warhurst took the opportunity to thank multiple officers, who had done a fantastic job managing health and safety, Personal Protective Equipment and the initiatives put in place to protect staff and keep them safe. He expressed his gratitude to officers across the Council.

It was agreed that a written report would be presented to Members at the next Committee meeting.

RESOLVED that

the verbal update be noted.

39. RISK CHAMPION UPDATE

Councillor D. Thain briefly informed the Committee that he had volunteered for the role of Risk Champion, as his background was in finance and he was also the Portfolio Holder for Finance and Enabling. Councillor Thain expressed his thanks to Councillor Fisher for endorsing him when he volunteered for the role and he welcomed the opportunity of contributing to risk management.

RESOLVED that

the Risk Champion Update be noted.

40. INDEPENDENT MEMBER RECRUITMENT - VERBAL UPDATE

Audit, Governance & Standards Committee

Thursday, 26th November, 2020

The Head of Finance and Customer Services provided a brief verbal update with regard to recruiting an Independent Person for Audit.

Members were informed that officers had tried to recruit into this role, but had not been successful, despite trying a number of times. Members were asked to note that the role of an Independent Person for Audit was not a legal requirement, however it was considered best practice.

The Head of Finance and Customer Service questioned if Members still wanted officers to have an Independent Person for Audit in place because of the difficulties experienced and not being successful and achieving getting someone to take on this role.

Members agreed that officers should continue to look annually to recruit into this role and the possibility of co-opting someone into the role. Members agreed that if officers were experiencing difficulties in getting someone to take on this role, there was little anyone could do.

RESOLVED that

the Independent Member Recruitment be noted.

41. COMMITTEE WORK PROGRAMME

The 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 7.00 pm
and closed at 8.35 pm

REDDITCH BOROUGH COUNCIL

Audit, Governance & Standards Committee

2021

1st March**MONITORING OFFICER'S REPORT**

Relevant Portfolio Holder	Councillor David Thain (Governance)
Relevant Head of Service	Claire Felton, Head of Legal, Democratic and Property Services
Report Author Claire Felton	Job Title: Head of Legal, Democratic and Property Services Contact email: c.felton@bromsgroveandredditch.gov.uk Contact Tel: 01527 881429
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:-

(list the recommendations)

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 November 2020.
- 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.
- 2.3 Any further updates arising after publication of this report, including any standards issues raised by the Feckenham Parish Council Representative(s), will be reported by the Monitoring Officer (MO) at the meeting.

3. FINANCIAL IMPLICATIONS

Audit, Governance & Standards Committee 2021

1st March

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

4. LEGAL IMPLICATIONS

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

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.

Operational Implications

Member Complaints

- 6.2 No complaints have been received since the last meeting.

**Audit, Governance &
Standards Committee
2021**

1st March

Audit, Governance & Standards Committee 2021

1st March

The New Normal

- 6.3 Meetings continue to be held remotely in order to meet the requirements of the new legislation with all public meetings being live streamed to the Council's YouTube channel, and a link provided on the Council's website to access these. This allows the public to continue to see that Council business is carrying on and that decisions are being made in an appropriate manner.
- 6.4 There has been a change to the software used by staff and Members for the purpose of these remote meetings, as was suggested in the last update. Following a number of trial meetings prior to the Christmas break, all public meetings are now being held through Microsoft Teams, and continue to be streamed live for the public through the Council's YouTube channel as detailed above.
- 6.5 The legislation which was put in place at the beginning of lockdown in respect of virtual meetings remains in place until 7th May 2021.
- 6.6 The Constitution Review Working Group and Member Support Steering Group continue to meet on a regular basis and any updates will be provided to this Committee in due course.

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

There are no appendices.

Audit, Governance & Standards Committee 2021

1st March

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor David Thain, Portfolio Holder for Finance and Enabling	
Lead Director / Head of Service	Claire Felton, Head of Legal, Democratic and Property Services	
Financial Services	N/A	
Legal Services	Claire Felton, Head of Legal, Democratic and Property Services	
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

This page is intentionally left blank

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

1st March

2021

Local Government Association new Model Code of Conduct

Relevant Portfolio Holder	Councillor
Portfolio Holder Consulted	Yes - Councillor David Thain, Portfolio Holder for Finance and Enabling
Relevant Head of Service	Claire Felton
Report Author	Job Title: Clare Flanagan Contact email:clare.flanagan@bromsgroveandredditch.gov.uk Contact Tel: 01527 534112 x3173
Wards Affected	n/a
Ward Councillor(s) consulted	n/a
Relevant Strategic Purpose(s)	n/a
Key Decision / Non-Key Decision	n/a
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 Committee is asked:****1) to review the new Model Code of Conduct at Appendix 1 and consider whether it recommends:**

- a) adopting it; or**
- b) amending the pan-Worcestershire Code currently in place attached at Appendix 2; and**
- c) request the Monitoring Officer [MO] to liaise with other MOs across Worcestershire to consider the feedback from all councils and to bring forward a new Worcestershire wide Code for consideration.**

2. BACKGROUND

2.1 The Committee will recall from previous reports that the National Committee on Standards and Public Life carried out a review of the operation of the Standards Regime under the Localism Act 2011 and also made a number of recommendations on 'best practice' in this regard. The report on the implementation of those recommendations and resulting changes to the Council's "Arrangements" for handling

Audit, Governance and Standards Committee

1st March

2021

member complaints was considered by this committee at its last meeting on 26th November 2020.

2.2 In December 2020 the Local Government Association (LGA) published a model Code of Conduct as part of its work in supporting the sector to continue to aspire to high standards of leadership and performance. A copy of this is attached at Appendix 1. This is offered as a template for councils to adopt as a whole and/or with local amendments.

2.3 The content of the LGA Code is generally similar to the Worcestershire Code.

The main areas where it differs are:

- The LGA Code includes detailed guidance to explain the reasons for obligations and how they should be followed
- It includes a statement about a right to respectful behaviour from the public which is not referred to in the Worcestershire Code
- It includes an obligation to undertake Code of Conduct training provided by the local authority
- The value for registering gifts and hospitality is £50 compared to £15 in the Worcestershire Code
- There is more detail in the LGA Code about registering and declaring **Other** Interests. The LGA Code states (in table 2) that Councillors have a personal interest in any business where it relates to or affects any body of which a Councillor is in general control or management and to which they are nominated or appointed by the Council. This is in direct contrast to the current situation in the Worcestershire Code where appointment to an outside body by the Council does not automatically mean that an Other Interest should be declared.

2.4 Members have previously expressed a preference for a Code of Conduct that applies to all councils across the County and at all tiers of local government, as is currently the case in Worcestershire.

2.5 The new model code anticipates that some adaptations will be made for local adoption and for this reason it is recommended that members agree that the Monitoring Officers across the County should consider the feedback from this and the other Standards Committees to draft a new pan-Worcestershire Code and bring it back to each authority for consideration.

Audit, Governance and Standards Committee

1st March

2021

2.6 Because primary legislation is required to introduce a number of the recommendations to strengthen the Standards regime as identified by the Committee on Standards in public life, it is recommended that we should move to the new model Code now and amend it for local adoption, rather than amend the current Code.

This is because any future changes that are introduced by legislation will relate to the new Code and it will therefore be more readily amended than if we were to stay with the current code, even if it were to be amended to align with the new model Code.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

4. LEGAL IMPLICATIONS

4.1 Under the Localism Act 2011, the Council is required to adopt a Code of Conduct, which it has. Following a review of the operation of the Standards regime under the Localism Act, carried out by the Committee for Standards in Public Life, the Local Government Association has issued a new Model Code and this report and subsequent proposed Code of Conduct for adoption by the Council, will ensure compliance with the requirements of the Localism Act.

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

5.1 n/a

Climate Change Implications

5.2 n/a

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

6.1 n/a

Operational Implications

6.2 n/a

7. RISK MANAGEMENT

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****1st March****2021**

7.1

8. APPENDICES and BACKGROUND PAPERS

- Appendix 1 –Member Code of Conduct published by the LGA
<https://www.local.gov.uk/local-government-association-model-councillor-code-conduct-2020-0>
- Appendix 2 – Worcestershire County Council Code of Conduct

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor David Thain, Portfolio Holder for Finance and Enabling	
Lead Director / Head of Service	Claire Felton	
Financial Services	n/a	
Legal Services	Claire Felton	
Policy Team (if equalities implications apply)	n/a	
Climate Change Officer (if climate change implications apply)	n/a	



Local Government Association

Model Councillor Code of Conduct 2020

Joint statement

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area; taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Introduction

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidating or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council**As a councillor:****3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information**As a councillor:****4.1 I do not disclose information:**

- a. given to me in confidence by anyone
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless
 - i. I have received the consent of a person authorised to give it;
 - ii. I am required by law to do so;
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
 - iv. the disclosure is:
 - 1. reasonable and in the public interest; and
 - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and
 - 3. I have consulted the Monitoring Officer prior to its release.

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.**4.3 I do not prevent anyone from getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local or authorising their use by others:

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices**Appendix A – The Seven Principles of Public Life**

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

“Disclosable Pecuniary Interest” means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative, close associate; or
 - c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land and Property	<p>Any beneficial interest in land which is within the area of the council.</p> <p>‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
Licenses	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
Corporate tenancies	<p>Any tenancy where (to the councillor’s knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
Securities	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
--	---

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
 - (i) exercising functions of a public nature
 - (ii) any body directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on [Local Government Ethical Standards](#). If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to

review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.

This page is intentionally left blank

**Audit, Governance and Standards
2021**1st March**Grant Thornton - Audit Findings Report 2019/20**

Relevant Portfolio Holder	Councillor David Thain - Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester – Head of Finance and Customer Services
Report Author	Job Title: Head of Finance and Customer Services Contact email: chris.forrester@bromsgroveandredditch.gov.uk Contact Tel: 01527 64252 1673
Wards Affected	All Wards
Ward Councillor(s) consulted	No
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 Committee APPROVE;**

- 1) the Audit Findings Report 2019/20 as attached at Appendix 1;
- 2) the draft letter of representation as included at Appendix 2

2. BACKGROUND**3. FINANCIAL IMPLICATIONS**

- 3.1 The cost associated with the External audit is funded from approved budgets. Due to a number of issues there is likely to be an increased cost from Audit this year. This will be funded from reserves.

4. LEGAL IMPLICATIONS

- 4.1 The Council has a statutory responsibility to comply with financial regulations. Included within the report is a recommendation to the Council under section 11(3) of the Audit Commission Act 1998.

5. STRATEGIC PURPOSES - IMPLICATIONS

**Audit, Governance and Standards
2021**1st March**Relevant Strategic Purpose**

- 5.1 The report attached at Appendix 1 presents the Audit Findings Report in relation to the audit of the 2019/20 Statement of Accounts.
- 5.2 There are a number of recommendations contained within it from auditors which management have responded to accordingly.

Climate Change Implications

- 5.3 There are no climate change implications from this report.

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

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

7. RISK MANAGEMENT

- 7.1 The recommendations from the External Auditors will be picked up within the financial services risk arrangements.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 – Audit findings report

Appendix 2 – Letter of representation

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor David Thain - Portfolio Holder for Finance and Enabling	
Lead Director / Head of Service	Chris Forrester – Head of Finance and Customer Services	
Financial Services	Chris Forrester – Head of Finance and Customer Services	

**Audit, Governance and Standards
2021****1st March**

Legal Services	Claire Felton – Head of Legal Services	
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

This page is intentionally left blank

The Audit Findings for Redditch Borough Council

Year ended 31 March 2020

1 March 2021



Contents



**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

Denise Mills
Audit Executive
T: 0121 232 5306
E: denise.f.mills@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	5
3. Value for money	19
4. Independence and ethics	23
Appendices	
A. Action plan	24
B. Follow up of prior year recommendations	26
C. Follow up of prior year Statutory Recommendation	27
D. Audit adjustments	30
E. Fees	32
F. Audit Opinion	33

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Redditch Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The financial implications have been set out in a report from the Executive Director of Resources to Executive on 4 August 2020.</p> <p>Officers have had to deal with factors such as the administration of grants to businesses, closure of leisure centres and car parks, and the additional challenges of reopening services under new government guidelines, as well as facilitating hundreds of people working from home.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 28 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 9.</p> <p>Restrictions for non-essential travel has meant both Council and audit teams have had to get used to new ways of remote working, including remotely accessing financial systems, video calling, additional procedures to verify the completeness and accuracy of information produced by the Council, as well as making greater use of 'Inflo', our document management sharing system.</p> <p>We had initially planned to begin our work on your draft financial statements in early August, but this was initially put back to the beginning of September as the financial statements were not ready. On 27 August Officers notified us that they would not be able to prepare and publish the financial statements for Bromsgrove District Council by 31 August as required by the amended regulations. While the Redditch Borough Council financial statements were published before 31 August, we agreed with officers to delay the start of our audit until the end of September to allow them to complete the Bromsgrove District Council financial statements and supporting working papers for both councils.</p>
Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work is substantially complete. The audit was undertaken remotely during September - February. Our findings are summarised on pages 6 to 16. To date, we have not identified any adjustments to the financial statements that have resulted in adjustments to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and we anticipate that our audit opinion will be unmodified, but will include an "Emphasis of Matter" highlighting the material uncertainty around property valuations.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>There are no matters of which we are aware that would require modification of our audit opinion (Appendix F) or material changes to the financial statements, subject to the following outstanding matters:</p> <ul style="list-style-type: none"> • completion of our employee remuneration testing; • completion of our debtors testing; • completion of year end income and expenditure testing; • final quality review of our audit file; • receipt of management representation letter; and • review of the final set of financial statements.

Headlines

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements in respect of the significant risk identified in our Audit Plan around financial sustainability. We have concluded that Redditch Borough Council has proper arrangements to secure 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 have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to Covid-19.

We therefore anticipate issuing an 'except for' qualified value for money conclusion, as detailed in Appendix F. Our findings are summarised on pages 19 to 22.

Prior year statutory recommendation

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

We report the findings from our review of the actions the Council has taken in response to the recommendation on pages 25-27. The Council has responded positively to the Statutory Recommendation, and 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.

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.

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.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to be able to certify the completion of the audit when we give our audit opinion.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit to date that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 30 January 2020, to reflect our response to the Covid-19 pandemic. We reported this in our audit plan addendum dated 28 April 2020. We have reported how we addressed this risk on page 9.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,330,000	1,300,000	<p>We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This benchmark was used in the prior year.</p> <p>Recognising the size and scale of the Council, we deemed that 2% was an appropriate rate to apply to the expenditure benchmark. We also applied this to the Group.</p>
Performance materiality	798,000	780,000	We have set performance materiality at 60% of headline materiality. This reflects the issues experienced, and number of changes to the financial statements, in previous years.
Trivial matters	65,000	65,000	This is the level set for reporting errors or omissions to Those Charged with Governance (5% of headline materiality).
Materiality for the remuneration of individual senior managers	7,000	7,000	We have 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.

Key messages

Quality of working papers and responses to audit questions

In our Audit Findings Reports for the 2018/19 and 2017/18 financial years we have noted the need to improve the quality of working papers supporting the financial statements and to ensure that responses to audit questions are “Right first time”. We have agreed recommendations and actions with Officers. In both years we have agreed an additional audit fee of £4,500 to reflect the significant amount of additional audit time required as a result of poor quality working papers.

In our progress report presented to the Audit, Governance & Standards Committee on 26 November 2020 we again highlighted our concerns and challenges in this area, and provided some illustrative examples. During the ensuing discussion Members recognised the issues both officers and auditors face.

A new financial ledger was introduced on 1 February 2021. Officers are confident that this will significantly enhance the quality of working papers provided. However, the reports generated will only provide analysis of what is in the ledger. This should make sample selection easier, but until the culture changes so that “Right first time” becomes a reality, the audit process will continue to be extremely challenging.

We have set out some illustrative examples below.

Creditors

The extract from the financial statements included below demonstrates that this is a simple note, analysing the amount the Council owed at 31 March 2020 into four categories. We set up an initial request for working papers supporting this note on 24 July. While this is before the financial statements were due to be approved it is good practice for working papers to be prepared alongside the financial statements to provide officers with assurance that the figures are supported by the underlying information.

Note 21 Creditors

	Short term creditors	
	2019/20	2018/19
	£000	£000
Central government bodies	(4,486)	(1,056)
Other local authorities	(6,141)	(1,774)
Housing Rents prepaid	(613)	(497)
Other entities and individuals	(2,791)	(4,058)
Total	(14,031)	(7,385)

However, the information request was not opened until 30 September – a month after the financial statements were published. Officers began to provide information to the audit team from 5 November – a further five weeks after opening the request, and over two months after publication of the financial statements.

The audit team and officers discussed the information presented by Officers numerous times after 5 November, with the final working papers supporting the Note being presented to the audit team on 2 December – over three months after the publication of the financial statements.

Ultimately there were 16 separate documents presented to the audit team in support of this Note. Many of those were Excel spreadsheets with numerous tabs. From this information the audit team followed the Grant Thornton audit approach to select a sample of items for detailed testing.

Just eleven items were tested in detail. Of these there were questions on six, and further responses, still subject to audit testing, were not received until 5 January.

Cash received after 31 March

Auditors need to test income received in the new financial year to ensure that it has been recognised in the correct year. A large proportion of the income receipts have been processed through a suspense account before being coded to the correct account code. This means that we were unable to remove many of the items that had already been tested elsewhere (e.g. council tax, housing benefit overpayments etc) as we were unable to identify what the suspense account items related to. We therefore had to spend a lot of time understanding the process and discussing the best way to obtain an appropriate sample.

Key messages

Quality of working papers and responses to audit questions (continued)

Debtors

The audit team faced similar challenges in this area. We were not able to select a sample of items for detailed testing until 10 November. Even then, the breakdown from which the team had to work consisted of 25 separate files, many in Excel with multiple tabs.

Payroll / Employee Benefits

We have experienced very significant challenges in this area. In particular:

- 1) Obtaining monthly payroll reports that can be reconciled to the financial statements.
- 2) Obtaining "Full Time Equivalent" staff reports that correctly show starters and leavers. Different reports have variously:
 - a) Show leavers being paid after they left;
 - b) Show leavers as never having been paid in the year;
 - c) Merged information from Bromsgrove DC and Redditch BC payroll;
 - d) Not showing starters as having ever been paid in the year.

We have had numerous video calls with Officers, and were supplied with at least five different versions of these reports. The failure of Officers to provide us with what ought to be straightforward reports undermines audit confidence in the system and raises serious questions around the veracity of the information.

These examples demonstrate the significant amount of additional work that both auditors and officers have had to undertake in order to obtain appropriate assurance over what are actually fairly simple and straightforward parts of the financial statements.

Key messages arising from our financial statements work

Property, Plant & Equipment

- The depreciation policy disclosed in the accounts is not consistent with what is actually being applied, and needs to be updated
- Note 14 – Property, Plant and Equipment - two assets are incorrectly stated in the Fixed Asset Register and financial statements. The valuation as per the latest Valuer Report has not been used:
 - Middlehouse Lane (surplus asset) – the latest valuer report has a value of £775,000, but is recorded as £370,000 in Fixed Asset Register and financial statements. Therefore, surplus assets are understated by £405,000.
 - Oak Tree Park (non operational PPE asset) - the latest valuer report has a value of £609,000 for buildings and £261,000 for land, but is recorded as £899,474 for buildings and £0 for land in the Fixed Asset Register and financial statements. Therefore, buildings are overstated by £290,474 and land understated by £261,000.
- The Fixed Asset Register shows over £6.5m of fully depreciated Vehicles, Plant & Equipment. Management needs to consider whether these should be written out (they are no longer used) or prove they are still in existence and in use. If the latter, we would ask Management to reconsider their useful lives as, if the assets are fully depreciated but still in use, they would not appear to be appropriate.
- Officers did not engage the external valuer through a formal Letter of Engagement. This makes it impossible to ascertain whether the valuer completed all of the work requested or intended.
- Property, Plant and Equipment – assets not revalued in year - Management have not carried out procedures to establish whether material changes (positive or negative) in asset valuations have occurred between the date assets were last revalued and the reporting date. However, our own work in this area has concluded a non material variance, so we are satisfied that the assets that have not been formally revalued in year are not materially different to the current value. In future years management need to conduct their own assessment.
- Note 14 - Property, Plant and Equipment – enhanced to include the material uncertainty around asset valuations arising from Covid-19.

Key messages

Key messages arising from our financial statements work (continued)

- Collection Fund - we identified two issues:
 - the apportionment of the prior year surplus or deficit figures in respect of Business Rates have been recorded the wrong way round. They should be: Central Government - £3,869k (not £77k); Redditch Borough Council - £3,095k (not £3,869k); Worcestershire County Council - £696k (not £3,095k) and Hereford and Worcester Fire Authority - £77k (not £696k). The Total column was consequently impacted.
 - Note 1 to the Collection Fund was incorrect and did not agree to the published Council Tax setting report.
- Note 18 – Debtors - We identified a classification error between Central Government Bodies, Other Local Authorities and Other Entities and Individuals. The figure for Central Government Bodies was overstated by £403k, Other Local Authorities was understated by £240k, and Other Entities and Individuals was understated by £163k. The overall Debtors figure was unaffected.
- Note 18 – Debtors – required additional disclosure to fully comply with the Code. Officers have agreed, but will make the enhancements in 2020/21:
 - Disclosures by class of debtor for past due assets;
 - Age analysis of assets past due, but not impaired;
 - Analysis of assets individually determined to be impaired and the factors considered.
- Note 37 – Pensions – we identified 11 different areas that needed to be amended to correctly reflect the actuarial reports. None affect the assets, liabilities or amounts paid.
- Note 31 - Audit Fees – amended to only include the items required and to be clearer which year items relate to.
- Note 2 - Standards not yet adopted – the FRS 16 disclosure was not supported by the work the Council has done. We have agreed revised wording.
- 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 has been significantly enhanced, and now meets 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 now meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.
- Note 32 – Employee Remuneration – a number of minor amendments were required, the main one being the Deputy Chief Executive and Executive Director of Leisure, Environmental & Community Services' remuneration figures for 2019/20 have not been updated from the prior year.
- Note 16 - Financial Instruments:
 - The Note was enhanced so that it better complied with the Code requirements. In particular, the figures are split between financial assets and liabilities, short/long term, fair value/amortised cost and non-financial assets/liabilities.
 - We also identified that all disclosure requirements had not been met. For example, it was not clear what categories financial assets and liabilities are classed in (i.e. for assets are they amortised cost, FVPL or FVOCI).
 - The note included references to old terminology (e.g. loans and receivables) that is no longer relevant under IFRS 9.
 - There was no disclosure of the Fair Value Hierarchy for all assets and liabilities (e.g. cash and cash equivalents, Level 1) etc.
- Note 23 - Group accounts - the group pensions disclosures within this Note did not properly include the actuarial report figures. It simply included the Rubicon Leisure Limited Pension Fund deficit. The Note was substantially enhanced to include the relevant figures and disclosures.
- After reviewing the disclosures around the Non Domestic Rates (NDR) Provision and the business rate pool we agreed with officers that several Notes in the financial statements, where this is discussed, could be made clearer. Notes 3, 4, 5, 6 and 38 were enhanced.
- Note 5 – Material Items of Income and Expense – note amended in respect of the pensions disclosure to make it clearer and consistent with the financial statements.
- Note 4 – Assumptions made about the future and other major sources of estimation uncertainty – agreed to remove provision for bad debt and business rates appeals as these are not major sources of estimation uncertainty.
- Our audit identified a small number of typographical errors and instances where the prior year comparator figures had not been brought forward correctly.

Significant audit risks

Risk identified in our Audit Plan addendum

Covid– 19

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;

- 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.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk.

Auditor commentary

To address this risk we:

- 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.

Findings

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 will be provided significantly later than planned.

Significant audit risks

Risks identified in our Audit Plan

The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Redditch Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Redditch Borough Council. The group financial statements do not include any additional revenue, so there is no risk relating to the group.

Findings

Our audit work has not identified any issues that have caused us to revisit our initial assessment.

Management over-ride of controls

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.

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.

To address this risk we:

- 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.

Findings

Our work in this area has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan

Valuation of land and buildings

The Authority 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 Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

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.

Auditor commentary

To address this risk we:

- 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 Authority'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.

Findings

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.

Our work in this area is now complete. However, we have encountered some very serious challenges and delays in completing our work:

- 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.

As noted on page 8, 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.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
<p>Valuation of pension fund net liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk 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 Authority'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 Authority's pension fund valuation;• assessed the accuracy and completeness of the information provided by the Authority 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>Findings</p> <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 affect the assets, liabilities or amounts paid and the final financial statements have been updated.</p>




Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals	<p>In previous years the Council has been responsible for repaying successful rateable value appeals. The calculation of the provision required was based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision has been broadly consistent, being £2,070k in 2017/18 and £2,630k in 2018/19.</p> <p>However, as explained in Note 5 – "From 1st April 2019 the Council became part of the Worcestershire 75% Business Rate Pilot Pool rather than the Greater Birmingham and Solihull Business Rate Pool (GBSBRP). The agreement is a no detriment arrangement whereby the Council receives a share equal to the 40% it received under GBSBRP arrangements and benefit from any increase in business rate income. The Council share is received from Worcestershire County Council (WCC) rather than the Collection Fund. The 75% Pilot arrangements apply for 2019/20 only and provide that WCC receive 74% of business rate income, Hereford and Worcester Fire and Rescue (HWFR) continue to receive 1% and Central Government receive 25% rather than 50% it received under the previous arrangements. The Balance Sheet as at 31st March 2020 requires business rate activity (arrears, prepayments, appeals, surplus and provision for bad debts) other than court costs to be allocated to WCC (74%), HWFR (1%) and Central Government (25%) whereas the Balance Sheet as at 31st March 2019 included a 40% allocation to the Council."</p> <p>Therefore, the provision for business rate appeals has reduced from £2,630k in 2018/19 to zero in 2019/20.</p>	<p>This represents a significant change in the approach to recognising provisions for business rates appeals. We conducted extensive work in order to obtain adequate assurance that the new arrangements were consistent with other Worcestershire local authorities and the Business Rate Pool agreement.</p> <p>Officers agreed to enhance the notes in the financial statements which relate to this issue – 3, 4, 5, 6 and 38. Adding to note 5:</p> <p>"The significant changes to creditors and provisions in respect of the Worcestershire Business Rate Pilot Pool will only apply to 2019/20, the duration of the Pilot. In 2020/21, the Council will return to being accountable for 40% of the Business Rate Pool and holding a 40% share of business rate creditors, prepayments and appeals"</p> <p>Adding to notes 3, 4, 6 & 38:</p> <p>"The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%."</p> <p>We are satisfied that the amended disclosures provide clarity over the arrangements, and that the accounting for them is reasonable.</p>	<p>(Green)</p>





Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Council Housing -	The Council owns 5,685 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The year end valuation of Council Housing was £296,552k, a net increase of £16,953k from 2018/19 (£279,599k).	<p>We have set out our findings in relation to the valuation of land and buildings on page 11. In relation to Council Houses, our work to test that properties are included in the correct beacon, and that the valuations used are appropriate given the area and reduction for the social use factor, is complete.</p> <p>We are satisfied that the judgements and estimates used by management in determining the value of Council Housing are appropriate for the Council.</p>	 (Green)
Land and Buildings – Other	The Authority revalues its land and buildings as a minimum on a rolling five-yearly basis with interim reviews. If the value of an asset class is projected to materially change during the period since the last valuation then further valuations are instructed. Some asset classes are currently valued annually.	<p>We have set out our findings in relation to the valuation of other land and buildings on page 11.</p> <p>The work required for us to be satisfied that the judgements and estimates used by management in determining the value of other land and buildings are appropriate for the Council is still complete.</p>	 (Green)
Net pension liability	A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We have set out our findings in relation to the net pension liability on page 12. We are satisfied that the judgements and estimates used by management in determining the pension fund asset and liability are consistent with those used by the actuary and appropriate for the Council.	 (Green)

Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																								
Net pension liability	<p>The Council's net pension liability at 31 March 2020 is £74.1m (2018/19 £72.93m).</p> <p>The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have:</p> <ul style="list-style-type: none"> Undertaken an assessment of management's expert Reviewed and assessed the actuary's roll forward approach taken Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.4%</td><td>2.3% - 2.4%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.2%</td><td>2.1%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.6%</td><td>3-4%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>24.2/ 22.6</td><td>24.0 – 25.8/ 20.9 – 23.2</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>27.0/ 25.0</td><td>25.9 – 27.7/ 22.5 – 24.7</td><td>●</td></tr> </table> <p>Salary growth – PWC conclude “When considering the CPI inflation [pension increase rate] in aggregate with the discount rate assumption, the assumptions will lead to liabilities falling within our expected ranges and hence can be considered reasonable. The CPI inflation assumption sits at or above the top, or most prudent end, of the range we would expect to see.</p> <p>Female life expectancy – PWC conclude “While some of the individual components of this assumption fall outside of our expected ranges, overall the future improvements in mortality assumptions are within our expected range, albeit towards the most prudent end”.</p> <p>We have reviewed:</p> <ul style="list-style-type: none"> Completeness and accuracy of the underlying information used to determine the estimate; Impact of any changes to valuation method; Reasonableness of the Council's share of LGPS pension assets; Reasonableness of increase/decrease in estimate; and Adequacy of disclosure of estimate in the financial statements. 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.3% - 2.4%	●	Pension increase rate	2.2%	2.1%	●	Salary growth	3.6%	3-4%	●	Life expectancy – Males currently aged 45 / 65	24.2/ 22.6	24.0 – 25.8/ 20.9 – 23.2	●	Life expectancy – Females currently aged 45 / 65	27.0/ 25.0	25.9 – 27.7/ 22.5 – 24.7	●	<p>●</p> <p>(Green)</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.4%	2.3% - 2.4%	●																								
Pension increase rate	2.2%	2.1%	●																								
Salary growth	3.6%	3-4%	●																								
Life expectancy – Males currently aged 45 / 65	24.2/ 22.6	24.0 – 25.8/ 20.9 – 23.2	●																								
Life expectancy – Females currently aged 45 / 65	27.0/ 25.0	25.9 – 27.7/ 22.5 – 24.7	●																								

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management do not undertake a formal assessment of whether the Council is a going concern.

The Council has a sound income stream through Council Tax (£6.3m) and Business Rates (£4.9m) (although this includes a one-off gain through the release on the 2017 rating list provision for appeals, the Council share being £2.8m). It has delivered a balanced budget year on year and has a realistic Medium Term Financial Plan.

The Council also has usable, non earmarked reserves of £1.6m.

Work performed

Our audit work, including our VFM work, has not raised any doubts around the going concern assumption. Also, in the public sector, going concern is taken to mean that the services are transferred/ delivered by another body. As the Council services / functions would be delivered by any successor body, the threat of re-organisation does not apply.

Auditor commentary

Auditor commentary

This is reasonable as the Council has a realistic Medium Term Financial Plan and sufficient reserves to cover any short term unexpected need. It would be considered a going concern even if it demised and the services transferred to another body. Our Informing the Audit Risk Assessment report, presented to Audit, Governance and Standards Committee on 27 July, shows on pages 16 to 19 the arrangements in place to demonstrate that the Council is a going concern.

Auditor commentary

The reported position of the Council at 31 March 2020 per the draft financial statements shows that they have total current assets of £20.8m compared to £14.6m current liabilities, £1.5m of total current assets are cash and are therefore highly liquid.

We have nothing to report in relation to Going Concern.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance & Standards Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council prior to the issuance of our audit opinion.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks and councils with whom the Council had investments or borrowing. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements, however disclosure adjustments are disclosed in Appendix D.
Audit evidence and explanations/significant difficulties	We have reported the significant difficulties with our audit of the draft accounts and working papers on page 6.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work on the Annual Governance Statement identified a significant number of typographical errors, referring to the wrong Committee, not referring to the CIPFA / SOLACE requirements, and saying nothing about the "Significant Governance Issues". The Statement has been significantly enhanced, and now meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.</p> <p>Our work on the Narrative Report identified a number of areas for enhancement. The amended Report now meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters, however, please note the comments above.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of Redditch Borough Council in the audit report, as detailed in Appendix F.</p>

Value for Money

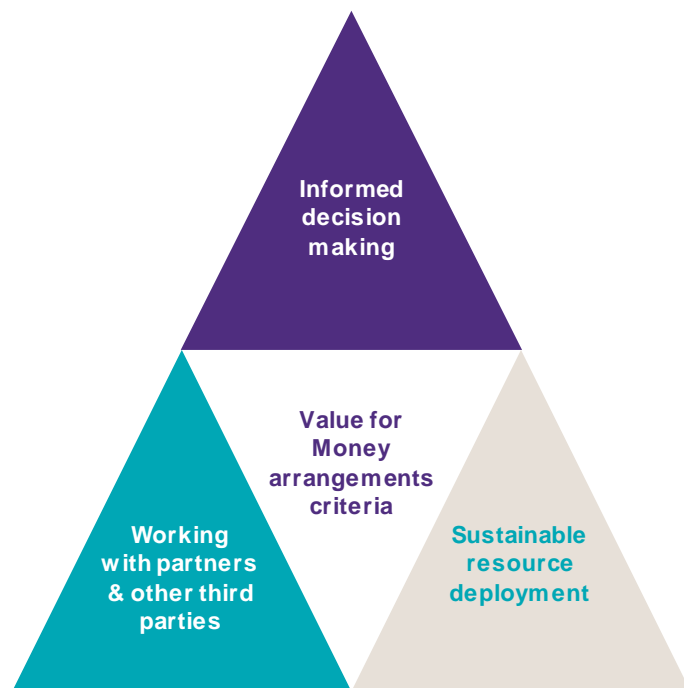
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in January 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 30 January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work. We do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risk determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were robustness of your Medium Term Financial Plan.

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 22.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Overall 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.

However, 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 propose to give a qualified 'except for' conclusion.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Financial sustainability How robust is the Medium Term Financial Strategy (MTFS) and how well developed are savings plans? In 2018/19 we issued an "Adverse" VFM Conclusion and a Statutory Recommendation around the lack of progress to bridge the financial deficit. We report our follow up of the Statutory Recommendation on pages 24-26. 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>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>
1) Review the 2019/20 financial performance against budget to obtain assurance that savings and income generation schemes are being appropriately reported and that Members are clearly sighted on any risks or challenges;		
2) Review the 2020/21 MTFP and budget to obtain assurance that new savings or income generation schemes are being brought forward and agreed. Review a sample of these schemes to obtain assurance that they are robust and that the financial challenges, implications and risks are appropriately reported to Members.		
		Management response See next page.

Value for Money

Significant risk

Financial sustainability

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

In 2018/19 we issued an "Adverse" VFM Conclusion and a Statutory Recommendation around the lack of progress to bridge the financial deficit. We report our follow up of the Statutory Recommendation on pages 24-26.

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

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

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

Findings

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%.

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.

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.

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.

Conclusion

Management response

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.

Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.



Audit and 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 following non-audit services were identified, which were charged from the beginning of the financial year to January 2021 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.




	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit subsidy claim	24,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £24,000 in comparison to the total fee for the audit of £53,379 and in particular relative to Grant Thornton UK LLPs turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing capital receipts grant	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £53,379 and in particular relative to Grant Thornton UK LLPs turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related - None			

Action plan



We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 High	Quality of working papers and responses <p>This is the third year that we have made a recommendation in relation to the quality of working papers and responses to audit questions. The quality of working papers this year has not improved. While some of this is related to the challenges of Covid-19, most of the issues relate to lack of attention to detail, superficial explanations, and providing inaccurate or incomplete information. There is a direct cost to the Council of this – both internally through engaging contractors to support the audit, and externally through additional audit fees.</p>	Recommendation <p>The Finance Team needs to properly address the recommendations made in previous years and to ensure that responses to audit questions are “right first time”.</p> Management response <p>The Council acknowledges that the quality of working papers has led to a number of difficulties this year end, as with previous year ends, for the closure of the accounts and audit process. Covid-19 has driven some of this as officers were unable to sit down with auditors to go through working papers to explain them which can often resolve issues. Aside from this an old ledger system which was not fit for purpose made date extraction hard to support sampling and robust working papers. A new system has now gone live and it is anticipated that this will improve the quality of working papers in coming years. Additional resource will also need to be deployed in this area to ensure a smooth year end process next year.</p>
 Medium	Fully depreciated assets <p>The Fixed Asset Register shows over £6.5m of fully depreciated Vehicles, Plant & Equipment. Management needs to consider whether these should be written out (they are no longer used) or prove they are still in existence and in use. If the latter, we would ask Management to reconsider their useful lives as, if the assets are fully depreciated but still in use, they would not appear to be appropriate.</p>	Recommendation <p>Management needs to consider whether these fully depreciated assets should be written out (they are no longer used) or prove they are still in existence and in use. If the latter, we Management should reconsider their useful lives as, if the assets are fully depreciated but still in use, they would not appear to be appropriate.</p> Management response <p>Management will undertake a review of these assets as part of the closedown next year and determine an appropriate course of action as a result.</p>




Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Action plan

Assessment	Issue and risk	Recommendations
 Medium	Property, Plant and Equipment valuations <p>This is a major focus of our work, and will continue to be so in 2020/21. Our work this year took an excessively long time to complete – both for auditors and officers. The amount of time needed to complete this aspect of our audit is not sustainable.</p>	Recommendation <p>Management needs to:</p> <ol style="list-style-type: none"> 1) Ensure previous years valuation reports are readily available. 2) Ensure that a Letter of Engagement is agreed with the valuer, clearly setting out the requirements and expectations. 3) Ensure that evidence to support the floor area of revalued buildings is retained and readily available. 4) Conduct a review of assets not revalued in year to determine whether they continue to be fairly stated. 5) Ensure that details of comparable properties used in HRA valuations is retained and readily available. Management response <p>This was a particularly challenging area of the audit this year, in part due to the increased demands by the regulator. In addition to this, it was determined during the audit that the Council did not hold detailed records of assets owned. As a result the external valuer was required to supply this information such as floor areas. Moving forwards the Council will use the external valuers as a “first port of call” on all valuation and assets queries to allow for a smoother audit process rather than trying to do this internally.</p>
 Medium	Annual Governance Statement <p>Our work on the Annual Governance Statement identified a significant number of typographical errors, referring to the wrong Committee, not referring to the CIPFA / SOLACE requirements, and saying nothing about the “Significant Governance Issues”.</p>	Recommendation <p>Management needs to ensure that the Annual Governance Statement complies with the CIPFA / SOLACE requirements. In particular referring to the S.151 Officer responsibilities and ensuring that “Significant Governance Issues” are appropriately explained.</p> Management response <p>Management agreed with the feedback from auditors and amended accordingly and this will be reflected in future sets of accounts.</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Redditch Borough Council's 2018/19 financial statements, which resulted in two recommendations being reported in our 2018/19 Audit Findings report. Our audit work this year indicates that the implementation of our recommendations is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Statement of Accounts production Many of the changes we identified as a result of our audit were repeated from last year. It is disappointing and time consuming to have to raise the same amendments in successive years. The Council needs to ensure that the template Statement of Accounts for 2019/20 start with the final audited 2018/19 Statement. Recommendation The Council needs to ensure that amendments to the structure of the Statement of Accounts for 2019/20 and the titles and headings used therein reflects the changes agreed this year. Management response The Council will ensure that in future years a greater amount of time will be allocated to quality checking at a senior level.	We have not identified any issues or errors that have been repeated from previous years. However, the quality of the Statement of Accounts still needs further improvement in order to reduce the number of changes required as a result of the audit.
X	Quality of working papers and responses We noted some improvement in the quality of the working papers initially provided to us. However, those improvements were insufficient to avoid a very high number of questions being raised. For the majority of our audit the responses we received were frequently inadequate, necessitating further questions. Recommendation Officers need to properly address the recommendation made last year and to ensure that responses to audit questions are "Right first time". Management response A training plan will be put in place to address improvements in working papers and responses to audit queries. This will be developed in consultation with Grant Thornton.	Unfortunately, this has not improved. The delays and challenges we have experienced this year are worse than in previous years. While some of this is related to the challenges of Covid-19, most of the issues relate to lack of attention to detail, superficial explanations, and providing inaccurate or incomplete information.

- Assessment
- ✓ Action completed
 - X Not yet addressed

Follow up of prior year Statutory Recommendation

On 25 July 2019 we issued a Statutory Recommendation under section 24 of the Local Audit and Accountability Act 2014. We reported this to the Audit, Governance & Standards Committee in our Audit Findings Report on 29 July 2019.

Assessment	Statutory Recommendation	Update on actions taken to address the issue
✓	<p>The Council needs to take urgent action to prevent both its General Fund and HRA balances being exhausted by the end of 2020/21. Failure to take effective action will put the Council at risk of breaching its statutory duty to set a balanced budget.</p> <p>It must agree and implement an achievable financial strategy that ensures a sustainable level of General Fund and HRA balances is maintained in the medium term (at least the next three years up to and including 2021/22), taking into account the current uncertainties about future local authority funding.</p> <p>This must include the following.</p> <ul style="list-style-type: none"> • A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20. • A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax. • Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level. 	<p>Grant Thornton met with the Portfolio Holder, Chief Executive and Deputy S.151 Officer on 17 September 2019 to discuss the next steps.</p> <p>On 26 September 2019 the Audit, Governance & Standards Committee formally considered the Recommendation and approved the Council response. The report was then considered by Executive on 29 October 2019, with a further update being presented on 11 November 2019.</p> <p>The reports referenced above set out in detail the assessment of the deliverability of the savings challenge for 2019/20 and the monitoring that would take place.</p> <p>The Medium Term Financial Plan presented to Executive on 11 February 2020 set out very clearly the financial challenges and actions needed. The report noted that Members had already made some difficult decisions to approve service changes and realignment of funding to realise additional savings of:</p> <ul style="list-style-type: none"> • Closure of the One Stop Shops (saving £60k) • Withdrawal from the Rubicon Business Centre (saving £92k) • Reallocation of Voluntary Community Service Funding (saving £108k). <p>The MTFP explained how the 2020/21 forecast had moved from a £1.17m deficit (per the Statutory Recommendation) to an £82k surplus.</p> <p>The MTFP sets out that the annual “gap” was:</p> <p>2020/21 = £82k surplus; 2021/22 = £352k gap; 2022/23 = £305k gap; 2023/24 = £1,021k gap.</p>

Assessment

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year Statutory Recommendation

Assessment	Statutory Recommendation	Update on actions taken to address the issue
✓	<p>The Council needs to take urgent action to prevent both its General Fund and HRA balances being exhausted by the end of 2020/21. Failure to take effective action will put the Council at risk of breaching its statutory duty to set a balanced budget.</p> <p>It must agree and implement an achievable financial strategy that ensures a sustainable level of General Fund and HRA balances is maintained in the medium term (at least the next three years up to and including 2021/22), taking into account the current uncertainties about future local authority funding.</p> <p>This must include the following.</p> <ul style="list-style-type: none"> A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20. A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax. Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level. 	<p>For the HRA, for 2019/20 and 2020/21 the anticipated position was a deficit which would reduce the Housing Revenue Account balances to below the £600k minimum requirement advised by the Section 151 officer and agreed by Members. To enable the balances to remain at £600k the budget included drawing £195k from the reserves in 2019/20 and £208k in 2020/21. However, this was to be reimbursed from 201/22 to 2023/24 as the HRA position improved.</p> <p>On 4 August 2020 the Financial Monitoring Outturn report for 2019/20 was presented to Executive. This reported a £403k underspend against the revised budget, which itself was £1m lower than the initial budget. This included a £413k overspend on Rubicon Leisure as a result of the decrease in activity from Mid February onwards (as a result of Covid-19) – necessitating the management fee be increased. The report also highlighted significant savings on salaries & vacancies totalling £737k.</p> <p>The Outturn report also showed £38k underspend on cost of services for the HRA. The General Reserve decreased slightly from £770k to £744k, compared to £600k forecast.</p> <p>On 27 October 2020 Executive received the “Medium Term Financial Plan - Financial Framework 2021/22 – 2024/25” report which set out the challenges and objectives for developing the MTFP. The report states that the Council has to deliver £1.7m over the next 3 years with £352k to be found for 2021/22, rising to £1m in 2023/24.</p> <p>The full impact of Covid-19 is still unknown. However, the Council is forecasting an outturn overspend of for 2020/21 of £158k mainly arising from the anticipated loss of income for Rubicon Leisure during the year. For the HTA a gap of £2 million is forecast due to a reduction in rent payments.</p> <p>On page 18, we report on our VFM work for 2019/20, and state “Generally, the savings were fully developed, reasonable and appropriately reported to Members...Other schemes were less certain.”</p>

Assessment

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year Statutory Recommendation

Assessment	Statutory Recommendation	Update on actions taken to address the issue
✓	<p>The Council needs to take urgent action to prevent both its General Fund and HRA balances being exhausted by the end of 2020/21. Failure to take effective action will put the Council at risk of breaching its statutory duty to set a balanced budget.</p> <p>It must agree and implement an achievable financial strategy that ensures a sustainable level of General Fund and HRA balances is maintained in the medium term (at least the next three years up to and including 2021/22), taking into account the current uncertainties about future local authority funding.</p> <p>This must include the following.</p> <ul style="list-style-type: none"> • A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20. • A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax. • Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level. 	<p>Conclusion</p> <p>The Council has responded positively to the Statutory Recommendation, and 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>The Council is pleased that its hard work to date has been noted by external audit in this area. Management agree that there is significant work to be done going forwards and that robust savings/income generation schemes will be worked up with members to ensure that the future budget gaps are bridged in good time.</p>

Assessment

- ✓ Action completed
- ✗ Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Middlehouse Lane (Surplus Asset) – out of date Valuation Report used. Valuation used of £370,000, but Valuation Report shows £775,000. The asset is therefore understated by £405,000.	0		0
Dr. Surplus Assets		405	
Cr. Revaluation Reserve		(405)	
Oak Tree Park (non operational asset) – out of date Valuation Report used. The accounts showed a value of £899,474 for buildings, but £0 for land. The Valuation Report showed buildings valued at £609,000 and land at £261,000. Therefore, buildings are overstated by £290,474 and land understated by £261,000.	0		
Dr. Revaluation Reserve		290	
Cr. Operational Buildings		(290)	
Dr. Land		261	
Cr. Revaluation Reserve		(261)	
Overall impact	£0	£0	£0

Misclassification and disclosure changes

We have provided details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements on pages 7 & 8. We have not duplicated that information here. We would recommend that Officers ensure that more time is available for review of the financial statements before they are published to reduce the number of typographical errors and amendments needed to better comply with the Code requirements.

Audit adjustments

Impact of unadjusted misstatements

There are no unadjusted misstatements.

Fees

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

Audit fees	Proposed fee (£)	Final fee (£)
Council Audit	53,379	TBC*
Total audit fees (excluding VAT)	£53,379	£TBC

*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).

Non-audit fees for other services	Proposed fee (£)	Final fee (£)
Audit Related Services:		
Certification of Housing Benefit subsidy claim	24,000	TBC**
Certification of Housing capital receipts return	2,500	2,500
Non- Audit Related Services - None	0	0
Total non-audit fees (excluding VAT)	£26,500	£TBC

**We are unable to confirm our fees for this work as it is incomplete.

Audit opinion

We anticipate we will provide the Group with a modified audit report

Independent auditor's report to the members of Redditch Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Redditch Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement for the Council and Group, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executive Director of Finance and Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Executive Director of Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to **Note 14** of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and assets at 31 March 2020. As disclosed in Note 14 of the financial statements, the uncertainty caused by Covid-19 has had an impact on the Council's ability to accurately value its land and buildings. The valuer that the Council has used for the exercise this year has been unable to reflect the impact of the current pandemic on land and property values. All evidence that could be obtained reflects pre-pandemic levels and the Royal

Institute of Chartered Surveyors (RICS) guidance on material uncertainty. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

Other information

The Executive Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Audit opinion

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director of Finance and Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 15 the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Resources. The Executive Director of Finance and

Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance and Resources is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit, Governance & Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Audit opinion

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, except for the effects of the matter described in the basis for qualified conclusion section of our report we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness in its use of resources we identified the following matter:

The Authority's medium term financial plan was updated in February 2020 and covers the period to 31 March 2024. Over this period, the plan forecasts that the Authority's expenditure will exceed its income by £1.7 million. At 31 March 2020, the Authority's General Fund balance was £1.6 million. This balance is insufficient to cover the planned gap between the Authority's income and its expenditure over the medium term. The Authority currently has no plans to bridge the planned gap on a sustainable basis.

This matter identifies weaknesses in the Authority's arrangements for setting sustainable budgets. Failure to take effective action will put the Authority at risk of breaching its statutory duty to set a balanced budget.

This matter is evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Redditch Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Jackson Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]



Redditch Borough Council

Town Hall, tel: (01527) 64252
Walter Stranz Square,
Redditch,
Worcs, B98 8AH



Our Ref : CF/BDN

Please contact : Chris Forrester

Email : chris.forrester@bromsgroveandredditch.gov.uk

1st March 2021

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Dear Sirs

Redditch Borough Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Redditch Borough Council and its subsidiary undertaking, Rubicon Leisure Limited, for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements

used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 1 March 2021.

Yours faithfully

Chris Forrester

Head of Finance and Customer Services

Redditch Borough Council and Bromsgrove District Council

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Chris Forrester

Head of Finance and Customer Services

Redditch Borough Council and Bromsgrove District Council

Date: 1st March 2021

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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

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

1. SUMMARY OF PROPOSALS

1.1 To present:

- the monitoring report of internal audit work for 2020/21.

2. RECOMMENDATION

2.1 The Committee is asked to note the report.

3. KEY ISSUES

Financial Implications

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

Legal Implications

3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2018 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

Service / Operational Implications

3.3 The involvement of Member’s in progress monitoring is considered 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 2020 to 31st January 2021 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

Date: 1st March 2021**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Summary Dashboard 2020/21:

Total reviews planned for 2020/21	16 (minimum originally)
Reviews finalised to date for 2020/21:	5 (incl. St David's)
Assurance of 'moderate' or below:	1
Reviews awaiting final sign off:	4
Reviews ongoing:	6
Reviews to commence:	0
Number of 'High' Priority recommendations reported:	0
Satisfied 'High' priority recommendations to date:	0
Productivity:	70% (against targeted 74%)
Overall plan delivery to date:	42% (against target >90%)

Since the last sitting of the Committee two reports have been finalised and are reported in Appendix 3.

Follow Up reports that have been finalised since the last Committee sitting are reported in Appendix 4.

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

2020/21 AUDITS ONGOING AS AT 31st JANUARY 2021

Reviews that have been finalised since the last Committee include:

- Debtors
- Treasury Management

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

- Use of Agency and Consultants (Draft)
- Council Tax (Draft)
- NNDR (Draft)
- Benefits (Draft)
- Health and Safety (Clearance)

Reviews progressing through scoping and testing stages included:

- Creditors
- Main Ledger
- Payroll
- Risk Management
- St David's (2nd phase)

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

Date: 1st March 2021

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

A rolling testing programme on key core financial areas continued during quarters 2 and 3 inclusive. The rolling testing programme results are being amalgamated at the end of quarter 3 and formal audit reports will be issued with any findings during quarter 4.

The 2020/21 plan reflects the delayed start and certain lesser risk reviews will need to be rolled to next year's plan. Priority continues to be given to potentially higher risk areas e.g. limited assurance audits. As we return to the new normal the impact of restrictions of the COVID-19 lockdown on the plan have been closely managed as the year has progressed. The plan for 2020/21 has remained very flexible and the core financial areas of the business are currently being reviewed and reported on. With progress set to continue the Head of Internal Audit will consider the output to provide an overall opinion at year end. Committee will continue to be regularly informed of developments and any variations to the plan will be overseen by the Head of Financial and Customer Services and s151 Officer.

Critical review audits are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made 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. In order to assist the service area to move forwards several 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 as indicated at 3.3 above.

Internal Audit are now considering any new processes emerging from the extraordinary working arrangements that have been necessary to continue to provide the Redditch residents with services both now and throughout the pandemic. Plan flexibility is continuing to be applied to include and provide assurance on these emerging areas.

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 2020/21 Internal Audit Plan and achieving the targets set for the year. As at 31st January 2021 a total of 169 days had been delivered against an overall target of 400 days for 2020/21.

Appendix 2 shows the performance indicators for the service. Performance and management indicators were approved by the Committee on the 27th July 2020 for 2020/21.

Date: 1st March 2021

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Appendix 3 provides copies of the reports that have been completed and final reports issued since the last sitting of 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.

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 have been ongoing from the beginning of October for Redditch Borough Council regarding the 2020/21 NFI national exercise. The first phase of data set uploading continued until the end of December 2020. Reasonable progress had been made regarding the data set uploads with the majority completed before the deadline. As at the 31st December 2020 there remained outstanding data set uploads for the Creditors history and standing. For late uploads there was the potential for the NFI to apply a penalty fee. It has since been confirmed that due to the circumstances that all Authorities have faced over the last 12 months it would be inappropriate for the NFI to levy fines on this occasion. WIASS will continue to provide advice and assistance regarding the process.

Monitoring

- 3.7 To ensure the delivery of the 2020/21 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

Date: 1st March 2021**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Service remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' risk i.e. limited assurance reviews. Due to changing circumstances and the impact of the COVID-19 pandemic a variation in the plan has been necessary. This has been agreed on a risk priority basis with the s151 Officer as the year has progressed. Discussions have also taken place at the December sitting of the Client Officer Group. With any adjustment to the plan there will remain reasonable audit coverage for 2020/21.

Quality Assurance Improvement Plan

- 3.8 WIASS delivers the audit programme in conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) as published by the Institute of Internal Auditors. A self-assessment took place in August 2020 to identify potential areas for improvement and a programme of improvement was agreed before the Client Officer Group in September 2020. Action to date is reported for information at Appendix 5.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2020/21
Appendix 2 ~ Performance indicators 2020/21
Appendix 3 ~ Finalised audit reports including definitions.
Appendix 4 ~ 'Follow-up' reports
Appendix 5 ~ Quality Assurance Improvement Plan

Date: 1st March 2021

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

6. BACKGROUND PAPERS

Individual internal audit reports are held by Internal Audit.

7. KEY

N/a

AUTHOR OF REPORT

Name: Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
Tel: 01905 722051
E Mail: andy.bromage@worcester.gov.uk

Date: 1st March 2021

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

APPENDIX 1

Delivery against Internal Audit Plan for 2020/21
1st April 2020 to 31st January 2021

Audit Area	Original 2020/21 Plan Days	Forecasted days to the 31st March 2021	Actual Days used to 31st January 2021
Core Financial Systems (see note 1)	90	90	58
Corporate Audits	78	*42	36
Other Systems Audits (see note 2)	178	*68	49
SUB TOTAL	346	200	143
Audit Management Meetings	20	20	14
Corporate Meetings / Reading	9	9	5
Annual Plans, Reports and Audit Committee Support	25	25	7
Other chargeable			
SUB TOTAL	54	54	26
TOTAL	400	254	169

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 been undertaken for Debtors and Creditors to maximise coverage and sample size. The 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. If there is little demand for certain budgets this is reflected in the overall usage, however, it does not necessarily reduce the coverage of the plan.

* Where the forecasted days are less than the original planned days for the year this reflects the adjustments that have been made to the plan during the year.

REDDITCH BOROUGH COUNCILDate: 1st March 2021**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****Appendix 2****PERFORMANCE INDICATORS 2020/21**

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

	KPI	Trend/Target requirement/Direction of Travel	2020/21 Position (as at 31 st January 2021)		Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = 16 (Minimum originally) Delivered = 9 (incl.4@ draft)	😐	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	42%	😐	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	70% (Q2 average 63%) (Q1 average 50%)	😐	When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward (minimal)	Nil to date (2019/20 = 12)	😊	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	1 (2019/20 = 11)	😊	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (Nil)	Nil to report	😊	When Audit Committee convene
Customer Satisfaction					
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	4 issued to date 2 returns 1x excellent	😐	When Audit Committee convene

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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

APPENDIX 3

2020/21 Audit Reports.

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Sundry Debtors 2020/21

8th February 2021

Distribution:

To: Head of Finance and Customer Services (Interim Executive Director of Finance and Resources and S151 Officer)
Financial Support Manager
Senior Business Support Accounting Technician
Cc: Chief Executive
Deputy Chief Executive

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Contents

1. Introduction.....	10
2. Audit Scope and objective	11
3. Audit Opinion and Executive Summary	11
4. Detailed Findings and Recommendations	13
Independence and Ethics:.....	14
APPENDIX A	Error! Bookmark not defined.
APPENDIX B	Error! Bookmark not defined.

1. Introduction

- 1.1. The audit of the Sundry Debtors System was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2020/21 as approved by the Audit, Governance and Standards Committee on 27th July 2020. The audit was a risk-based systems audit of the Sundry Debtors 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 as it covers the collection of Sundry income.
- 1.3. There were no risks on the Corporate or Service risk register that were relevant to this review.
- 1.4. There is a risk of fraud with the possibility of Teeming and lading or the mis use of credit notes if controls are not in place and working effectively.
- 1.5. This review was undertaken during the months of November and December 2020.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2. Audit Scope and objective

- 2.1 The audit sought to provide assurance on the processes surrounding the Efin debtor system to ensure that controls and risk management arrangements are in place and working to mitigate the risks known to exist within any debtor system/process.
- 2.2 The scope covered:
- Policies and procedures are implemented and adhered to
 - Raising of invoices (raised and recorded promptly and accurately)
 - Application of approved fees and charges
 - VAT is accurately calculated and applied
 - Income is posted correct and promptly
 - Recovery action write offs, aged debt analysis and bad debt provision
 - Debtor reconciliation
 - Follow up of the 2019/20 recommendations.
- 2.1. This reviewed covered the period from 1st April 2020 to 30th November 2020
- 2.2. This review did not cover the process for setting fees and charges or the level that they are set at.

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 inconsistent application of controls in a small number of areas in addition to weakness such as aged debts reports, tidy up and the ability to create duplicate debtors accounts that do not pose a major risk but where processes could be strengthened with the advent of the new finance system.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

- 3.3. The current Financial System does allow duplicated debtors accounts to be set up and tidy up exercises are carried out on an ad hoc basis however the data within the current system is being cleansed before it is migrated to the new system.
- 3.4 The review found the following areas of the system were working well:
- Policies and procedures are adhered to
 - Invoices are raised in a timely manner and Income is promptly posted to the debtors' ledger
 - Bad Debts are authorised prior to being written off and all efforts are made to recover the debt prior to it being considered for write off.
 - There is a year-end reconciliation between the debtors' and the main ledger system.
- 3.5 It should be noted that at the time of the audit the new finance system was still in the process of being implemented therefore the assurance is only given over the process on the current system. Within the current process Aged Debts reports are only issued when requested by Services. However, with the requirement for budget savings enhanced by the pandemic it is important that the Council receives payments for services provided. Therefore resources should be reviewed to see what efficiencies have been gained from the implementation of the new system to see if aged debts reports could be issued to services on a monthly basis in order for them to review the debts owed and if consideration should be given to suspension of service although depending on the service provided it is acknowledged that this will not always be possible.
- 3.6 The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
Fees and Charges	Medium	1

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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					
There were no issues brought forward from previous audits that have not been implemented.					
New matters arising					
1	M	Fees and Charges Testing found that 2 out of the 24 invoices for St. David's house meals and Laundry had been charged at the 19/20 rate and not the 20/21 rate. It was agreed within the Service that due to Covid and the fact that advice was being given to residents to carry out their laundry on a more frequent basis that the costs for the year should not be increased. However, this was not formally documented or discussed with Finance.	Financial loss and reputational if budgets are not achieved and charges are challenged.	Services to be made aware of the importance of formally documenting and discussing with Finance if charging is not going to be in line with agreed fees and charges. This will ensure that any income implications can be identified at an early stage and reported to Members as part of the quarterly revenue monitoring reports to provide full transparency.	Responsible Manager <div style="display: flex; justify-content: space-between;"> Financial Manager/Senior Support Accountant Support Business </div> Recommendation noted; officers will be reminded of requirement to discuss with finance any variations to schedule of fees and charges. Process will be adopted for formalising any charging variations and recorded reasons and approval Implementation Date June 2021.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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 to the Institute of Internal Auditors Public Sector Internal Audit Standards as amended 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 in order 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Worcestershire Internal Audit Shared Service



Final Internal Audit Report
Treasury Management 2020/21

8th February 2021

Distribution:

To: Head of Financial and Customer Services and Acting Executive Director Finance and Resources (Section 151 Officer))
Cc: Chief Executive
Deputy Chief Executive

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Contents

1. Introduction.....	10
2. Audit Scope and objective	11
3. Audit Opinion and Executive Summary	11
4. Detailed Findings and Recommendations	13
Independence and Ethics:.....	14
APPENDIX A	Error! Bookmark not defined.
APPENDIX B	Error! Bookmark not defined.

1. Introduction

1.1 The audit of Treasury Management was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2020/21 as approved by the Audit, Governance and Standards Committee on 27th July 2020. The audit was a risk-based systems audit of Treasury Management 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 following Service risks were relevant to this review:

- 119 - Failure to manage cash flow for Redditch Borough Council - unable to pay creditors and salaries
- FIN2 – Poor treasury management.

1.4 This review was undertaken during the month(s) of October, November and December 2020.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

2. Audit Scope and objective

2.1 This review was undertaken to provide assurance on the processes surrounding the Treasury Management System to ensure that controls and risk management arrangements are in place and working to mitigate the risks known to exist within any Treasury Management system/process.

2.2 The scope covered:

- That the Council has in place Treasury Management procedures and Strategy in line with the Prudential Code guidance and comply with these
- Acquisitions of assets/property investments comply with policies/strategy and there is transparency
- Borrowings and investments
- Treasury reconciliations
- Cash flow management
- System security
- Awareness of the impact of Covid-19 in relation to Cashflow
- Follow up on the 2019/20 Audit report recommendations.

2.3 This review covered the period from April 2020 to the date 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 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.

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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

- Cashflow management
- Cashflow forecasting during the pandemic.
- Treasury Management process, resilience and continuity.
- Monitoring and authorisation of Regeneration Investments
- Access rights to the system once a leaver has left the organisation.
- There is a sound audit trail on IdealTrade.

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

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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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>Reconciliation and Borrowing sign off</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>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 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:</p> <p>Head of Finance and Customer Services</p> <p>Agreed this is a sensible approach and will be implemented.</p> <p>Implementation date: By end of Feb 2021</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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 to the Institute of Internal Auditors Public Sector Internal Audit Standards as amended 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 in order 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

APPENDIX 4

FOLLOW-UP REPORTS:

Since the last Committee sitting there has been one finalised 'Follow-Up' report.

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Compliments and Complaints 2019/20

1st Follow-up Report - 19th October 2020

Distribution:

To: Head of Finance and interim Section 151 Officer
Assistant Customer Support Manager

CC: Chief Executive

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Contents

Section A - Justification of Audit Follow-up Approach	24
Section B – Conclusion	25
Section C – Current Position	4
APPENDIX A	6
APPENDIX B	7

Section A - Justification of Audit Follow-up Approach

The date of the final audit Report was 06/12/2019 and is being followed up because:

- 1 'high' and 3 'medium' priority recommendations were made: and
- At least six/three months have passed since the previous follow-up.

The following audit approach has therefore been applied:

1. The 1 'high' and 3 'medium' priority recommendations have been updated with the current position. **(Please see Section C)**
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 **Moderate Assurance** over the control environment and this was the 1st follow-up.

The follow-up has found that out of the 1 'high' priority and 3 'medium' priority recommendations detailed in the table in Section C; The 1 'high' priority recommendation has been partially implemented, 1 of the 'medium' priority recommendations has been implemented, whilst the remaining 2 'medium' priority recommendations have not yet been implemented.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Internal Audit are satisfied that Management have acted in relation to the one 'high priority' recommendation as although at this point in time it is only partially implemented the actions taken so far have reduced the risk to the Council.

In relation to the 'medium' priority recommendations, Internal Audit are also satisfied that management have acted on one of the three medium priority recommendations and that it has been implemented and therefore the risk to the Council has been mitigated.

In relation to the two remaining 'medium' priority recommendations that have not been implemented; there has been a change in the direction of how some of the controls are going to be implemented and after further review the Council is not facing any additional risk from its non-implementation.

As not all recommendations have been fully implemented a further follow up will take place in six months time.

This follow up was undertaken during the month of October 2020.

Section C – Current Position – (please see Appendix 3 for definition of priorities)

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up Position as at 16th October 2020</u>
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 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</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>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</p>	<p>Partially Implemented</p> <p>1) The first management response action point has been implemented as there is now a clear audit trail within the compliments and complaints system.</p> <p>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 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</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up Position as at 16th October 2020</u>
	<p>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>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>system has been developed and implemented.</p> <p>4) Planned specification was agreed and ICT was tested.</p> <p>1.) Active directory – taken the hit 2.) 1 off - the coff, project won't start. 3.) Different coding would be a huge piece of work and decision on that.</p>
2 Medium	<p>Complaints Process</p> <p>To understand the reason why not all compliments and complaints are logged through the current system and then to evaluate the current system used for the recording of compliments and complaints and review if it is fit for purpose.</p>	<p>Responsible Manager: Assistant Customer Support Manager</p> <p>Implementation date: April 2020 (depending on development)</p> <p>Complaints Recording Management System</p> <p>1) The single example provided related to Leisure who stated in their response (from a 4th tier manager) that they know that they need to report it on the complaints system and state that they 'are not great at placing them onto the corporate system but resolve it there and then, timing and workload sometimes overtakes'. There was also a comment from the auditor that other services also said this but no evidence was obtained.</p> <p>Comms will go out to staff to ensure that compliments and complaints are recorded on the system</p> <p>2) User Access rights will be reviewed as part of the 2020 implementation.</p> <p>There are users who have left still on the system however they do not have cases allocated to them and we would like to keep their records on this system to show the interaction with any previous complaints.</p>	<p>Implemented</p> <p>The review found that that out of the management responses and action plan, both required actions have been implemented as: -</p> <p>1.) Communication was issued in January 2020 and since that time, during a management forum meeting, the assistant customer support manager made all managers aware that they need to utilise the compliments and complaints system. In addition to this another communication will be issued once COVID-19 has calmed down as resources are required elsewhere at the time of the review.</p> <p>2.) User access has been reviewed and updated. There are now 3 levels of access on the compliments and complaints system which consist of: -</p> <p>a.) Officer level – Can create new tickets only and amend open tickets. b.) Managers level – Can re-open tickets once closed, but cannot delete a ticket. c.) Administrators – Can delete tickets if required and set the parameter levels on tickets.</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref./ Priority	Recommendation	Management Response and Action Plan	1 st Follow up Position as at 16 th October 2020
		Any users still on the system will have been removed from ICT 'active directory' and so it is impossible for them to access the system.	
3 Medium	<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 in order to provide a strategic overview of how the Councils are performing and help to identify areas of risk though non delivery or poor service.</p> <p>To report on service areas to help them improve and to allow services to analyse trends within complaints.</p> <p>To consider the use of reporting compliments through staff newsletters/corporate events in order to celebrate success and help to boost morale throughout the Councils.</p>	<p>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 that this will be implemented by April 2021.</p>
4 Medium	<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.</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>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as at 16th October 2020</u>
		<p>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>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>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE**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
1	1000	Updated Charter and Partner approval.	To review and update as appropriate, and present to COG and Partner Committees for approval.	Head of Internal Audit & Team Leader	Sep-21 (Annual Reports)	To commence	December 2020: To be prepared for the July/Sept 2021 Cttee cycle.
2	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 2020: An Auditor is seeking Membership to IIA.
3	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-21	Ongoing	December 2020: Being monitored
4	2500.A1 - Follow Up	More efficient and timely follow up in regards to reported management action plans.	To review and enhance the follow up process, and monitor progress to reduce potential slippage.	Audit Team Leader	Mar-21	Ongoing	December 2020: Being monitored and discussed as 1:2:1s
5	2010.A1 - Annual Risk Assessments	More effective implementation of Annual Risk Assessments into the annual planning and use within individual audits.	To review the current process of using the annual risk assessments and how inclusion into annual planning and audit planning can be improved.	Head of Internal Audit / Audit Team Leader	Nov-20	Complete 30 th November 2020	All office risk assessments have been reviewed. Risk assessments have been drafted for COVID associated office risks when visiting Partner offices. Home risk assessments have been completed.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

							Actions identified have been completed.
--	--	--	--	--	--	--	---

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

Work Programme 2020-21**1st March 2021**

- Standards Regime - Monitoring Officer's Report
- Model Code of Conduct
- Grant Thornton - Audit Findings Report 2019/20
- Statement of Accounts 2019/2020
- Internal Audit – Progress Report
- Risk Champion Verbal Update (Councillor Thain)
- Committee's Work Programme

15th April 2020

- Monitoring Officer's Report
- Grant Thornton External Audit Progress Report and Sector Update
- Internal Audit Progress Report
- Internal Audit Plan 2019/20
- Treasury Management Strategy and Capital Strategy Report
- Compliance Team Update Financial Savings Monitoring Report
- Corporate Governance and Risk Update
- Accounting policies report
- Treasury Report Update (6 monthly)
- Covid-19 grants
- National Fraud Initiative
- HRA S151 Update
- Committee Work Programme

Virtual Meetings 2020/21

- Treasury, Capital, and Investments reports
- Treasury Management Strategy and Capital Strategy Report
- External Audit Plan 2020/21
- External Audit – Grant Claims Certification Work Report 2019/20
- Review of the Role of Independent Member
- Corporate Risk Register
- Committee Work Programme

This page is intentionally left blank