



# Audit, Governance & Standards Committee

Tue 30 May  
2023  
7.00 pm

Council Chamber,  
Redditch Town Hall

**REDDITCH** BOROUGH COUNCIL

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If you have any queries on this Agenda please contact  
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## **GUIDANCE ON FACE-TO-FACE MEETINGS**

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Please note that this is a public meeting.

You are able to see the agenda for the meeting on the Committee Pages of the Council's website.

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

### **GUIDANCE FOR ELECTED MEMBERS AND MEMBERS OF THE PUBLIC ATTENDING MEETINGS IN PERSON**

Meeting attendees and members of the public are encouraged not to attend the meeting if they have common cold symptoms or any of the following common symptoms of Covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

### **PUBLIC SPEAKING**

The usual process for public speaking at Committee meetings will continue to be followed subject to some adjustments which allow written statements to be read out on behalf of residents at meetings of the Audit, Governance & Standards Committee.

### **Notes:**

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.



# Audit, Governance & Standards

Tuesday, 30th May, 2023

7.00 pm

Council Chamber Town Hall

## Agenda

### Membership:

TBC at the Annual Council Meeting

### 1. Apologies and Named Substitutes

### 2. Declarations of Interest and of Party Whip

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 7 - 18)

The minutes of the meeting of the Audit, Governance and Standards Committee held on 23<sup>rd</sup> March 2023 will be considered at this meeting.

### 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 to speak 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 19 - 26)

### 6. General Dispensation Report (Pages 27 - 32)

### 7. Annual Update Report on Regulation of Investigatory Powers Act 2000 (RIPA) (Pages 33 - 38)

### 8. Feckenham Parish Council Representative's Report - Standards Regime

To receive a verbal report from the Feckenham Parish Council Representative on the Parish Council's Standards matters.

### 9. Grant Thornton - External Audit Progress Report and Sector Update (Pages 39 - 58)

- 10. Risk Management Report** (Pages 59 - 74)
- 11. Financial Compliance Report including progress update on Statements of Accounts** (Pages 75 - 84)
- 12. Internal Audit Annual Report and Audit Opinion 2022-23** (Pages 85 - 114)
- 13. Internal Audit - Audit Plan 2023-24** (Pages 115 - 126)
- 14. Annual Appointment of Risk Champion**
- 15. Committee Work Programme** (Pages 127 - 130)



# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

## **MINUTES**

### **Present:**

Councillor Juma Begum (Chair), Councillor Andrew Fry (Vice-Chair) and Councillors Imran Altaf, Tom Baker-Price, Michael Chalk, Luke Court, Sharon Harvey and Timothy Pearman

### **Also Present:**

Councillor Karen Ashley – Portfolio Holder for Finance and Enabling  
Jackson Murray – Engagement Lead for Grant Thornton (on Microsoft Teams)

### **Officers:**

Andy Bromage (on Microsoft Teams), Peter Carpenter, Claire Felton (on Microsoft Teams) and Michelle Howell

### **Democratic Services Officers:**

Mat Sliwinski

#### **54. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received from the Feckenham Parish Council Representative, Hugo Hammersley (co-opted member).

#### **55. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **56. MINUTES**

The minutes of the Audit, Governance and Standards Committee meeting held on 26<sup>th</sup> January 2023 were submitted for Members' consideration.

Chair

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

**RESOLVED that**

**the minutes of the Audit, Governance and Standards Committee meeting held on 26<sup>th</sup> January 2023 be approved as a true and correct record and signed by the chair of the meeting.**

**57. PUBLIC SPEAKING**

There were no public speakers who had registered to speak in advance of the meeting.

**58. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

The Head of Legal, Democratic and Property Services presented the Monitoring Officer's report and in doing so reported that complaints from Members regarding other Members' use of social media had continued and the situation was not improving. It was suggested that an item on elected members' social media complaints should be included on the agenda at the first Committee meeting in the new municipal year.

It was noted that Member Support Steering Group had continued to meet since the last meeting of the Committee and most recently met on 22<sup>nd</sup> March 2023. It was also reported that a suite of training was being prepared for Members and invitations to these training events would be sent out after the elections.

Following the presentation, Members discussed the need for training sessions on code of conduct to be provided on regular basis in the new municipal year. Members also suggested that all elected members should be required to attend such training. Concern was also expressed that offensive and inappropriate social media comments posted by Councillors represented a reputational damage to the Council.

Some Members commented that the effectiveness of members' standards and code of conduct training needed to be reviewed, both in terms of frequency and content, to ensure that such training addressed up-to-date issues and was effective in driving positive behaviour change. It was further suggested that the Council's code of conduct be reviewed to effectively address recommendations of the recent Local Government Association (LGA) Peer Review.

**RESOLVED that**

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

**the Monitoring Officer's report be noted.**

**59. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT  
- STANDARDS REGIME**

As the Feckenham Parish Council Representative had submitted his apologies, there was no update presented to the Committee.

**60. SUBMISSION OF STATEMENT OF ACCOUNTS - VERBAL  
UPDATE**

The Head of Finance and Customer Services provided an update on submission of 2020-21 Statement of Accounts. It was reported that information for periods 1-10 and period 11 up to the 7<sup>th</sup> February of the financial year 2020-21 that had been transferred from the old eFin system into the new TechOne finance system after the system change on 8<sup>th</sup> February 2021 had not been fully documented at the time. This included screenshots or a record of transactions derived directly from the old system and on the new system on day one. Furthermore, there was no audit trail of the standing and transactional data as of when the old Civica system was being decommissioned (the last day) and of the starting point when the new TechOne finance system was introduced. Instead, this data was recorded in spreadsheets. As such evidence for the periods 1-10 of 2020-21 and for when the finance system was replaced had to be backtracked.

It was reported regarding the 2020-21 Statement of Accounts that the external auditor had to be satisfied with the data take-on balances before full audit of the Accounts could take place. It was anticipated that due to this the Accounts would be submitted to the auditors in late April and the main audit work would commence in July 2022.

Officers reported that work had begun on the 2021-22 Statement of Accounts but further progression depended on the outcome of audit work of 2020-21 Accounts. It was noted that training sessions on end-of-year closure and other finance aspects were available for Officers (requisitioners and managers) and attendance at those training sessions was high.

It was noted that the 2022-23 Ledger Book was to close on 28<sup>th</sup> April 2023 and an outturn report would be taken before the Executive Committee in July.

# Audit, Governance & Standards Committee

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Thursday, 23rd March, 2023

Following the update, several questions were asked of Officers and the External Auditor to which the following answers were provided:

- The External Auditor reported that deficiencies would be reported around data take-on as the original transfer of data from the old to the new finance system did not take place correctly and now necessitated Officers having to recreate the evidence trail.
- Due to considerable additional work expected around the audit of finance system data migration, a significant variation to the audit fee for 2020-21 Accounts was expected. It was reported that the external auditor's proposed variation to the audit fee would be submitted to the Public Section Audit Appointments (PSAA) panel before the fee would be determined.
- For 2019-20 Accounts, the Council's audit fee amounted to an additional £20,000 above the standard fee.
- Officers reported that determination of the amounts in reserves for the 2020-21 Accounts period remained to be agreed with the auditor as did the amounts going into suspense. It was reported that difficulties were also expected in deriving transactional samples for auditing.
- The External Auditor noted that the auditors became aware of additional work required in auditing 2020-21 Accounts in Autumn 2022
- Officers had worked on rectification of 2020-21 Accounts issues for 2-3 months in August-October 2022 in parallel with work on rectification of the cash receipting module, which was now resolved.
- Members sought assurance that the Council would not be the last in the country to sign-off 2020-21 Statement of Accounts. It was reported that in total there were around 20 other local authorities which had not finalised 2020-21 Accounts yet.
- Mandatory suite of training was being delivered for managers in the Council around financial awareness and budget process. It was reported that training provision was needed to improve finance skills in the authority.
- The Council remained the only local authority in the Country using the TechOne cash receipting module.

## 61. INTERNAL AUDIT PROGRESS REPORT

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

The Committee received the Internal Audit Progress Report from the Head of Worcestershire Internal Audit Shared Service. The report before the Committee summarised progress made against the delivery of the Internal Audit Plan 2022/23 up to 31<sup>st</sup> January 2023. Members were advised that Appendix 2 to the report provided a complete overview of the Plan.

It was noted that since the last Committee meeting, two internal audit reports on Debtors and Main Ledger had been finalised. The recommendations arising from these two reports had been acknowledged by Council's management. Another review into Workshop Licensing Compliance had now been cleared and it would be reported at the next Committee meeting.

It was reported that National Fraud Initiative (NFI) data set uploads were completed on time and results of these data matches were now being received by the various Service areas.

A complete overview of the follow-up review programme undertaken during 2022-23 was provided at Appendix 4, which enabled Members to take a holistic view of the internal audit programme.

It was reported that meetings on the finance system between the Head of Worcestershire Internal Audit Shared Service and the Council's Head of Finance had continued in order to monitor progress on rectifying issues.

Two final internal audit reports relating to Core Financials were included in the agenda pack documents, which related to General Ledger 2022-23 and Accounts Receivable. It was highlighted that Accounts Receivable received limited assurance and assurance could not be provided with regards to General Ledger at the current time due to a backlog in submissions of the Statements of Accounts and a backlog with resolving reconciliations and finance system data transfers. The Interim Director of Finance commented that he agreed with the internal audit's assessment and noted that assurance could not increase until the backlog was remedied.

Following the presentation, Members queried what the bus operator grant related to and it was explained that this represented audit returns for a County Council grant that was spent on fuel for the Council fleet, including dial-a-ride and other Services using vehicles. The purpose of the audit was for assurance to be gained

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

that funds were being spent to make vehicles and operations fuel efficient and that fuel consumption figures were reported accurately.

Some Members asked, in relation to a follow-up internal audit report on GDPR-Document Retention, about the printing from home policy and Docmail. In particular they questioned whether the ICT policy with regards to home printing had now changed and those who had access and used home printing on work devices were now unable to print at home. Officers undertook to contact the ICT Manager and the Head of Transformation and Organisational Development and report back to Members on this matter.

In response to a question relating to the need for further follow-up audit of GDPR-Document Retention, it was reported that one recommendation from that audit was fully implemented and a further two were partially implemented. Progress on implementation of these recommendations would be reviewed in July. It was further noted that reviews of Core Financials would be finalised before the next Committee meeting.

Officers concluded by stating that it was anticipated that the 2023-24 Internal Audit Plan would be presented to the Committee in June/July 2023.

**RESOLVED that**

**the report be noted.**

## **62. ACCOUNTING POLICIES REPORT**

Members were informed that the Accounting Policies report before the Committee provided details of the financial and budget policy framework under which the Council operated and as was set out in the Council's constitution. Financial procedure rules were provided at Appendix B. In addition, it was reported that as Redditch and Bromsgrove Councils shared their service arrangements and had both been served with Section 24 Notice for non-delivery of 2020-21 Statement of Accounts, a final report undertaken by the Bromsgrove District Council Audit Task Group into the issuing of Section 24 Statement at Bromsgrove was provided for Members in the agenda document pack.

It was deemed necessary for updates on Accounting Policies to become a standard item at Audit, Governance and Standards Committee meetings in order to facilitate Members' assurance

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

around Council's financial governance arrangements. It was further noted that internal finance team protocols were included in the agenda document pack, and these documents defined performance expectations of the Council's service areas. It was noted that training staff to appropriate level, especially in purchasing and invoicing, was essential. Currently training was provided for staff, particularly in finance, around closure of accounts and staff interest in this training meant four separate sessions had been arranged.

Members were informed that six Audit, Governance and Standards Committee meetings would take place in 2023-24 which would enable Members to be updated on each of the key financial legislative deliverable. This would result in Committee receiving oversight of all financial aspects of the Council.

Officers reported that of the Government Returns that the Council was required to submit, the Revenue Outturn Estimates remained a significant risk until the draft 2020-21 Accounts had been submitted. At this point the 2020-21 RO forms could be produced. It was noted that most other Government Returns were now being completed on time; the timely and accurate completion of those returns, however, needed to be embedded within the organisation.

Following the presentation, some Members commented to the effect that recommendations of the Bromsgrove District Council Audit Task Group were logical and sensible. It was suggested in that respect that joint work of the audit committees at Bromsgrove and Redditch could be undertaken, provided that joint overview and scrutiny had been undertaken in the past by the two Councils.

An amendment to the recommendations as proposed in the report was put forward by Councillor Fry. This included a change to recommendation 4 to read that any improvements arising from the recommendations in the Bromsgrove District Council Audit Task Group Report into the issuing of the Section 24 Statement be adopted by the Executive Committee, and an inclusion of an additional recommendation that a formal note of thanks be sent to the Bromsgrove District Council Audit Task Group by the Executive Committee. This amended recommendation was seconded by Councillor Baker-Price.

Members continued to debate this report, made a number of suggestions and asked a number of questions, to which the following responses were provided:

# Audit, Governance & Standards Committee

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Thursday, 23rd March, 2023

- With regards to implementation of the TechOne Enterprise Resource Management (ERP) system it was stated that an investigation by the Bromsgrove Audit Task Group showed that the staff who carried out its implementation did not have the necessary skillset to carry out this project. Not enough consideration of this was given by Officers responsible for decision-making at the time. It was added that many members of finance staff were put under significant stress in simultaneously undertaking the implementation and completing their 'day' jobs, which was a contributing factor to many members of finance staff leaving the organisation.
- It was reported that investigation of the Bromsgrove Audit Task Group revealed other failures in the implementation of the TechOne system:
  - It was not realised before agreement was made that TechOne did not have a cash receipting solution in place and instead the company intended to develop this jointly with the Council during implementation phase.
  - Issues with the new finance system, for example with cash receipting module, were reported by staff but were not being escalated at senior officer level.
  - There were instances where programme actions were reported in the minutes of senior officer meetings as completed but which did not actually take place.
  - There was a lack of a Programme Board, approved by the Corporate Management Team, which would monitor the implementation of the finance system.

Some Members asked why TechOne did not take part in the review carried out by the Bromsgrove Audit Task Group, and it was suggested that this was due to conflict of interest that participation in the review would present for the company.

Members queried the reasons why most finance staff members who implemented the system transfer on 8<sup>th</sup> December 2021 subsequently left the organisation and it was explained that the vast majority of those who left did so because of stress caused by the initial stages of implementing the TechOne ERP system. Those who left were key members of staff who had the knowledge of how the system worked and this knowledge had been lost when they left.

It was highlighted that most features of the TechOne system worked to a good standard and it outperformed competitors in some features.

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

Following discussion, the amended set of recommendations as proposed by Councillor Fry was put to the vote and was carried.

## **RESOLVED that**

- 1) the Accounting Policies being used their Source and associated Governance Arrangements be noted.**
- 2) the Accounting Policies report be considered at each Audit, Governance and Standards Committee meeting to alert Members to possible no compliance issues.**
- 3) Bromsgrove District Council Audit Task Group Report into the issuing of the S24 Statement be noted.**

## **RECOMMENDED that**

- 4) any improvements arising from the recommendations in the Bromsgrove District Council Audit Task Group Report into the issuing of Section 24 Statement be adopted by Executive.**
- 5) a formal note of thanks be submitted to the Bromsgrove District Council Audit Task Group.**

## **63. ACTUARIES REPORT - PENSIONS FUND**

The Interim Director of Finance presented a report on the latest Worcestershire Pension Fund revaluation, which took place in 2022, and in doing so reported that this triannual revaluation resulted in a significant saving to the Council's base budget for the next three years. The saving represented the largest item of saving in the Council's Medium Term Financial Plan (MTFP) for 2023-24 to 2025-26.

It was estimated in the 2022 Actuarial Valuation that the Pension Fund's assets stood at £126.9m and its liabilities at £132.0m, which represented a deficit of £5.1m. This was an improvement of £15.2m on the deficit position of £20.3m in 2019. Based on the employer's future rate of payment into the fund of 19.6 per cent of salary levels, it was predicted that the present deficit would be cleared within twelve-year period and deficit contributions would cease in the 2035-36 financial year.

# Audit, Governance & Standards Committee

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Thursday, 23rd March, 2023

It was reported that for Redditch Borough Council there were 355 active members of the Pension Fund, a reduction of 34 from the 2019 figure, 677 deferred pensioners, a reduction of 19 from the 2019 figure, and 864 pensioners and dependents, an increase of 77 from the 2019 figure.

Concern remained about the number of active members of the Pension Fund within the Council as the average age of staff was forty-nine. There was a possibility that many current employees could leave before they reached retirement age which would increase the Council's liability as Pension Fund payments were based on the number of active members.

Following the presentation of the report, Members made a number of observations and asked a number of questions, which were answered as follows:

- It was explained that active members were defined under the pension fund as those still employed by the Council and paying pension fund contributions, deferred members as those who were employees of the Council at some point and who had not yet drawn on their pension pot. A member of the scheme could access their pot from the age of 55, however, only 55 per cent of the full pension value as a lump sum.
- Officers provided reassurance that the figures provided took into account the possibility of deferred members over 55 accessing their pension pot at any time.
- The overall 19.6 per cent contribution of the Council to the Worcestershire Pension scheme represented a significantly greater contribution amount than those for pension funds in the private sector and meant that the Council as an organisation contributed 19.6 per cent and individual members up to 12 per cent to each member's overall pension contribution.
- Some Members commented that the Funding Level of the Worcestershire Pension scheme of 96.1 per cent represented an impressive figure. The Members concerned queried whether each organisation's assets and liabilities within the overall Pension Fund Scheme were demarcated.
- Officers responded that this was the case, and thus the Redditch Borough Council's pension assets and liabilities were demarcated from those of other councils within the Worcestershire Pension Fund scheme.
- It was noted that currently the Worcestershire Pension Fund scheme was outperforming many other schemes.

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

**RESOLVED that**

**the Background to the reductions in budget, and associated assumptions from the 31<sup>st</sup> March 2022 Actuarial Valuations be noted.**

**64. RISK CHAMPION UPDATE**

The Council's Risk Champion, Councillor Baker-Price, provided a risk update and in doing so reported that on the day of the first Audit, Governance and Standards Committee meeting of the new municipal year, training on risk would be provided to Members of the Committee with matters including the Council's risk appetite to be discussed.

The Council's Risk Champion commented that risk and its management should be one of the first items on the Committee's agenda as it would enable Members to discuss this in more detail at each meeting.

Committee Members were again encouraged to look at the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond Review) from 2020 as well as the more recent review undertaken by the House of Commons Committee of Public Accounts into the Local Government Finance System published in February 2022. Both reviews highlighted national themes with regards to where local government audit function could be improved.

It was highlighted that the Committee would hold six meetings in the municipal year 2023-24.

**RESOLVED that**

**the Risk Champion Update be noted.**

**65. COMMITTEE WORK PROGRAMME**

The Interim Director of Finance provided a provisional list of standing items that could be considered as part of agendas at Committee meetings in 2023-24, and the order in which they should preferably be considered. The list was as follows:

1. Monitoring Officer's Report – Standards Regime

# **Audit, Governance & Standards Committee**

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Thursday, 23rd March, 2023

2. Feckenham Parish Council Representative's Report - Standards Regime
3. Risk Report
4. Accounting Policies Update
5. Risk Champion Election (update at subsequent meetings)
6. Update on submission of Statement of Accounts for 2020-21, 2021-22 and 2022-23.
7. Internal Audit Plan (Progress Report at subsequent meetings)
8. Budget Book (at first meeting of 2023-24)

Members were in agreement that the list represented a sensible proposal as to the items which should be included on the agendas of Audit, Governance and Standards Committee meetings. Members commented that reports on risk should be considered at the beginning of each meeting in order to devote a sufficient amount of meeting time to this important issue.

It was reiterated that six meetings of the Committee would be held in 2023-24.

## **RESOLVED that**

**the Committee Work Programme and the list of proposed agenda items for meetings in the municipal year 2023-24 be noted.**

The Meeting commenced at 7.00 pm  
and closed at 8.22 pm

**Audit, Governance & Standards Committee  
2023**30<sup>th</sup> May**MONITORING OFFICER'S REPORT**

Relevant Portfolio Holder	To be confirmed
Portfolio Holder Consulted	-
Relevant Head of Service	Claire Felton
Report Author Claire Felton	Job Title: Head of Legal, Democratic and Property Services Contact email: <a href="mailto:c.felton@bromsgroveandredditch.gov.uk">c.felton@bromsgroveandredditch.gov.uk</a>
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	An Effective and Sustainable Council
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. RECOMMENDATIONS**

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

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

**2. BACKGROUND**

- 2.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Governance and Standards Committee since the last update provided at the meeting of the Committee in March 2023.
- 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 relevant standards issues raised by Parish Councils, will be reported on orally by Officers at the meeting.

**3. FINANCIAL IMPLICATIONS**

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

**4. LEGAL IMPLICATIONS**

- 4.1 Chapter 7 of Part 1 of the Localism Act 2011 ('the Act') places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made.

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

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

**Climate Change Implications**

- 5.2 There are no specific climate change implications.

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

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

### Operational Implications

#### 6.2 Member Complaints

Since the last meeting of the Committee, a number of electoral related complaints that have resulted in the need for the Monitoring Officer to review the local pre-election protocols. A report in respect of this will come to this Committee later in the municipal year.

There have also been four Borough Council complaints all relating to the same incident. Whilst the complaints have been managed locally, they were again related to the use of social media. As a result, the training for new Members has been reinforced in this regard and it has been agreed that additional more targeted training will be delivered throughout the municipal year.

#### 6.3 Independent Member

In 2012 the Localism Act 2011 introduced changes to the rules governing how Councils uphold standards in public life. This resulted in the introduction of a new Code of Conduct for Members, changes to the way complaints were investigated and sanctioned and new rules relating to the disclosure of interests, including the possibility of police action in cases of non-disclosure of disclosable pecuniary interests.

Amongst the new measures brought in was the requirement that each council should appoint at least one "Independent Person" whose views should be sought and taken into account by the authority before it decides on an allegation that it has decided to investigate (section 27 (7)(a) Localism Act 2011). The Localism Act also provided that the Independent Person could be consulted by a Member whose conduct had been complained about, this option being available to both District Council members and Parish Council members.

Members will be aware that as and when an Independent Person has been needed for complaints relating to Redditch Borough Council or Feckenham Parish Council, arrangements have been made for the Independent Person for Bromsgrove District Council (Mr Mel Nock) to be made available and to assist and support the Monitoring Officer in the investigation process.

Whilst this arrangement has worked well and provided both Borough and Parish Councillors based in Redditch with access to an Independent Person, his term has come to an end and requires review, and the Monitoring Officer is currently exploring the options moving forward.

The options under consideration by the Monitoring Officer are either carrying out a local recruitment process or arranging for the Council to join the existing retained pool of Independent Persons that was set up by six other authorities in Worcestershire working together in 2012. The lead authority for this group is Worcestershire County Council and the Monitoring Officer is liaising with colleagues at Worcestershire County Council to progress this option.

The county wide shared pool operates on the basis that the five appointed independent persons can be used by any of the member authorities and the costs of remunerating the Independent Persons and recruiting new ones are shared.

Were members minded to move to the County model, it is proposed that the Council still retain the independent services of Mr Nock to support the Monitoring Officer in the management of Member to Member complaints. This will help to ensure that there is ongoing support from an experienced independent source throughout the process.

A report to Members giving more details of the proposal to replace the Independent Person will be submitted to a future meeting of this Committee once the full details are known. In the meantime, the Committee can be re-assured that, notwithstanding his continuing independent support to the process moving forward, Mr Nock has also agreed to continue in the formal Independent Person role on a temporary basis to cover the transition to the new arrangements which are expected to be put into effect by the autumn of 2023.

#### Member Support Steering Group

- 6.4 The Member Support Steering Group (MSSG) is responsible for reviewing Member training, induction and ICT support. Meetings of the

**Audit, Governance & Standards Committee  
2023****30<sup>th</sup> May**

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MSSG are due to take place throughout the 2023/24 municipal year, with the first meeting scheduled to occur on 28<sup>th</sup> June 2023.

Constitutional Review Working Party

- 6.5 The Constitutional Review Working Party (CRWP) is responsible for reviewing the Council's constitution and makes recommendations to full Council regarding any proposed changes to the content of the constitution.
- 6.6 The CRWP holds regular meetings throughout the year. The first scheduled meeting of the CRWP is due to take place in June 2023.

Member Training

- 6.7 Following the local elections in May 2023, a comprehensive Member training programme has been arranged for both new and returning Members.
- 6.8 The training sessions that have taken or due to take place include:
- New Member Induction Evening – 9<sup>th</sup> May 2023.
  - Code of Conduct Training – 11<sup>th</sup> May 2023.
  - Planning Refresher Training – 15<sup>th</sup> May and 1<sup>st</sup> June 2023.
  - Members' Data Protection and Safeguarding Training – 16<sup>th</sup> May 2023.
  - Detailed Planning Training – 17<sup>th</sup> and 18<sup>th</sup> May 2023.
  - Modern.gov app training – 25<sup>th</sup> May 2023
  - Audit, Governance and Standards Committee Member Training – 30<sup>th</sup> May 2023.
  - Redditch Members' Overview and Scrutiny Training – 5<sup>th</sup> June 2023.
  - Local Government Finance Training – 12<sup>th</sup> June 2023.
  - Shareholders Committee training – 15<sup>th</sup> June 2023
  - Licensing Training – 22<sup>nd</sup> June 2023
- 6.9 As requested by the MSSG, many of the training sessions that are due to be delivered to Members in 2023 will be provided as joint training to Members from both Redditch Borough Council and Bromsgrove District

**Audit, Governance & Standards Committee  
2023**30<sup>th</sup> May

Council. However, there are some sessions, such as the Overview and Scrutiny training, where Members agreed that bespoke training should be provided to Redditch Members only and, in these cases, separate training has been arranged.

- 6.10 In the 2022/23 municipal year the Member Support Steering Group requested that the training delivered as part of the new member induction process, at least for the first two months, should be delivered in person. This arrangement has been implemented for the 2023 induction programme. However, since the elections, feedback has been received from Members indicating that they would in fact appreciate an opportunity to join training remotely wherever possible. Action is being taken to try to accommodate this where requests are received, and where reasonable notice has been provided, from specific members to attend training sessions remotely, although this may not always be possible to arrange.
- 6.11 At an early meeting of the MSSG Members will be asked to review the training provided as part of this induction programme and this will provide an opportunity for lessons to be learned for the future.

**7. RISK MANAGEMENT**

- 7.1 The main risks associated with the details included in this report are:
- Risk of challenge to Council decisions; and
  - Risk of complaints about elected Members.

**8. APPENDICES and BACKGROUND PAPERS**

No appendices.

Chapter 7 of the Localism Act 2011.

**9. REPORT SIGN OFF**

Department	Name and Job Title	Date
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REDDITCH BOROUGH COUNCIL**Audit, Governance & Standards Committee  
2023****30<sup>th</sup> May**

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Lead Director / Head of Service	Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer	18 <sup>th</sup> May 2023
Financial Services	N/A	
Legal Services	Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer	18 <sup>th</sup> May 2023

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REDDITCH BOROUGH COUNCIL

**Audit, Governance and Standards Committee**  
2023

30<sup>th</sup> May

**LOCALISM ACT 2011 – STANDARDS REGIME – DISPENSATIONS**

Relevant Portfolio Holder	To be confirmed
Portfolio Holder Consulted	-
Relevant Head of Service	Claire Felton, Head of Legal, Democratic and Property Services
Report Author Jess Bayley-Hill	Job Title: Principal Democratic Services Officer Contact email: <a href="mailto:jess.bayley-hill@bromsgroveandredditch.gov.uk">jess.bayley-hill@bromsgroveandredditch.gov.uk</a> Contact Tel: (01527) 64252 Ext: 3072
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	An effective and sustainable Council
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. RECOMMENDATIONS**

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

- 1) the previously granted general dispensation in relation to allowing Members to address Council and Committees in circumstances where a member of the public may elect to speak be re-granted under section 33 (2) of the Localism Act 2011, to allow Members to participate in and vote at Council and Committee meetings when considering these matters;**
- 2) subject to the caveat set out in paragraph 3.6 of this report in relation to setting the Council's Budget, the Audit, Governance and Standards Committee grants dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of:
 
  - a) the Budget;**
  - b) Council Tax;**
  - c) Members' Allowances;**
  - d) Council Rents; and,**
  - e) Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the Borough;****

- 
- 3) **it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and**
  - 4) **it be noted that any new or re-granted dispensations will remain valid until the first meeting of the Audit, Governance and Standards Committee following the next Borough Council Elections in 2024.**

## **2. BACKGROUND**

- 2.1 The purpose of this report is to provide members with an opportunity to consider and agree a number of general dispensations for all Councillors.

## **3. OPERATIONAL ISSUES**

- 3.1 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.
- 3.2 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted "only if, after having regard to all relevant circumstances" the Committee considers that one of those situations applies.
- 3.3 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –
  - “(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
  - (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,

**Audit, Governance and Standards Committee  
2023**30<sup>th</sup> May

- 
- (c) considers that granting the dispensation is in the interests of persons living in the authority's area,
- (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's Executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive, or
- (e) considers that it is otherwise appropriate to grant a dispensation."
- 3.4 The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee. This function subsequently transferred to the Audit, Governance and Standards Committee. All dispensations granted are valid until the first meeting of the Audit, Governance and Standards Committee following the next applicable Borough Council elections.
- 3.5 Dispensations, all of which require the advance approval of the Committee and a subsequent written request from the Member to the Monitoring Officer, currently fall within four categories:
- General Dispensations
  - Council Tax Arrears
  - Individual Member Dispensations
  - Outside Body Appointment Dispensations
- 3.6 It should be noted that under Section 106 of the Local Government Finance Act 1992 there is a caveat that any Member who is 2 months (or more) in arrears with their Council Tax payments cannot participate in any Council meeting concerning the budget. In the event that any Members are affected by the provisions of section 106, the statutory rule that they be barred from taking part in the budget decisions would prevail.

**Audit, Governance and Standards Committee  
2023**30<sup>th</sup> May

- 
- 3.7 The new Local Government Association (LGA) Model Code of Conduct was considered at the Audit, Governance and Standards Committee meeting held on 14<sup>th</sup> April 2022. It was recommended by the Committee that the Council adopt the new Model Code with two amendments to the Code. This version of the Code was subsequently presented at the Council meeting held on 23<sup>rd</sup> May 2022 with Members agreeing to adopt the LGA Model Code of Conduct. As a result of this adoption Members are now required to complete an 'Other Registerable Interests' (ORI) form to declare any ORIs.
- 3.8 Usually, the Audit Governance and Standards Committee would be asked to consider granting both general dispensations and individual Member dispensations together at the first meeting of the Committee in the municipal year.
- 3.9 The current general dispensations to Members are due to expire on the date of the first meeting of the Committee in the 2023/24 municipal year. It is therefore important to ensure that the Committee is provided with an opportunity to consider whether to grant these general dispensations at this first meeting.
- 3.10 However, the first meeting of the Committee in the 2023/24 municipal year is taking place much earlier than usual. This does not provide much time to consult with Members, particularly new Members, on any individual Member dispensations that they wish to request for this municipal year.
- 3.11 In this context, Officers will present a further report, focusing on individual Member dispensations, for the Audit, Governance and Standards Committee's consideration at the next meeting of the Committee in July 2023.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no specific financial implications.

**5. LEGAL IMPLICATIONS**

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

**6. OTHER - IMPLICATIONS****Relevant Strategic Purpose**

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

**Climate Change Implications**

- 6.2 There are no specific climate change implications.

**Equalities and Diversity Implications**

- 6.3 There are no specific equalities and diversity implications.

**7. RISK MANAGEMENT**

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

**8. APPENDICES and BACKGROUND PAPERS**

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

**Audit, Governance and Standards Committee  
2023**

**30<sup>th</sup> May**

**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	TBC	
Lead Director / Head of Service	Claire Felton, Head of Legal, Democratic and Property Services	3 <sup>rd</sup> May 2023
Financial Services	Pete Carpenter, Interim Section 151 Officer	3 <sup>rd</sup> May 2023
Legal Services	Claire Felton, Head of Legal, Democratic and Property Services	3 <sup>rd</sup> May 2023

**Audit, Governance and Standards Committee  
2023****30<sup>th</sup> May****Annual Update Report on RIPA**

Relevant Portfolio Holder		To be confirmed
Portfolio Holder Consulted		-
Relevant Head of Service		Claire Felton
Report Author: Claire Felton	Job Title: Head of Legal, Democratic and Property Services Contact email: c.felton@bromsgroveandredditch.gov.uk Contact Tel: (01527) 64252 Ext: 1429	
Wards Affected		All
Ward Councillor(s) consulted		N/A
Relevant Strategic Purpose(s)		N/A
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

**1. RECOMMENDATIONS****The Committee is asked to RESOLVE that:-**

- 1.1 The Council's RIPA Policy (version 8.2) be endorsed; and**
- 1.2 The update on RIPA activity described in this report be noted.**

**2. BACKGROUND**

- 2.1 The Regulation of Investigatory Powers Act 2000 ["RIPA"] gave local authorities powers to conduct covert surveillance under certain circumstances. The Act also regulates the use 'Covert Human Intelligence Sources' ["CHIS"] and obtaining certain Communications Data.
- 2.2 The revised Code of Practice for Covert Surveillance and Property Interference, 2018, at paragraph 4.47, advised that elected members should, at least on an annual basis, review the RIPA policy and the authority's use of the Act. This report is published in compliance with that requirement.
- 2.3 Local Authority powers are at the lower end of the scale and changes in legislation since the Act was originally introduced, have resulted in further restrictions on their use:
  - the use of surveillance restricted to criminal investigations;

**Audit, Governance and Standards Committee  
2023****30<sup>th</sup> May**

- 
- the Protection of Freedoms Act 2012 required local authorities to get approval from the Magistrates Court for any proposed surveillance; and
  - the threshold for the level of crime being investigated was raised to include only 'serious crime' (as defined).
- 2.4 The regime is overseen by the Investigatory Powers Commissioner's Office, and includes inspections of organisations by an Inspector appointed by the Commissioner, usually about every three years.
- 2.5 Any organisation which has investigatory powers under RIPA is required to have in place a Policy governing all aspects of the regime, including the need for updating and officer training, regardless of whether the powers are exercised. The Council's Policy is regularly updated to comply with any changes in the legislation, guidance and codes of practice which apply to the regime. Changes are notified to the Council by an external RIPA expert, who also provides training and advice on RIPA issues.
- 2.6 From the outset, the Council's use of RIPA powers was always low. There were a number of reasons for this: A rigid process has to be followed to establish that a proposed surveillance activity is both "necessary" and "proportionate"; a senior officer has to evaluate the proposal against a number of criteria and would then have to be referred to the Magistrates Court to be confirmed. If approved, there would have been major resource implications for any authorised surveillance to have been undertaken.
- 2.7 Since the changes introduced in 2012 as described in 2.3 above, the Council has not exercised its powers under RIPA. The Surveillance Commissioner has noted that in recent years authorities like ours have granted far fewer RIPA authorisations and some have granted none at all.
- 2.8 In light of the low level of RIPA activity, in 2018 rather than carrying out a physical inspection an inspector on behalf of the Surveillance Commissioner conducted a remote light touch review. This was followed in January 2022 by a video and desk-top based inspection.
- 2.9 The January 2022 inspection resulted in recommendations to alter the wording of three aspects of the policy to make it clearer and the necessary alterations were subsequently made to the policy by officers. Overall, the outcome was that the Council was operating a robust policy and the continuation of remote inspections in the future was endorsed.

**Audit, Governance and Standards Committee  
2023****30<sup>th</sup> May**

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- 2.10 The last occasion a RIPA update report was considered by the Committee was on 28th July 2022. Officers can update Members that there have been no significant changes or developments since then. There have been no new authorisations of use of RIPA powers. Officers continue to keep the policy under review but there have been no legislative or other changes to update in the last 12 months.
- 2.11 In order to have the option of using RIPA powers in the future if required, the Council must keep the policy up to date and ensure officers are aware of how to use it and the processes to follow. Officers must also be careful to ensure that they follow the parts of the policy that cover other forms of surveillance that fall outside of the strict RIPA regime, and the guidance in the policy around use of social media.
- 2.12 The Council is a member of the National Anti-Fraud Network [NAFN], which is hosted by Thameside MBC and which provides data and intelligence services under the RIPA regime to public sector organisations in relation to fraud investigations. Over 90% of local authorities are members of NAFN. Membership enables the Council to avail of its expertise, without having to have our own staff for the purpose.

**3. OPERATIONAL ISSUES**

- 3.1 Nothing additional to add to the information above.

**4. FINANCIAL IMPLICATIONS**

- 4.1 None as a direct result of this report.

**5. LEGAL IMPLICATIONS**

- 5.1 The Council demonstrated compliance with its statutory obligations under RIPA to the satisfaction of the Surveillance Commissioner at the last inspection in January 2022, and continues to review and update its policy as required and provide training.
- 5.2 This report to Members complies with the Code of Practice requirement that Members should be updated annually on RIPA activity and endorse the policy, including any changes to it, for the coming year.

**6. OTHER - IMPLICATIONS****Relevant Strategic Purpose**

- 6.1 No direct link to the defined strategic purposes; maintaining the ability to use RIPA powers provides the Council with more options to take effective action to protect its citizens from fraud and criminal activity.

**Climate Change Implications**

- 6.2 None

**Equalities and Diversity Implications**

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

**7. RISK MANAGEMENT**

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

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

**8. BACKGROUND PAPERS**

Report to Audit, Governance and Standards Committee - Annual Update on RIPA – 28<sup>th</sup> July 2022

The Council's RIPA Policy (version 8.2)

**Audit, Governance and Standards Committee  
2023**

**30<sup>th</sup> May**

**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	To be confirmed	
Lead Director / Head of Service	Claire Felton - Head of Legal, Democratic and Property Services	18 <sup>th</sup> May 2023
Financial Services	Peter Carpenter, Interim Section 151 Officer	18 <sup>th</sup> May 2023
Legal Services	Claire Felton - Head of Legal, Democratic and Property Services	18 <sup>th</sup> May 2023
Policy Team (if equalities implications apply)	Not applicable	
Climate Change Team (if climate change implications apply)	Not applicable	

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**Audit, Governance and Standards Committee**  
2023

30<sup>th</sup> May

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**Grant Thornton – External Audit Progress Report & Sector Update**

Relevant Portfolio Holder	Councillor to be confirmed – Portfolio Holder for Finance and Governance
Portfolio Holder Consulted	-
Relevant Head of Service	Michelle Howell
Report Author: Grant Thornton	Job Title: Head of Finance and Customer Services Contact email: michelle.howell@bromsgroveandredditch.gov.uk
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	An effective and sustainable Council
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. RECOMMENDATIONS**

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

**2. FINANCIAL IMPLICATIONS**

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

**3. LEGAL IMPLICATIONS**

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

**4. STRATEGIC PURPOSES - IMPLICATIONS**

**Relevant Strategic Purpose**

4.1 The issues detailed in this report help to ensure that the Council is effective and sustainable.

**Climate Change Implications**

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

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

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

**Operational Implications**

- 5.2 The report attached at Appendix 1 provides Members with our external auditor's progress in delivering its responsibilities as the Council's external auditors. It sets out key audit deliverables and a sector update which includes a number of matters that are relevant to Local Government.

**6. RISK MANAGEMENT**

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

**7. APPENDICES and BACKGROUND PAPERS**

Appendix 1 - Grant Thornton – Redditch Borough Council Audit  
Progress Report and Sector Update

# Redditch Borough Council Audit Progress Report and Sector Update

May 2023



# Contents

Section	Page
Introduction	3
Progress at May 2023	4
Audit Deliverables	6
Infrastructure Assets Update	7
Sector Update	8

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

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# Introduction

Your key Grant Thornton team members are:

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Key Audit Partner

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

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

Members of the Audit, Governance and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

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# Progress at May 2023

## Financial statements audit

We undertook our initial planning for the 2020/21 audit in early 2022. In October 2022, Grant Thornton issued written recommendations under section 24 of the Local Audit and Accountability Act 2014 in relation to the Authority's financial systems and governance. We acknowledge that an early draft version of the 2020/21 financial statements was presented to members in December 2022 but the Authority's s151 officer has not yet signed a set of draft financial statements and therefore no financial statements have been submitted for us to audit. We have previously discussed at the Audit, Governance and Standards Committee that the s151 officer is awaiting the conclusion of our opening balances work before signing the draft 2020/21 financial statements. As a result, we have been unable to start our work on your draft financial statements for the 2020/21 year in any significant capacity.

To date we have performed some procedures on the Authority's data migration event from its legacy financial ledger, eFinancials, to its new ledger supplied by TechnologyOne. To date, we have:

- Summarised the eFinancials monthly transactional reports by cost centre, selected two cost centres per month, and compared the total balances of those cost centres for those months to the eFinancials system. This provides high level assurance that the monthly transactional reports downloaded by management at the time of the migration in February 2021 are accurate reflections of the data recorded on eFinancials and that the reports provided to the audit team have not been tampered with. The Council no longer has access to run reports from the eFinancials system which has necessitated this approach.
- Selected 25 transactions from the eFinancials reports and confirmed to the TechnologyOne system that they had been migrated appropriately.
- Selected 25 transactions from the equivalent TechnologyOne transactional reports and confirmed to the eFinancials system that they had been migrated appropriately.

We have not identified any issues in the testing above.

Given the issues noted in the management's own work on the data migration event, we consider that further work is required – a sample of 25 transactions when compared to the volume of processed transactions presents negligible coverage, and given the issues identified by management in their own work on the data migration were “random” in both nature and identification (i.e. no clear pattern or way of isolating, and management happened upon these issues during the course of their work) we do not consider that we have sufficient assurance over the data migration event.

We have enquired with management about alternative methods of gaining assurance through testing data back-ups taken from the eFinancials system prior to the data migration event and await confirmation on the availability of such reports. Our intention would be to use IT solutions to provide assurance over the transferred data to allow us a much broader coverage of the data than we could test manually.

We are also aware that the auditor of the Authority's subsidiary, Rubicon Leisure Limited, issued a disclaimer opinion for the company's 2021/22 financial statements, which follows their limitation of scope opinion in 2020/21. We need to consider the impact this has on our work as group auditor and first understand how management intend to respond to these audit opinions in the context of the group financial statements. We have asked management to provide the detail behind the issues in the company's financial statements as it may be useful to understand any specifics or lessons learnt from the audit of the company's financial statements in both years.

# Progress at May 2023

## Value for Money

Under the 2020 Code of Audit Practice, the auditors of local government bodies are required to issue an Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NAO have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN03 and issue their Auditor's Annual Report when their work is complete. The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We have not yet issued our final Auditor's Annual Report for the 2020/21 financial year due to the delay in the financial statements – we cannot issue it in final until we issue our financial statements audit opinion. We reported our interim report in November 2022. It is anticipated that the work on the 2021/22 and 2022/23 financial years will start later this year, and we will issue an Auditor's Annual Report that covers both financial years.

## Audit Fees

We have previously discussed the fee impact of the delays in financial reporting, our VFM findings for 2020/21 and the related written recommendations under section 24 of the Local Audit and Accountability Act 2014, and the likely challenges of auditing transactions processed in the new system with management and the Audit, Governance and Standards Committee. The fee we originally proposed in our Audit Plan for 2020/21 in April 2022 was £71,292. The final proposed fee will need to be agreed following the completion of any audit, however given the work already performed to date this could exceed £100k.

Any proposed fee variations must first be discussed with management before consideration by Public Sector Audit Appointments Limited.

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 claim began in June 2022. The DWP extended the deadline for reporting the findings of this work to 31 January 2023. Work is ongoing on the 2021/22 claim and is expected to be completed by July 2023. The Authority has maintained contact with the DWP throughout the process to keep the department aware of the situation. Work on the 2022/23 claim is due to start shortly.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Housing and Communities ("DLUHC"). The guidance for the 2022/23 return has not yet been published. Work on the 2021/22 return has recently started following receipt of DLUHC auditor guidance and working papers from management and is due to finish by July 2023.

# Audit Deliverables

2020-21 deliverables	Proposed date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit, Governance and Standards Committee setting out our proposed approach in order to give an opinion on the Authority's 2020-21 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.</p>	April 2022	Completed
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our audit work to date within our Progress Report.</p>	May 2023	Completed
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit, Governance and Standards Committee.</p>	November 2023	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	November 2023	Not yet due
<p><b>Final Auditor's Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	November 2023	Not yet due
2021-22 and 2022-23 audit-related deliverables	Proposed date	Status
<p><b>Housing Benefit Subsidy – certification for 2021-22</b></p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. The detailed testing of the Authority's workbooks has been completed. The remaining tasks left to complete include the testing of manual adjustments made to the subsidy claim form, completion of the Module 5 checklist, and the drafting of the HBAP report. All work is subject to quality review.</p>	July 2023	In progress
<p><b>Pooling of housing capital receipts – certification for 2021-22</b></p> <p>This is the report we submit to the Department for Levelling Up, Housing and Communities ("DLUHC") based upon the mandated agreed upon procedures we are required to perform. Work is underway on the Authority's return following receipt of working papers from management.</p>	July 2023	Not yet due
<p><b>Housing Benefit Subsidy – certification for 2022-23</b></p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. We have been provided with the Authority's subsidy claim form from which we have selected initial samples. The Authority's Housing Benefit team is currently undertaking the detailed work for these samples.</p>	November 2023	Not yet due

# Infrastructure Assets Update

## Background

Most local government (LG) entities, excluding police bodies, will own infrastructure assets. The balances for highways authorities will be particularly significant and are likely to be material. For LG entities with material infrastructure assets there is therefore a potential risk of material misstatement related to this balance.

The inherent risks which we identified this year in relation to infrastructure assets were:

- An elevated risk of the overstatement of gross book value and accumulated depreciation figures, due to lack of derecognition of replaced components
- A normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairments of infrastructure assets, and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges.



## How these issues have been addressed?

Since these issues were first identified we have been working with CIPFA and the English and Scottish Governments to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions have been put in place in the interim. These short-term solutions include the issue of Statutory Instruments (SIs) by government and an update to the CIPFA Code.

The CIPFA Code update was issued on 29 November 2022. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022 – see [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2022 \(legislation.gov.uk\)](#). CIPFA issued [CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution](#) on 11 January 2023, which includes further guidance and illustrative examples on the depreciation of infrastructure assets and the associated useful economic lives (UELs).

Where the infrastructure asset balances are material to your financial statements, we will consider how the SI and Code update have been considered by the Authority, e.g. how derecognised components have been accounted for and how the financial statement disclosures have been updated. We will carry out further audit procedures to assess the material accuracy of in year movements for 2020-21, including infrastructure asset additions, impairments and depreciation charges.

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# Sector Update

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

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

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

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

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



Public Sector



Local government

# Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

**Table 1 Audited accounts published by target date over the last six years**

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



# Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



# Local government procurement and contract management

## Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector<sup>1</sup>. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

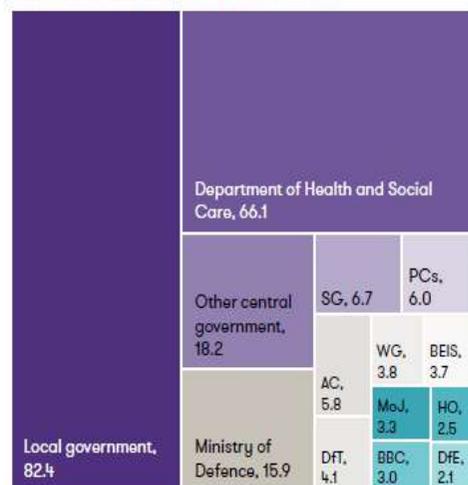
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

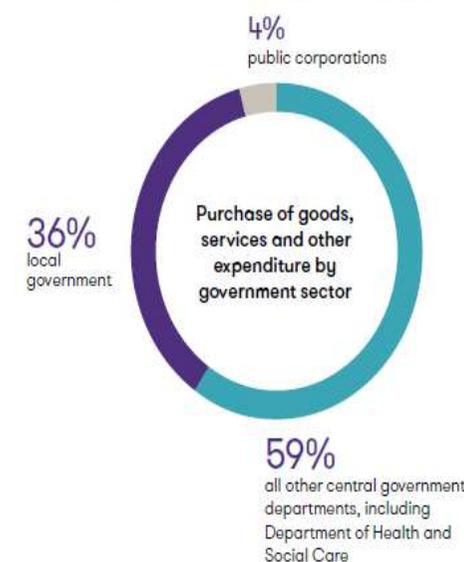
## UK public spending

Public spending on goods and services, £ billions - analysis by segment and department<sup>2</sup>



PCs Other Public Corporations AC Academies  
 DfT Department for Transport MoJ Ministry of Justice  
 WG Welsh Government BBC British Broadcasting Corporation  
 HO Home Office  
 DfE Department of Education BEIS Department of Business, Industry Strategy  
 SG Scottish Government

Goods, services and other expenditure by segment<sup>4</sup>



<sup>1</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>2</sup> Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021  
<sup>3</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>4</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

# Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

## “Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

## Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared.

This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is set to be broken. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole.

CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)



# Audit Market Developments

## Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

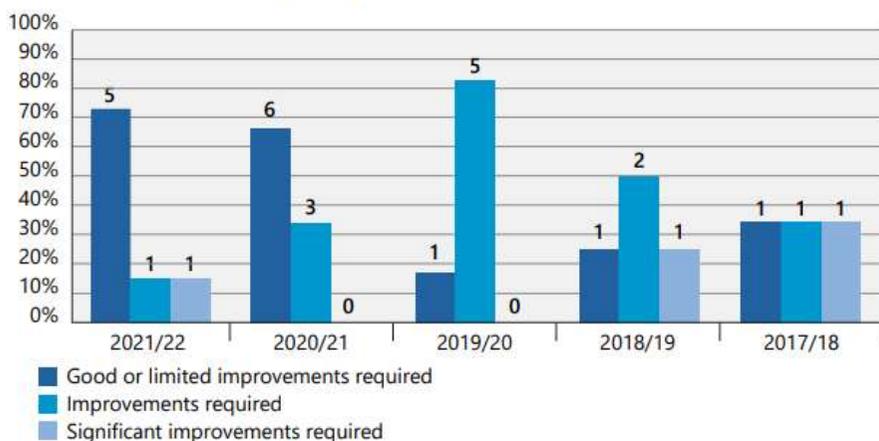
The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).

Our assessment of the quality of financial statement audits reviewed



# Audit Market Developments (continued)

## Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023-24 to 2027-28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



# Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



# Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

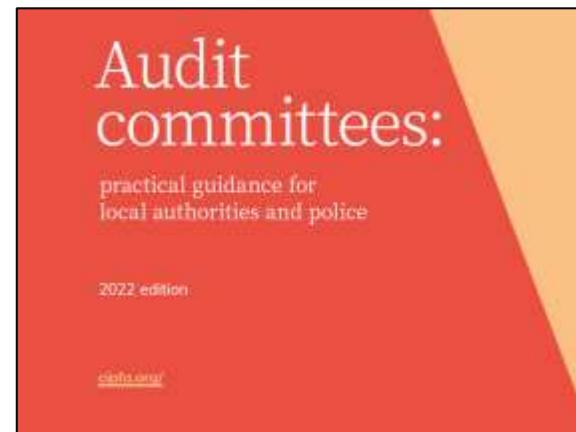
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
  - Governance, Risk and Control
  - Accountability and Public Reporting
  - Assurance and Audit arrangements
  - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





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**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023****Quarterly Risk Update**

Relevant Portfolio Holder	Councillor to be confirmed - Portfolio Holder for Finance and Governance
Portfolio Holder Consulted	-
Relevant Head of Service	Michelle Howell, Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Interim S151 Officer Contact email: <a href="mailto:peter.carpenter@bromsgroveandredditch.gov.uk">peter.carpenter@bromsgroveandredditch.gov.uk</a> Contact Tel: (01527) 64252 Ext: 3205
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	Aspiration, work and financial independence
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. SUMMARY**

This report sets out Council activity to identify, monitor and mitigate risk.

**2. RECOMMENDATIONS**

**The Committee is asked to consider:**

- **The present list of Corporate and Departmental Risks and request any additional risks to be considered.**

**3. KEY ISSUES****Background**

- 3.1 In 2018/19, an audit of Risk Management provided an assurance level of limited assurance due to weaknesses in the design and inconsistent application of controls. As a result of the audit, a review was commissioned and undertaken by Zurich Municipal to consider the Council's risk management arrangements and to advise of any recommendations. In response to the Zurich review a Risk Management Strategy was produced for both Bromsgrove District Council and Redditch Borough Council.
- 3.2 A follow-up review was carried out by Internal Audit in March 2021 (Final Report June 2021) with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been

REDDITCH BOROUGH COUNCILAudit, Governance and Standards Committee 30<sup>th</sup> May 2023

fully completed and embedded within the Councils and therefore no assurance could be given.

3.3 This is now the Fourth cycle of reviewing Corporate and Departmental Risks since the original baselining of Risks in April 2022. Over this period, we have seen:

- Departmental ownership of risks and reviews at Management Teams on a monthly basis;
- Active review, mitigation, and reduction of risks – ensuring they become managed as part of business as usual;
- Updating of the 4Risk System – as the Authorities repository of this information;
- That the Officer Risk Group have actively reduced risk numbers through their work and that a common approach to risk is now being embedded within the organisation.

The Definition of a Corporate Risk

3.4 The Council has existing Corporate and Departmental Risks. Members of the Risk Board were not sure of the link on how Risks on system had become Corporate in nature.

3.5 The following definition of a of how Risks move from being “departmental” to being “corporate” in nature was recommended by the Risk Group and approved by CMT.

“For a **Risk** to move from being **Departmental** in nature to being **Corporate** in nature that it ***must have significant impact on Councils finances, be cross departmental in nature and/or result in Serious reputational damage.*** The Officer Risk Board will vet departmental risks using this definition to move then to Corporate Risks at their quarterly meetings.”

3.6 At the June Officer Risk Board it was agreed that “Green” Departmental Risks should be taken off this list if they have been to two consecutive meetings and mitigating actions have been fully put into place for them. This report takes account of this requirement being 2 meetings since the original baseline was reported.

Departmental Risks

3.7 The Council procured the 4Risk system to manage its risks. Risks are subdivided into Corporate Risks and then Departmental Risks. Each risk has an individual record applied to it to ensure all the pertinent information is captured.

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

The original Risk Baseline in April 2022 was (as shown in Appendix A):

- 119 Departmental Risks – 16 Red, 42 Amber, 61 Green

This reduced through the first set of reviews in June 2022 to:

- 96 Departmental Risks – 3 Red, 36 Amber, 57 Green

This reduced through the second set of reviews in September 2022 to:

- 83 Departmental Risks – 4 Red, 26 Amber, 53 Green

3.8 December, being the third cycle following the baselining exercise has seen a complete review of all departmental risks. Twenty-seven risks have been removed and a number of others have been re-categorised. This review process has been done in two stages:

- All items have been reviewed by Risk Champions and respective DMT's in each Service Area. Service representatives continue to challenge individual items, which is on the data in the following Tabs underneath each Risk, to ensure that all controls and assurances are properly monitored.
- The Risk Board on the 14th December also went through all open risks to assess their validity, to ensure that assessment practices were consistent across service areas. This took account of the view that "Green" Departmental Risks should be taken off this list if they have been to two consecutive meetings and mitigating actions have been fully put into place. This was tested in the case of all remaining Green Risks

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	1	5	10	<b>16</b>
Finance	0	2	2	<b>4</b>
Environmental Services	0	5	3	<b>8</b>
Leisure & Cultural Services	0	1	0	<b>1</b>
Legal, Equalities, Democratic Services & Property	0	1	5	<b>6</b>
ICT	0	2	2	<b>4</b>
Planning Services	0	1	0	<b>1</b>
Housing	0	9	6	<b>15</b>
Community Services	0	1	5	<b>6</b>
HR	0	0	1	<b>1</b>
<b>Total</b>	<b>1</b>	<b>27</b>	<b>34</b>	<b>62</b>

**Red Risks – 2 in total**

REV7 - Revenues - Performance Indicator data is not robust

The previous two ICT Risks and Housing Risk have been mitigated

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023****Position as at the 22nd March 2023**

3.9 This report sets out the position a year following the initial baselining of council risks. This is the fourth review, following the implementation of the Action Plan due to the “No Assurance” internal Audit reports. The key point a year in is to ensure that risk management is embedded within the organisations:

- Officer Risk Board to take place on a quarterly basis, having taken place on the 8th April 2022, the 22nd June, the 21st September, the 21st December, and now the 22nd March to embed processes.
- Each department has nominated a representative to a Risk Board. These representatives meet on a quarterly basis and report back to management teams.
- Departmental Risk Register are updated at least quarterly to feed into the Risk Board.
- The Audit Committee’s of both Councils reviewed Risk Registers on a quarterly basis. These reports have also been presented to Executive and Cabinet.
- CMT are updated on risk management issues in their monthly “assurance” meeting, which is a week after the Risk Board meets.

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
<b>Customer Access and Financial Support</b>	1	6	9	<b>16</b>
<b>Finance</b>	0	2	0	<b>2</b>
<b>Environmental Services</b>	0	5	3	<b>8</b>
<b>Leisure &amp; Cultural Services</b>	0	1	0	<b>1</b>
<b>Legal, Equalities, Democratic Services &amp; Property</b>	0	3	2	<b>5</b>
<b>ICT</b>	0	2	1	<b>3</b>
<b>Planning Services</b>	0	1	0	<b>1</b>
<b>Housing</b>	0	10	5	<b>15</b>
<b>Community Services</b>	0	1	5	<b>6</b>
<b>HR</b>	0	0	1	<b>1</b>
<b>Total</b>	<b>1</b>	<b>31</b>	<b>26</b>	<b>58</b>

**Red Risks – 1 in total**

REV7 - Revenues - Performance Indicator data is not robust

In addition to this, Worcestershire Regulatory Service (WRS) Risks, which are reported to its board on a quarterly basis are contained in Appendix B. The significant risk for WRS centres around finance and contracts with other Local Authorities.

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

- 3.10 In Bromsgrove, the Audit Task Group looking into the reasons behind the issuing of the S24 Statement in both Councils had the following recommendations linked to risk Management:
- Given a number of substantial and important projects on the horizon for BDC, set up a permanent Project Management Office at BDC to support the full range of projects undertaken by the Council. This Project Management Office would report to CMT/ SMT as part of its remit. CMT is tasked with setting out the requirements of this new programme office and resource requirements to ensure compliance with the recommendations in this Report. This Report will be presented to the first Cabinet meeting after the BDC elections in May 2023.
  - The Corporate Risk Register to be discussed as an early item on the agenda at meetings of the Audit, Standards and Governance Committee. Any risks are to be clearly flagged to the members of the Committee, particularly where they are rated as red.
- 3.11 The Councils risk processes are now under a follow up Internal Audit review. The assurance level has moved from Limited Assurance to Moderate Assurance. Feedback from Risk Team members interviewed that the Auditor moved from the corporate level to the Departmental level – which was logical. However, there were queries over risks logged at a level below “departmental. These are operational matters generally dealt with on a day to day basis and so seen by departments as being business as usual. It should be noted that green departmental risks are reviewed after two months to see if they can be to “business as usual”.
- 3.12 An example of this where ICT look at a solution/software/applications they also need to assess the impact on other people and systems. They have a system that logs this.

**In terms of departmental lists:**

- 3.13 Community risks, even though many are green, are still all relevant as departmental and cannot be moved to the lower level of “business as usual”. The most significant risk is lifeline, although the risk here is the works carried out in upgrading networks under streets and how these changes can affect the lifeline system.
- 3.14 The majority of Housing risks are compliance led. A significant risk that underlies compliance risks are the present “disrepair” claims where there has been a significant rise due to an impending change in legislation. There are over 60 of these claims which could result in a significant financial impact on the Housing Revenue Account. Another trend to note is that of fires in premises, which has increased significantly over the past 2 years. Given the present cost of living crisis a number of these tenants do not have contents

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

insurance. Generally if tenants have insurance they also have PI insurance. In these cases neighbours are making claims against the Council including for injuries. Over 260 have come out of contents insurance schemes recently.

- 3.15 It should be noted that the Members Data Protection risk in ICT clearly depends on Members undertaking the training. Given the significant cyber risks faces by Council's it is important Members engage to mitigate this risk.
- 3.16 Insurance claims, due to the cost of living crisis, are increasing although the types of claim and levels of those claims are variable.

**Corporate Risks**

- 3.17 The Officer Risk Board reviewed the risks in the above table at their meetings on the 8th April, 22<sup>nd</sup> June, 21<sup>st</sup> September, 14<sup>th</sup> December, and 22<sup>nd</sup> March using the new definition of "Corporate Risks". The table below sets out the updated Corporate Risk Register that the Risk Board took to CMT and gained their approval.

Risk Ref	Risk Title	Risk Status
 COR 9	Non Compliance with Health and Safety Legislation	Open <a href="#">View</a>
 COR 10	Decisions made to address financial pressures and implement new projects that are not informed by robust data and evidence	Open <a href="#">View</a>
 COR 14	Non adherence with Statutory Inspection Policy	Open <a href="#">View</a>
 COR 15	Impact from Changes to Partner Funding Arrangements	Open <a href="#">View</a>
 COR 16	Management of Contracts	Open <a href="#">View</a>
 COR 17	Resolution of the Approved Budget Position	Open <a href="#">View</a>
 COR 18	Protection from Cyber Attack	Open <a href="#">View</a>
 COR 19	Adequqate Workforce Planning	Open <a href="#">View</a>
 COR 20	Financial Position Rectification	Open <a href="#">View</a>
 COR 22	Delivery of Levlling Up, Towns Fund, UK SPF Initatives	Open <a href="#">View</a>
 COR 23	Cost of Living Crisis	Open <a href="#">View</a>
 COR 24	New Customer Facing Interface	Open <a href="#">View</a>

The number of Corporate Risks have increased to 12 in total. Only one is at the highest level and a number of these risks, including Changes to Partner Funding Arrangements and Resolution of the Approved Budget Position will reduce in the next cycle of meetings.

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

3.18 The new risk relates to the replacement process of the Councils existing Customer interface, which is linked to significant budgetary savings in the 2025/26 financial year.

3.19 Mitigating factors for the Corporate Risk are:

**Non-Compliance of Health and Safety Data Standard Operating Procedures** - SOP (H&S etc) Health and Safety Committee meets regularly H & S training for staff Health checks DSE assessment and reporting software First Aid training in place Safeguarding Policy and procedures Risk Assessments Updated inspection policy Regular review of policies Continued updates to Health and Safety Committee Data on intranet

**Projects being informed by robust data and evidence** - Robust budget-setting process in place

- Developed budget bids for pressures and details of savings proposed using 5 case model
- Data used to evidence need in business cases
- Performance Dashboard in place
- Established "whole-life" or "end to end" approach to assessment of savings proposals

**Non Adherence with the statutory inspection policy** - Specialist resource in place to support delivery actions.

- Further review of monitoring arrangements
- Further implementation of insurance recommendations
- Contracts reviewed to ensure suppliers undertake roles
- Training plan developed to ensure staff clear of responsibilities
- Development of robust action plan

**Impact from changes to partner funding arrangements** - Council Members are on WRS Board and S151 Officer is the S151 Officer for the WRS therefore will know ofn issues well before they happen.

**Management of contracts** - Procurement Strategy updated by C Young and training provided. Service Protocols, setting out expectations of service user and procurement went live 1st Jan 23 and now being monitored. No PO No Pay Policy goes live 1st April 23.

**Resolution of the approved budget position** - MTFP process now 2 stages. Stage 1 approved by Jan 23, Stage 2 approved by March 23. Final MTFP contains S151 Officers robustness statement which is key to sign off of a robust

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

sustainable budget. Budget working group in both councils scrutinise proposals before cabinet and executive.

**Protection from cyber attack** – weekly penetration test, annual PSN Security Audit, regular internal audits, occasional LGA audit, Cyber Insurance requirements.

**Adequate workforce planning** - Workforce plan has been circulated to services who now know their high risk areas. The challenges remain on delivering to these high risk areas however, they are identified.

**Financial position rectification** - External Audit reports financial recovery process Reporting to Cabinet, Audit & Council.

**Bromsgrove Planning Issues** - Decisions which could influence statistics are discussed at management level. Principal officers aware of risk. Statistics are monitored quarterly. External advice re good practice and member training provided.

**Delivery of Levelling Up, Towns Fund, and UKSPF Projects** - Monthly project Board overseeing all projects Formal governance structures for levelling up and Towns Fund projects

**Cost of Living Crisis** - Housing Register Access to Housing Benefit and Universal Credit Council budget

**New Customer facing interface** - Presently delivered by a number of systems that are not linked together and require manual intervention for internal reporting.

**The Risk Management Framework**

- 3.20 Risk Management Training. Given the active management of risks by service departments, we have seen numbers of departmental risks reduced by almost 50% although Corporate Risks have increased by 20%. At this time it is felt that a series of Risk Management Training is not required as processes seem to be being embedded in the organisations.

**4. Legal Implications**

- 4.1 No Legal implications have been identified.

**5. Financial Implications**

- 5.1 The Council spend significant sums insuring itself and must also hold Reserves to mitigate the costs of risks should they happen. A comprehensive

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

Risk Management approach ensures risk and its consequences, including financial ones, are minimised.

**6. Strategic Purpose Implications****Relevant Strategic Purpose**

- 6.1 A comprehensive Risk Management approach ensures **Risk and its Consequences** is minimised for the Council.

**Climate Change Implications**

- 6.2 The green thread runs through the Council plan. This includes risks linked to activities and actions that link to our climate.

**7. Other Implications****Customer / Equalities and Diversity Implications**

- 7.1 If risks are not mitigated it can lead to events that have Customer/Equalities and Diversity implications for the Council.

**Operational Implications**

- 7.2 Risks are inherent in almost all the Councils operational activities and therefore significant risks need to be identified, monitored and mitigated.

**8. RISK MANAGEMENT**

- 8.1 This report is about Risk Management.

**9. APPENDENCES**

Appendix A – Previous Risk Reports

Appendix B – WRS Risk Report

**AUTHOR OF REPORT**

Name: Pete Carpenter– Interim Director of Finance  
E Mail: [Peter.Carpenter@bromsgroveandredditchbc.gov.uk](mailto:Peter.Carpenter@bromsgroveandredditchbc.gov.uk)

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023****Appendix A - Previous Quarters Risk Reports**

The baseline risks April 2022 are included in the following table – this is prior to any Risk Board meetings.

**Original Baseline April 2022**

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
<b>Customer Access and Financial Support</b>	<b>12</b>	<b>20</b>	<b>13</b>	<b>45</b>
Finance	0	0	4	<b>4</b>
Environmental Services	0	2	11	<b>13</b>
Leisure & Cultural Services	0	3	3	<b>6</b>
Legal, Equalities and Democratic Services	0	0	7	<b>7</b>
ICT	2	4	5	<b>11</b>
Planning Services	0	1	1	<b>2</b>
Housing	1	11	11	<b>23</b>
Community Services	1	1	5	<b>7</b>
HR	0	0	1	<b>1</b>
<b>Total</b>	<b>16</b>	<b>42</b>	<b>61</b>	<b>119</b>

After the Risk Board on the 22<sup>nd</sup> June, the following changes have been made which saw the number of risks reduce as follows to 96 Risks

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	0	6	12	<b>18</b>
Finance	0	2	2	<b>4</b>
Environmental Services	0	2	11	<b>13</b>
Leisure & Cultural Services	0	3	3	<b>6</b>
Legal, Equalities, Democratic Services & Property	0	3	9	<b>12</b>
ICT	2	6	2	<b>10</b>
Planning Services	0	2	1	<b>3</b>
Housing	1	10	10	<b>21</b>
Community Services	0	2	6	<b>8</b>
HR	0	0	1	<b>1</b>
<b>Total</b>	<b>3</b>	<b>36</b>	<b>57</b>	<b>96</b>

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

The two departmental red risks are:

- ICT 7 - Failure to identify, maintain and test adequate disaster recovery arrangements
- ICT 11 - System functionality to manage records

**After the Risk Board on the 21<sup>st</sup> September**, the following changes have been made which saw the number of risks reduce as follows to 83 Risks

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	1	5	13	<b>19</b>
Finance	0	2	2	<b>4</b>
Environmental Services	0	1	11	<b>12</b>
Leisure & Cultural Services	0	1	0	<b>1</b>
Legal, Equalities, Democratic Services & Property	0	1	9	<b>10</b>
ICT	2	4	4	<b>10</b>
Planning Services	0	1	0	<b>1</b>
Housing	1	9	7	<b>17</b>
Community Services	0	2	6	<b>8</b>
HR	0	0	1	<b>1</b>
<b>Total</b>	<b>4</b>	<b>26</b>	<b>53</b>	<b>83</b>

Red Departmental Risks were:

- REV7 - Revenues - Performance Indicator data is not robust.
- ICT7 - IT - Failure to identify, maintain and test adequate disaster recovery arrangements.
- ICT11 - IT – System functionality to manage records.
- Hou26 - Housing – Failure to deliver a service to QCQ requirements at St David's House.

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023****Appendix B - Worcester Regulatory Services Risks**

Risk Description	Consequences	When is this likely to happen	Current Position			Control measures
			Likelihood	Impact	Matrix RAG Status	
Loss of Data through IT failures	Disruption to Service Provision.  Inability to produce records and data.	On-going	Low	High	<b>Green</b>	Wyre Forest ICT has effective processes and business continuity plans in place. WFDC upgraded relevant systems including Windows. The service is in the process of moving to Office 365 during 2021/22, which will provide better access to a range of provisions including Microsoft Teams and Power BI.
Issues with the WRS database system	Impact on work planning.  Self-help may not enable savings required	On-going	Low	High	<b>Amber</b>	Current contract due to expire February 2023. Work has commenced on negotiating new contract.
Effective and efficient Business Continuity arrangements in place	Disruption to service if e.g., Major Power failures or other reasons that access to Wyre Forest House is not possible.	On-going	Very Low	Medium	<b>Amber</b>	The pandemic has shown that we were well prepared for the need to maximise working from home and now all staff, including some previously regarded as office based can now do this. Touchdown stations remain available in partner council locations. WRS Managers do need to redraft contingency plans in the event of a prolonged IT failure or cyber-attack that will allow services to be maintained.
Maintain our capacity to achieve service delivery	Disruption to service e.g., Major staff sickness (e.g., flu pandemic) or	On-going	Low	Medium	<b>Amber</b>	The pandemic response has shown that the service was well-placed to respond and less than a handful of officers have themselves suffered the illness. Consultants are available to provide short term cover and,

**REDDITCH BOROUGH COUNCIL**

**Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

	<p>Unable to recruit or retain suitably qualified staff.</p>				<p>whilst this worked well in peacetime to cover peak demand periods, the pandemic has revealed the limits to this type of capacity. These pressures will only be resolved in the longer term by local and central government investing in additional capacity and additional training to bring more people into the regulatory professions.</p> <p>Having taken on contracts with additional authorities the demand has increased, and neighbouring authorities have lost the ability to assist with some technical specialisms. This is the double-edged sword of effectively operating as a centre of excellence. Whilst we have good resource of our own, in event of an issue, there are limits to who we can ask for help.</p> <p>Regional and sub-regional groups are in place so can provide shared resources for local authorities if required.</p> <p>Effective training and development processes are in place to ensure recruitment and retention of staff. There is increased training budget pressure, reduced technical knowledge in neighbouring authorities and increased importance in maintaining heightened skills for contractual obligations and commercial edge.</p> <p>Regular inventory and maintenance of equipment is undertaken. In the future, budget for replace may be an issue but would be a relatively small amount for partners to share.</p>
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**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

Pest contractors cease operations.	Disruption to service.  Negative media coverage.  Increased public health risks	On-going	Low	High	<b>Green</b>	The Pest control framework contract has multiple pest control suppliers so the loss of one allows work to be moved to the others. This should limit or eliminate risk, although the unlikely loss of multiple companies might create capacity issues.
Effective and efficient contract arrangement for dog control	Disruption to service if no kennels available. Negative media coverage.  Increased public health risks	On-going	Low	High	<b>Amber</b>	The Out of Hours and Kennelling contracts were re-tendered to enhance the existing arrangements and provide resilience however there are increases in numbers of stray dogs, dog disease and contracts are restricted by geographical location. Retendering for additional kennels has been fruitless.
Hosting support does not deliver necessary financial and HR support to ensure efficient management	Efficiency of management reduced; staffing issues remain unaddressed, and performance suffers	On-going	Low	High	<b>Amber</b>	Issues around access to the financial system from Wyre Forest House should have been relieved with new BDC finance system procurement, however workarounds remain in place due to some unforeseen issues.
One or more partners continue to be under great financial pressure and may consider alternatives to the partnership to deliver their service	Creates reputational issues for remaining partners and increases the need to manage overheads. Difficulties in delivering highly varied levels of service	On-going	Medium	High	<b>Amber</b>	New legal agreement limits variations in contribution before partners must move to contractual relationship but this is quite high before it kicks in (20%.) Leanness of organisation minimises overheads and focuses resource at the front line. Growth strategy should generate income to support partners in the future but there are limits to this without additional capacity being added to the system. Invest to save capacity has been committed by partners to see if this achieves the necessary outcomes.

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

Robust arrangements in place in relation to obtaining legal advice and monitoring legislative changes.	Loss of cases is costly and damages reputation.	On-going	Low	Medium	<b>Green</b>	Continued close working with BDC legal team and other partners who don't use BDC for advocacy. Technical and legal training days for staff. Difficulty in keeping informed of Case Law developments. Membership and attendance of Officer Technical Groups outside the County does assist.
Service provision complies with Government requirements	Adverse comments following audits e.g., FSA  Intervention by Government bodies i.e., FSA, whilst highly unlikely, is damaging to reputation.	On-going	Low	High	<b>Amber</b>	Limited detail of what statutory minima are can make decision making difficult around what is required in law as a minimum.  The LGA is clearly aware of impact of budget reductions on regulation and has made it clear Government cannot expect what it had previously. Fewer interventions/ audits by government.  The Service has developed systems that follow the principles of the requirements of bodies like FSA so can show some level of compliance, but service isn't operating to the letter of the current Code. The Code is however currently going through major changes and likely to move to a point where it is closer to the WRS model of operation.  Environmental reporting for Local Air Quality Management, Pollution Prevention and Control and Private Water Supply Inspection reports to Defra and DWI have received positive responses with no issues of concern raised by these bodies.
Failure to deliver external contract work at the level expected by the business or local	Damage to reputation, loss of future income streams, financial impact	On-going	Low	High	<b>Green</b>	Ensure contract negotiations are clear on performance criteria and these are clearly recorded in the final documentation. Monthly reviews against performance criteria. Select staff to ensure

**REDDITCH BOROUGH COUNCIL**

**Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

authority with whom we have the contract	of paying damages					competence of those undertaking work outside Worcestershire. Maintain strong links with the customer's monitoring staff. Intervene early with corrective action
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REDDITCH BOROUGH COUNCIL

**Audit, Governance and Standards Committee**  
2023

30th May

**Financial Compliance / Accounting Policies Report**

Relevant Portfolio Holder	Councillor to be confirmed – Portfolio Holder for Finance and Governance
Portfolio Holder Consulted	-
Relevant Head of Service	Michelle Howell
Report Author: Michelle Howell	Job Title: Head of Finance & Customer Services Contact email: <a href="mailto:michelle.howell@bromsgroveandredditch.gov.uk">michelle.howell@bromsgroveandredditch.gov.uk</a>
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
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 RESOLVE that:**

- 1) The Accounting Policies being used their Source and associated Governance Arrangements be noted.**
- 2) This report come to each Audit, Standards and Governance Committee meeting to alert Members to possible no compliance issues.**
- 3) That progress on the 2020/21 Audit process be noted.**

**2. BACKGROUND**

- 2.1 From a governance point of view, the financial framework under which the Council works is set out in the Constitution.
- 2.2 In addition to this, there are legislative reporting requirements which set out what needs to be done and by when.
- 2.3 One of the legislative reporting requirements the Council has not achieved is the delivery of the 2020/21 Statement of Accounts. As such, the Council was issued with a Section 24 Statement. Bromsgrove District Council (BDC) were also issued with a Section 24 Statement for the same non delivery of the 2020/21 accounts which is understandable given that officers support both Councils via a shared service. Council at BDC tasked the Audit, Standards and Governance

Committee with understanding why the S24 was issued. That report and its associated recommendations are also included here.

### **Council Finance, Budget and Policy Procedure Rules**

2.2 The Council's Budget and Policy Framework Procedure Rules are set out in Part 9 of the Constitution. This sets out:

- The framework for Executive Committee Decisions
- Decisions outside the budget or policy framework
- Urgent Decisions outside of the Budget or Policy Framework
- Virement
- In-year changes to policy framework
- Call-in of decisions outside the budget or policy framework
- Dispute Resolution on Budgets and Plans
- Local Authorities Standing Orders (Amendment) Regulations 2002

These were set out in Appendix A of the Report that came to this Committee on the 23<sup>rd</sup> March. The Constitution is updated via the Constitution Working Group. These rules set out how decisions can be made, by whom and how they can be challenged.

2.3 Financial procedure rules are set out in Part 14 of the Constitution. These rules set out:

- Financial Regulation Policy
- Financial Regulations
- Financial Guidance for users including:
  - Urgent decisions.
  - Income charging policies.
  - Income collection.
  - Orders for goods, works and services.
  - Payments.
  - Salaries, wages, pensions, travel and subsistence.
  - Imprest accounts.
  - Banking arrangements and corporate credit cards.
  - Preventing financial irregularities.
  - Money laundering.
  - Asset management.
  - Audit.
  - Revenue budget management.
  - Capital budget management.
  - Budgetary control.
  - Virement.
  - Insurance and risk management.
  - Loans, leasing and investments.
  - Trust Funds.

**Audit, Governance and Standards Committee  
2023**

30th May

- Inventories, stocks and stores.
    - Working for third parties and Shared Service.
  - Responsibilities Under the financial procedure rules.
  - Policy for the management of Government Procurement Cards.
- 2.4 These “operational policies” run to 37 pages and were included in are included in Appendix B of the Report that came to this Committee on the 23<sup>rd</sup> March. They set out how the organisation financially runs it’s “day to day” business.
- 2.5 Officers, in the autumn of 2022 set out requirements and expectations of the Finance Team and Services in terms of
- Financial Rules and Regulations (Including Virement Limits)
  - Expectations – Finance Staff, Other Staff
  - Financial processes (Finance and Customers)
    - Budget Setting
    - In Year Monitoring of Expenditure
    - Closure of Yearly Accounts
    - Purchasing of Good and Services
    - Invoicing for Goods and Services required
    - Cash Receipting
    - Financial monitoring (Capital and Revenue)
    - Insurance
  - Signoff requirements for reports
  - Training Requirements
- The full set of these “protocols are set out in Appendix C of the Report that came to this Committee on the 23<sup>rd</sup> March.
- 2.6 Significant to this is ensuring that service managers have the requisite financial skills to effectively carry out their financial roles and understand how and where they can get financial support (across the range of finance/Income/payments/cashiers).
- 2.7 All three sets of rules set out the way Members and Officers have to work financially to ensure that the Section151 Officer can properly discharge their duties in respect of stewardship of the Councils assets.

**Legislative Requirements**

- 2.11 The previous section sets out how the Council works, however equally important are the Central Government Legislative Requirements to which we deliver to and are compared to other Councils across the Council. This section lists those key deliverables.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee  
2023**

30th May

2.12 The following are key legislative deliverables and the Councils delivery against them:

- Budget
  - Delivered by 11<sup>th</sup> March in preceding financial year
    - **Approved in February 2023**
  - Council Tax Base – Yearly
    - **Approved in January 2023**
  - Council Tax Resolution – Yearly
    - **Approved in February 2023**
  - Council Tax Billing – Yearly (2 weeks before 1<sup>st</sup> DD is due to be taken)
    - **Bills distributed in March 2023**
  
- Closure
  - Draft 2022/23 Accounts delivered to Audit by 30<sup>th</sup> June
  - 2022/23 Audit Completed by 30<sup>th</sup> November
  
- Government Returns
  - VAT – Monthly
    - **Still to be delivered for 20/21 – dependent on closure of accounts**
  - Revenue Outturn Reports – July
    - **Still to be delivered for 20/21 – dependent on closure of accounts**
  - Capital Outturn Reports – July
    - **Still to be delivered for 20/21 – dependent on closure of accounts**
  - Quarterly Revenue Outturn Estimates
    - **Quarters 1-3 delivered (have warnings from previous year as not delivered)**
  - Quarterly Capital Outturn Estimates
    - **Quarters 1-3 delivered (have warnings from previous year as not delivered) Q4 delivered on 25th April 2023**
  - Quarterly Borrowing Return
    - **22/23 Quarterly Returns delivered - Q4 delivered on 11th April 2023**
  - Quarterly Council Tax and Business Rates Returns
    - **22/23 Quarterly Returns delivered - Q4 delivered on 7th May 2023**
  - Whole of Government Accounts Returns – August
    - **Still to be delivered for 20/21 – dependent on closure of accounts**
  - RA – Revenue Budgets – April
    - **2022/23 Delivered on the 5<sup>th</sup> May 2022 and 2023/24 delivered on 14th April 2023**

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee  
2023**

30th May

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- Capital Estimates Return – **to be delivered by 24th March 2023**
  - Public Works Loans Board Certainty Rate – April
    - **2022/3 delivered on 31<sup>st</sup> March 2023**
  - NNDR1 Return (Business Rates) – January
    - **Delivered December 2021 for 2022/23 and January 2023 for 2023/24 return**
  - NNDR3 Return (Business Rates) – June and September
    - **Delivered in June 22 for 2022/23**
    - **Draft 22/23 NNDR3 provided to Worcestershire County Council for view of the pool. Final draft NNDR3 to be submitted to DLUHC by 30<sup>th</sup> April 2023**
  - Housing Benefit Subsidy Return – Yearly
    - **Sent 29th April 2022**
    - **2022/23 subsidy return was delivered on 28th April 2023**
  - DHP Claim – Yearly
    - **Sent 29th April 2022**
    - **2022/23 subsidy return was delivered on 28th April 2023**
  - CTB1 (Council Tax Base) – October
    - **Sent October 2022**
  - CTR1(Council Tax Requirement) – March
    - **22/23 sent 16 March 2022**
    - **23/24 sent 7 March 2023**
  - Policies
    - Treasury and Asset Management Strategies
      - 2023/4 Strategies **delivered as part of the 23/24 MTFP**
      - Half Yearly Report **22/23 delivered as part of the Q1 Monitoring Report**
      - Yearly Outturn Report
    - Council Tax Support Scheme – yearly Delivered in January 2023
    - Minimum Revenue Provision – yearly **23/4 delivered as part of the 23/24 MTFP**

In addition to this list there are other ad-hoc returns required (which was especially the case during C-19)

2.13 At this point, it is also important to include key Council deliverables (financially and risk based)

- Financial Monitoring – **delivered quarterly to Executive**

**Audit, Governance and Standards Committee  
2023**

30th May

- Risk Management – ***delivered quarterly to this Committee and also to Executive***
- Financial Controls (still in development)
  - Clearance of suspense accounts
  - Bank Reconciliation
- Over £500 spending.
  - ***Updated to February 2023***

2.14 The key returns that have still not been delivered are the Revenue and Capital Outturn forms for 2020/21 and 2021/22. Although the Government now allow these returns to be completed based on estimates, the level of uncertainty due to the Cash Receipting means these cannot be completed until the External Auditors sign off the Councils take on balances and the Council provides the draft accounts to Audit for each Council.

### **Update on the Statement of Accounts**

2.15 The key Closure deliverables for each financial year are set out below:

- Closure 2020/21
  - Agreement of Treatment of Take on Balances – April 23
  - Provision of Draft 2020/21 Accounts to Audit (to begin Audit) 28<sup>th</sup> April 23. This is dependent on the External Auditors confirmation that they have approved both Council's take-on balances work. As at the 9<sup>th</sup> May, the Auditors have:
    - Summarised the Efin monthly transactional reports by cost centre, selected two cost centres per month, and compared the total balance of those cost centres for those months to the Efin system. This provides high level assurance that the monthly transactional reports downloaded by management at the time of transfer are accurate reflections of what was on Efin and that the reports have not been tampered with.
    - Selected 25 transactions from the Efin reports and confirmed to the TechOne system that they had been migrated appropriately.
    - Selected 25 transactions from the TechOne reports and confirmed to the Efin system that they had been migrated appropriately.
    - They have not identified any issues in the testing above.
  - **However, the auditors still need to do further testing to ensure they have the assurance necessary to sign off the data take on balances.**
  - 2020/21 Audit – July to September 23 (estimated)

**Audit, Governance and Standards Committee  
2023**

30th May

- Sign Off of 20/21 Accounts - November 2023
  - Closure 2021/22
    - Updated Outturn position – June 2023
    - Draft Accounts to Auditors November 2023
    - Audit of Accounts December to February
    - Sign off of the Accounts – February 2024
  - Closure 2022/23
    - Budget Manager Closure Training – 23<sup>rd</sup>-28<sup>th</sup> March 2023 – **83 staff attended closure training at the end of March.**
    - Completion of “nuts & bolts” closure – 28<sup>th</sup> April 2023 – **this has been progressing well and the majority of “Nuts and Bolts” items were input by the 28<sup>th</sup> April.**
    - Provisional Outturn Report – **A draft outturn report will be presented to Executive in July. This will show outturn as well as amount in suspense to be cleared.**
    - Draft Accounts to Audit – March 2024
- 2.16 There has been significant work that has been undertaken with TechOne over the first 2 weeks of April as the financial system was not available for posting until the 13<sup>th</sup> April due to a number of technical issues, some related to the corrections to the Cash Receipting system in November. This has impacted on the closure timetables.
- 2.17 Once the External Auditors sign off the data take on balances the draft 2020/21 Accounts will be submitted. The Council has not submitted them yet as if the External Auditors have issues with the data take on balances and the draft accounts had been submitted then this could lead to qualified accounts.
- 2.18 Work is under way on the 2021/22 Accounts although they cannot be finalised until the audit of the 2020/21 Accounts is complete.

**Update On 2023/24 Budget**

- 2.19 The Council's 2023/24 Budget was approved in February. A draft budget book has now been produced to assist in Members understanding of budgets. The Budget Scrutiny Working Group received a draft copy for comment at its meeting on the 4<sup>th</sup> April and their comments are being incorporated into the final version.

**Summary**

**Audit, Governance and Standards Committee  
2023**30th May

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- 2.16 This report has set out the policies (local and national) that underpins the Council finances. This report will be delivered to each Audit, Standards and Governance Committee at Bromsgrove to updates it on progress against targets and also alert them to any issues and risks.

**3. FINANCIAL IMPLICATIONS**

- 3.1 This paper sets out the financial frameworks within which the Council works.

**4. LEGAL IMPLICATIONS**

- 4.1 There are no direct legal implications arising as a result of this report, however the frameworks are generally linked to statute or the Council's Constitution.

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

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

**Climate Change Implications**

- 5.2 There are no direct climate change implications arising as a result of this report.

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

- 6.1 There are no direct equalities implications arising as a result of this report.

**Operational Implications**

- 6.2 Operational implications have been dealt with as part of the 2023/24 MTFP, quarterly monitoring and the Closedown process.

**Audit, Governance and Standards Committee**  
2023

30th May

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**7. RISK MANAGEMENT**

- 7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy.

**8. APPENDICES and BACKGROUND PAPERS**

None

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**2022/23 INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION**

Relevant Portfolio Holder	To be confirmed – Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted	No
Relevant Head of Service	Peter Carpenter, S151 Officer
Report Author: Andy Bromage	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: <a href="mailto:andy.bromage@worcester.gov.uk">andy.bromage@worcester.gov.uk</a> Contact Tel: 01905 722051
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management Underpins all the Strategic Purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. RECOMMENDATIONS**

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

**1) the report is noted.**

**2. BACKGROUND**

2.1 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.

2.2 This section of the report provides commentary on Internal Audit's plan delivery for the period 01<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.

Summary Dashboard 2022/23:

Total reviews planned for 2022/23	15 (minimum originally)
Reviews reported on for 2022/23:	19 (incl. Bus Operator, LADS & WRS)
Assurance of 'limited' or below:	2
Reviews awaiting final sign off:	3
Reviews ongoing:	4
Follow Ups completed during 2022/23:	17
Number of 'High' Priority recommendations reported:	1
Revised overall plan delivery:	89%

**Audit, Governance & Standards Committee****30<sup>th</sup> May 2023**

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- 2.3 The Worcestershire Internal Audit Shared Service (WIASS) has delivered the 2022/2023 revised internal audit plan.
- 2.4 The Internal Audit Plan was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) and reported to the Audit, Governance and Standards Committee for approval on 28th July 2022. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
  - a number of operational systems, for example, fuel usage, Workshop Licensing Compliance and Homelessness Grants, were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 2.5 In accordance with best practice the plan was subject to review during the year to ensure that identified changes, for example, external influences, risk assessment, process re-engineering and transformation were taken into consideration during the year. An adjustment was made to the Plan and reported before Committee January 2023.
- 2.6 The purpose of the 2022/23 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
  - The audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
  - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit,
  - An opinion can be formed on the adequacy of the Authority's system of internal control (reported in Appendix 2), which feeds into the Annual Governance Statement which is presented with the statement of accounts.

**Resource Management.**

- 2.7 2022/23 was a demanding year due to staff turnover and difficulties encountered recruiting to vacant posts. The plan for 2022/23 was constantly reviewed. The core financial areas of the business along with several systems reviews were undertaken and reported on. A variation to the plan was necessary which saw a couple of reviews deferred e.g. Housing Revenue Grant and Leisure- Consultant Report. These adjustments were agreed with the s151 Officer and Committee notified.

- 2.8 The Service carefully managed its resource and worked with partners to deliver the revised audit programme for Redditch Borough Council for 2022/23 with regular updates of progress reported before Committee. The s151 Officer was kept briefed during the year regarding overall progress and was instrumental in the plan variance along with enhancing the process to achieve quicker management sign off. There was also regular reporting to both SMT and CMT.
- 2.9 During 2022/23, audit reviews totalled 19 and full audit reports were provided, where appropriate, before Committee containing the Auditors opinion on the effectiveness of the controls operating within those areas. The action plans containing recommendations to address the identified control weaknesses were also reported.
- 2.10 Based on the audits performed in accordance with the revised audit plan the Worcestershire Internal Audit Shared Services Manager has concluded that, overall, the internal control arrangements during 2022/23 managed the principal risks identified in the revised audit plan. The difficulties experienced with the financial system has spread potential risk across the organisation which has been acknowledged with the issue of the s24 Notice by External Audit. There continues to be areas of risk within the organisation where further mitigation work is required which has been highlighted by several 'moderate' assurance outcomes e.g. fuel usage, homelessness grants and risk management. A budget monitoring audit was undertaken but due to the known issues surrounding the new financial system, ongoing difficulties being experienced with cash receipting interfacing and the direct impact this had on reconciliations there was no value to be added by undertaking a full main ledger review as the risks and required actions were already known.

**Annual Governance Statement ~ Assurance Checklist Statements 2022/23**

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

- Financial monitoring reports are improving but there remains work to be done.

**Work of interest to the External Auditor**

- 2.15 The results of the work performed on eight systems audits is of direct interest to External Audit and reports are passed to the external auditor on request for their information. Internal Audit has worked closely with External Audit regarding the continuing risk the new financial systems has created. With external audit increasing their sampling there is more scope for duplication in some of the financial areas e.g. Benefits. To eliminate duplication discussions are to take place to consider the position and required assurance.

**Follow Up Audits**

- 2.16 A summary of audit follow ups for the year is provided as part of Appendix 1. This area of work is undertaken to ensure that potential risks to the authority are mitigated. The outcome of this work is reported on an exception basis. There have been no exceptions reported to the Committee during 2022/23. Follow ups, and any exceptions, will continue to be reported but the number of additional visits to ensure points are satisfied is continuing to decrease compared with the previous years and there has been more regular CMT engagement in this regard. The full reports have been presented before Committee rather than a summary position to aid context and transparency.

**Quality Measures**

- 2.17 Managers are asked to provide feedback regarding systems audits that have taken place by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the responsible manager and an analysis of those returned along with anecdotal evidence during the year shows a very high satisfaction with the audit product – see Appendix 1.
- 2.18 To further assist the Committee with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conformed to Public Sector Internal Audit Standards as amended. All staff work to a given methodology and have access to the internal audit reference material and Charter which are updated regularly to reflect the requirements of the standards and the changing environment that WIASS is auditing in. A copy of the Audit Charter is included at Appendix 3 for information. There have been no significant adjustments to the Charter but there are planned changes to the methodology during 2023/24 which will be reflected in the Charter presented before Committee next year.

**Independence and Safeguards**

- 2.19 Worcestershire Internal Audit Shared Service activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and

unrestricted access to senior management and the Chair of the Audit, Governance and Standards Committee.

- 2.20 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. Staff work to a given methodology and have access to the internal audit reference material and Charter which have been updated to reflect the requirements of the standards. The Charter is included as part of this report at Appendix 3. Where WIASS assisted with the preparation of areas of work such as risk management there were clear safeguards in place to ensure independence was not compromised. Safeguards include review within the audit service by an independent person to those who have completed the work as well as independent scrutiny by the S151 Officer. Audit Committee can also challenge the reported findings and the minutes would record this.
- 2.21 The Client Officer Group which is the management board for the Service is made up of partner s151 Officers. They meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan as well as actively promoting the continuous improvement of the Service. Further improvement is identified through the self-assessment process which will be carried out during 2023/24 to inform the External Quality Assessment planned for January 2024. The outcome of the External Quality Assessment will be reported before Committee.

#### **Assurance Sources**

- 2.22 We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we seek to place reliance on such work thus increasing the internal audit assurance coverage e.g. ICT ethical hacking.

#### **Other Operational Work**

- 2.23 Work is continuing in respect of the National Fraud Initiative (NFI) exercise. Appropriate action is being taken and work is progressing to identify any potentially fraudulent activity for example overpayment for housing benefits, income support, etc. The last significant data upload was January 2023 with the results continuing to be worked on. WIASS continue with a coordinating role regarding this process.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications arising out of this report. The Authority is billed for the number of days that are delivered during the year and contribution adjustments are made to reflect a revised position. The strategic financial position of the Service is monitored as part of the Client Officer Group

meetings which take place every quarter. The 32 day underspend position, which is budgeted for, will be transferred to a reserve, as will underspend positions across the County, to cover potential pressures in the 2023/4 financial year.

#### **4. LEGAL IMPLICATIONS**

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

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

#### **5. STRATEGIC PURPOSES - IMPLICATIONS**

##### **Relevant Strategic Purpose**

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

##### **Climate Change Implications**

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

#### **6. OTHER IMPLICATIONS**

##### **Equalities and Diversity Implications**

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

##### **Operational Implications**

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

**7. RISK MANAGEMENT**

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

- Insufficient completion of the programme of audit work within the financial year leading to an inability to produce an annual opinion; and,
- a continuous provision of an internal audit service is not maintained.

7.2 The s151 has provided risk management updates before the Audit, Governance and Standards Committee as part of the relaunched risk management approach. Development of the risk management system continues under the directorship of the s151 Officer.

**8. APPENDICES and BACKGROUND PAPERS**

Appendix 1 ~ Internal Audit Plan 2022/23

Appendix 2 ~ Audit Opinion and commentary 2022/23

Appendix 3 ~ Internal Audit Charter for WIASS

APPENDIX 1

**Internal Audit Plan for 2022/23 Delivery**  
**1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023**

<b>Audit Area</b>	<b>Revised 2022/23 Plan Days</b>	<b>Actual Days used to 31<sup>st</sup> March 2023</b>
Core Financial Systems (see note 1)	88	83
Corporate Audits	43	31
Other Systems Audits (see note 2)	134	128
<b>SUB TOTAL</b>	<b>265</b>	<b>242</b>
Audit Management Meetings	35	26
Corporate Meetings / Reading		
Annual Plans, Reports and Audit Committee Support		
Other chargeable (see note 3)		
<b>SUB TOTAL</b>	<b>35</b>	<b>26</b>
<b>TOTAL</b>	<b>300</b>	<b>268</b>

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year end. A rolling programme was introduced for Debtors and Creditors to maximise coverage and sample size, but due to internal audit has been unable to deliver this during 2022/23 due to the ongoing challenges with the system.

Note 2: Several budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters potentially resulting in unallocated days. 2 reviews were deferred late in Q4 which impacted on the overall Systems days delivered.

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

REDDITCH BOROUGH COUNCIL**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023****Appendix 1****Audit Opinion Summary Analysis ~  
Audits completed during financial year 2022/2023:**

<b>Audit Report / Title</b>	<b>Final Report issued</b>	<b>Assurance</b>
Worcester Regulatory Services	Ongoing	TBC
Benefits	Ongoing	TBC
Council Tax	Clearance	TBC
National Non-Domestic Rates	Clearance	TBC
ICT Cyber Security	Draft Report	TBC
Workshop Licensing Compliance	Draft Report	TBC
Transformational Team Utilisation	Draft Report	TBC
North Worcestershire Community Safety Partnership Grant	23 <sup>rd</sup> November 2022	Full
Treasury Management	24 <sup>th</sup> March 2023	Significant
Payroll	24 <sup>th</sup> April 2023	Significant
Fuel Usage across Fleet	28 <sup>th</sup> October 2022	Moderate
Homelessness Grants	24 <sup>th</sup> November 2022	Moderate
Creditors	4 <sup>th</sup> April 2023	Moderate
Risk Management	24 <sup>th</sup> April 2023	Moderate
Debtors	20 <sup>th</sup> February 2023	Limited
Main Ledger	20 <sup>th</sup> February 2023	Limited
Geographic Information System/Gazetteer	16 <sup>th</sup> August 2022	Critical Friend
Bus Operator Grant	22/23 Return Completed	
Local Authority Delivery Scheme Grant	22/23 Return Completed	

**Summary of 2022/23 Audit Assurance Levels.**

<b>2022/23</b>	<b>Number of Audits</b>	<b>Assurance</b>	<b>Overall % (Rounded)</b>
From 19 audits	1	Full	5%
	2	Significant	10%
	4	Moderate	20%
	2	Limited	10%
	0	No	0%
	7	To be confirmed	38%
	3	Critical Review / hybrid / N/a	15%

REDDITCH BOROUGH COUNCIL**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023****Follow Ups During 2022/23**

	<b>Year of Review</b>	<b>Review Area</b>	<b>Assurance</b>	<b>Follow Up Position</b>	<b>Indicative Date of Follow Up</b>		<b>Conclusion</b>
RBC	20/21	Orb	Moderate	Completed			No further action required
RBC	20/21	Use of Agency and Consultancy	Critical review	Completed			No further action required
RBC	21/22	Strategic Acquisitions	Significant	Completed			No further action required
RBC	21/22	Projects	Moderate	Completed			No further action required
RBC	21/22	Fuel Usage	Critical review	Completed			No further action required
RBC	21/22	Budget Monitoring	Critical review	Completed			No further action required
RBC	21/22	Procurement	Limited	1st			Update report provided Jan 2023
RBC	21/22	General Data Protection Regulation	Moderate	2nd	Jul-22	Q3	1 recommendation implemented and 2 partially implemented. Further follow up required.
RBC	21/22	Grants	Significant	1st			Returns Made
RBC	21/22	Treasury Management	Significant	1st			Included in the 22/23 Audit
RBC	21/22	Accounts Receivable	Limited	1st			Included in the 22/23 Audit
RBC	21/22	Asbestos	Significant	1st			Awaiting Management Response
RBC	21/22	Gas Inspections	Significant	1st			Awaiting Management Response
RBC	21/22	Council Tax	Significant	1st			Included in the 22/23 Audit
RBC	21/22	National Non-Domestic Rates	Significant	1st			Included in the 22/23 Audit
RBC	21/22	Risk Management	No	1st			Included in the 22/23 Audit
RBC	21/22	Benefits	Significant	1st			Included in the 22/23 Audit

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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**Client Feedback Analysis ~ IA Reporting**

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2022/23 financial year has been received indicating that:

- the auditee was happy with the process and format of the audits. This continues to be further developed.
- Questionnaire feedback evidence directly indicates a high satisfaction rate with the audit product.

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**Overall Conclusions:**

- The 2022/23 revised plan has been delivered.
- The financial system roll out has impacted and created potential risks across the organisation but is an improving picture.
- 35% of the audits undertaken for 2022/23 which have received an assurance allocated returned an assurance of 'moderate' or above but there remain several assurances to be confirmed. Indications are that these will fall into these categories.
- The client satisfaction rate of the Service remains high.

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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**APPENDIX 2****Audit Opinion and Commentary 2022/23**

Internal Audit: Redditch Borough Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2022/23 was a very challenging year regarding the control environment in certain areas of the Council. Remote working has continued since the pandemic. Turnover of staff for the Authority has remained high which has created its own challenges within certain Services including Finance. The loss of staff and experience impacted the Finance Team along with the continuing development of the new financial system. Coupled with a S24 Notice being given by External Audit it has resulted in a very challenging control environment. Potential risk in the core financial areas has remained due to the continuing development of a cash receipting module but there has been an improving position. Appropriate and proportionate remote access to files and systems remained in place and there is an understanding of the cyber risks that could impact the Authority. Risk Management has been relaunched and is starting to become more widely discussed and managed in the organisation and reported to the Audit, Governance and Standards Committee on a regular basis.

**1. Overall Governance Conclusion**

- 1.1 Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2022/23 managed the principal risks in several areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2022/23 will be critical to create better transparency, expectation and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation introduced some key risks into the financial areas of the Council. These are ongoing at present until the cash receipting module is fully developed and fit for purpose with reconciliations linked to this fully up to date. Development has continued during 2022/23 and the organisation is in a better position than it was. Audit reviews continue to highlight risk in certain financial areas, e.g. budget monitoring, reconciliations. Limited assurance was reported

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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against Debtors and Main Ledger reflecting the ongoing risk that exists. Overall progress has been made to address the issues the new system introduced and 2022/23 has seen an improving position which is set to last as the cash receipting module continues through its development and testing cycle.

**2. Risk Management Conclusion**

- 2.1 The Head of Internal Audit can confirm the further development of the formal risk management system has progressed over the past twelve months under the direction of the S151 Office with a view to achieving a better embedded approach for the future. This area had been relaunched on several occasions in recent years and has been a topic for corporate review for several years but over the last twelve months there has been more traction and improved reporting. Due to the development and reporting in this area during the past twelve months Audit have reported on progress. There has also been scrutiny from the Strategic Management Team and Committee. Further internal audit work is planned in 2023/24. Risk management has been present in some form in several Services, but it was not coordinated to allow for a joined-up view of risk from a corporate perspective. This is starting to change but there is further work to be done. There continues to be buy-in from the whole of the management team and continuing progress will be monitored before Committee.

**3. Audit Opinion**

- 3.1 The internal audit of Redditch Borough Council's systems and operations during 2022/23 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 28<sup>th</sup> July 2022 and any subsequent revisions.
- 3.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. During 2022/23 the shared service conformed to CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 3.3 The Internal Audit Plan for 2022/2023 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
  - a number of operational systems, for example, procurement, fuel usage, projects, grants, gas compliance, asbestos and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 3.4 The 2022/23 internal audit plan was revised due to changing circumstances and restrictions regarding resources. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.
- 3.5 The results of 19 reviews were taken into consideration. Areas which returned a level of 'limited' were debtors and main ledger.
- 3.6 To mitigate risk a clear management action plan was formulated to address all issues identified across the plan. Comprehensive management action plans were agreed and the s151 Officer informed. There remains a clear understanding that further work is required to embed risk management throughout the organisation and to further development the cash receipting element of the financial system. This is set to continue under the direction of the s151 Officer.
- 3.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except when reported otherwise. The financial system and budget monitoring was a key theme identified specifically in some of the returns which will be picked up directly with management including. No areas of significant risk have been identified in addition to those already identified during the year.
- 3.8 Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.
- 3.9 There has been a wide spectrum of assurance applied to the reviewed areas during 2022/23. The implementation of the new finance system created risk hotspots which are being addressed. Audits that have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified give some balance to the overall picture. Any

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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assurance provided is limited to the areas of the system where controls are in place and are operating effectively. Critical friend reviews are used to assist a Service area to move forward and provide support, guidance and an independent view when there is transformation happening. It is difficult to draw a comparison with the previous year results and corporate position as the reviews are not like for like apart from the core financial areas. An improvement has been seen for creditors but there remain challenges in other areas as already reported.

- 3.10 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide some assurance based on the audits performed in accordance with the plan and the scoping therein.

**Andy Bromage**  
**Head of Internal Audit Shared Service**  
**Worcestershire Internal Audit Shared Service**  
May 2023

**APPENDIX 3**

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

## **Internal Audit Charter**

### **Redditch Borough Council**

**Definitions**

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

This Charter was last reviewed by the Audit, Governance and Standards Committee during July 2022.

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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

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

**Provision of Internal Audit Services**

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

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

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

**2. Mission and Definition**

- 2.1 Mission:

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

Additional information can be found on the local intranet site:

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

- 2.2 Definition:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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

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

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

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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

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

*(b) supply such information and explanations;*

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

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

To aid compliance with Regulation 5 of the Accounts and Audit Regulations 2018 as amended, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives".

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

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

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

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

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

- review and assess the soundness, adequacy, integrity and reliability of financial and non-financial management and performance systems, and quality of data;
- reviewing the means of safeguarding assets;
- examine, evaluate and report on compliance with legislation, plans, policies, procedures, laws and regulations;
- promote and assist the Partner in the effective use of resources

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Partner and recommend arrangements to address weaknesses as appropriate;
- advise upon the control and risk implications of new systems or other organisational changes.
- provide a 'critical friend' to assist services to achieve value for money
- undertake independent investigations into allegations of fraud and irregularity in accordance with the Partner's policies and procedures and relevant legislation
- at the specific request of management<sup>1</sup>, internal audit may provide consultancy services provided:
  - the internal auditors independence is not compromised
  - the internal audit service has the necessary skills to carry out the assignment, or can obtain skills without undue cost or delay
  - the scope of the consultancy assignment is clearly defined and management<sup>1</sup> have made proper provision for resources within the annual plan
  - management understands that the work being undertaken is not internal audit work.

3.4 IA's remit extends across the entire control environment of the organisation and is not limited to certain aspects or elements.

**4. Responsibility of Management<sup>1</sup> and of Internal Audit.**

4.1 At all times internal audit will operate in accordance with the partner's Constitution and legal requirements and all internal audit staff will adhere to recognised Professional Standards and Codes of Conduct and Ethics e.g. the Institute of Internal Auditors' and/or CIPFA as well as the Partner's Codes of Conduct and Anti-Fraud and Corruption Policies.

4.2 It is the responsibility of Management to put in place adequate controls to ensure systems meet their objectives and that they are notified without delay of any instances where systems are failing to operate properly. However, where there has been, or there are grounds to suspect that there is risk of a serious breakdown in a significant system, the Head of Service should be informed of the problem and any counter measures already in hand or proposed, as quickly as possible, in order that the Head of Internal Audit Shared Service can decide whether audit involvement is needed.

4.3 Similarly, it is the responsibility of Management to put in place adequate controls to prevent and detect fraud, irregularities, waste of resource, etc. Internal Audit will assist Management to effectively manage these risks. However, no level of controls can guarantee that fraud and the like will not occur even when the controls are performed diligently with due

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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professional care. As a consequence all cases of actual or suspected fraud should be reported to the Head of Internal Audit Shared Service forthwith. The Head of Internal Audit Shared Service will then decide the course of action to be taken with due regard to the Partner's Constitution, e.g. Whistleblower's Charter, Stopping Fraud and Corruption Strategy, etc.

- 4.4 Any officer of a partner organisation who has genuine concerns at raising a suspected instance of fraud or malpractice through their normal reporting channels can raise the matter under the Partner's Whistleblower's Charter directly with any of the persons named in the policy document, including the Head of Internal Audit Shared Service. Head of Internal Audit Shared Service will then pursue the matter in accordance with the provisions of the policy document.
- 4.5 Internal audit is not responsible for any of the activities which it audits. WIASS will not assume responsibility for the design, installation, operation or control of procedures. However, should any partner/client contract for specialist services within an area then the WIASS staff member assigned will not be asked to review any aspect of the work undertaken until two years have passed from the completion of the assignment.
- 4.6 The Head of Internal Audit Shared Service will ensure that the relevant Head of Service and/or Section 151 Officer is briefed on any matter coming to the attention of internal audit, either through a review or otherwise, that could have a material impact on the finances, create an unacceptable risk or be fraudulent for the Partner as quickly as possible, and will ensure the appropriate Officer of the Authority e.g. Director, Monitoring Officer is regularly briefed on the progress of audits having a corporate aspect. Matters involving fraud or malpractice are to be reported in line with the anti-fraud and corruption policy. The most appropriate action/engagement of the relevant Head of Service will be determined by the HoWIASS depending on the circumstances.
- 4.7 In order to (1) maintain a broad skills base within Internal Audit and (2) maximise the ability of the team to offset the cost of providing the internal audit function to the Partner, the strategic plan will include a commitment that internal audit obtains income to the Partner from external work either from partnership working and/or selling its expertise. Such activities will be governed by targets set out in the Collaborative Administrative Agreement and will be approved and reported on to the Client Officer Group.

**5. Planning and Reporting**

- 5.1 To meet the objectives above, the Head of Internal Audit Shared Service shall:-

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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- a) prior to the beginning of each financial year, following consultation with Management<sup>1</sup> and after taking into account comments from Members arising from the reporting process set out below, provide the Committee with:
- a risk based audit plan forecasting which of the Partner's activities are due to receive audit attention in the next 12 months. The risk based plan will take into consideration a number of risk factors including corporate risk register, service risk register, local knowledge, corporate promises or objectives, key strategic documents e.g. five year plan and any external audit guidance. Where there is a potential difference between strategy/plan and resource this is reported to the Board<sup>2</sup>;
  - a detailed operational plan using a risk based assessment methodology showing how/what resources will be required/allocated in the coming financial year in order to meet the requirements of the Partners strategic plans. The Plans will be flexible and include a small contingency contained as part of the consultancy budget to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Head of Internal Audit Shared Service will bring to the attention of the s151 Officer if this budget is depleted so an additional contingency can be agreed. 'Consultancy', for the purposes of WIASS activity, is defined as work that is of a specialist nature and commissioned/requested in regard to an area of work activity within a service area that is in addition to the agreed partners audit plan. The work can be financial or governance based and the output will provide management<sup>1</sup> with challenges to consider depending on its nature. The approach to the assignment can be flexible but follow a similar path in regard to the methodology.
- b) during the course and at the close of each financial year provide the Board<sup>2</sup> with:
- quarterly progress reports on actual progress compared to the plan and performance indicators. Such reports to highlight serious problems, either affecting the implementation of the plan, or, in the take up of audit recommendations;
  - an annual report summarising the overall results for the year compared to the plan and pointing out any matters that will impact on internal audit's ability to meet the requirements in the strategic plan;
- c) during the course and close of each full systems/risk audit provide the client manager<sup>1</sup> with:

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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- a copy of an audit brief and audit information request setting out the objectives and scope of the audit prior to commencement of the audit and a confirmation of resource requirements for the audit.
  - draft recommendations, which will be discussed with the responsible manager<sup>1</sup> prior to sending the draft audit report. The manager<sup>1</sup> is responsible for confirming the accuracy of the audit findings and is invited to discuss the report during the 'clearance' meeting prior to the issue of the draft report.
  - an audit report containing an overview of the quality of the control system, an opinion as to the level of system assurance and detailed findings and recommendations including priority. 'Assurance', for WIASS purposes, is defined as the determination of an overall outcome against a predetermined criteria leading to an applied level giving an overall summary for the work audited.
- d) shortly after the close of each financial year provide for the purposes of the Annual Governance Statement:
- an annual audit opinion of the Partner's system of controls based on the audit work performed during the year in accordance with the plans at 5.1(a) above and reported in accordance with 5.1(b) and (c) above and on the assurance methodology adopted, and, a statement of conformance with the Public Sector Internal Audit Standards and the results of quality assurance and improvement programme.

**5.2 Expectations of Clients:**

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

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

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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- 5.4 Upon completion of audits, the audit exceptions will be discussed with the relevant line manager and will form the basis of the draft audit reports. The draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings and content. Managers are invited to contact the Auditor if they wish to discuss the report and asked to show their response in the form of an action plan to each recommendation on the draft report. For accepted recommendations, dates for action or implementation are recorded. The managers' responses are recorded in the final reports that are issued to the appropriate Management<sup>1</sup> officers as deemed relevant for the audit.
- 5.5 In accordance with professional standards, after three/six months from the date of issue of the final report, follow-up audits are undertaken to ensure that the agreed recommendations and action plans have been implemented, or, are in the process of being implemented. A formal follow up procedure / methodology is used to follow up audit reports and reported on an exceptions basis.
- 5.6 Internal Audit works to the reporting quality standards of:
- draft audit reports to be issued within 5 working days of the clearance meeting;
  - management responses received within 10 working days;
  - final audit reports to be issued within 5 working days of the final discussions of the draft audit report and receipt of management responses;
  - final reports to be followed-up initially within 3 to 6 months of the date issue of the final audit report depending on the recommendation priority and residual risk, to ensure that the accepted recommendations due for implementation have been established.
- 5.7 Escalation for late or non return of audit reports will be instigated when after two requests the reports have not been provided by management. The escalation will commence with the s151 Officer being informed of the late return. If the report remains outstanding then the Board<sup>2</sup> will be informed of the inaction with a view to them calling in the Officer to justify the late return.

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

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

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

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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

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

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

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

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

For further information on the principles of public life:

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

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

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

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

All reports are reviewed and signed off by either the WIASS Head of Service or Team Leader both of which are highly qualified and governed by

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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

3. Is objective and free from undue influence:  
Independence and safeguarding is a key element of internal audit provision. All WIASS staff are vetted via the Basic Disclosure Check, as well as making a Declaration of Interest on an annual basis declaring any potential conflicts of interest with upcoming audit programme and the partners that WIASS work with. No auditor, who has transferred from a Service, will audit that Service for a minimum of three years. The Service is organisationally independent for all Partners. Although the HoWIASS reports directly to the s151 Officers of the Partner organisations the role has direct and unrestricted access to the senior management team and Committee Chair. The Client Officer Group, who governs the Service, meets on a quarterly basis and is made up of the Partner s151 Officers. They each have an equal vote and consider the strategic direction of the Service as well as progress and performance. Further independence and safeguard checks are reported throughout this Charter in the form of checks, actions and process.
4. Aligns with the strategies, objectives, and risks of the organisation:  
The audit plan and it’s content is discussed with Management<sup>1</sup>and s151 Officers to ensure that risks are identified; appropriate processes, systems and strategies are tested and that areas of risk are monitored and mitigated. Corporate and service risk registers are used along with corporate knowledge and the promises and objectives. Five year plans are also considered as part of the risk profiling and plan definition.
5. Is appropriately positioned and adequately resourced:  
As a shared service, WIASS is hosted by Worcester City Council, but audit allocations ensure a presence in all authorities that it serves across the year. Resources are monitored and tracked throughout the annual audit plan, with forecasting used as often as possible to prevent resources becoming too stretched resulting in reduced coverage. WIASS is governed by a Client Officer Group made up from the Partner s151 Officers but also has direct access to Management<sup>1</sup> and the Board<sup>2</sup> Chairs. Delegated powers are used should there be any resourcing issues.
6. Demonstrates quality and continuous improvement:  
Continuous monitoring of the teams performance via trackers is conducted. Quarterly and annual reports are issued to committee and board members demonstrating trends in productivity and value.

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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Individual reviews via 1-2-1 meetings are held monthly with the Team Leader and include personal development plans for all team members. Improvements and changes will also be made using external assessment as well as internally generated client feedback forms. A self assessment will be completed each municipal year to further provide assurance of quality and improvement. The Service is working with partners to ensure that it continues to provide a 'fit for purpose' Service by developing techniques that will complement requirements, continue to add value and work in a changing environment e.g. critical friend reviews. There is a continuous desire to ensure that the Service changes and adopts best practice methods as identified by the professional institutions e.g. IIA, CIPFA.

7. Communicates effectively:

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

8. Provides risk-based assurance:

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

9. Is insightful, proactive and future-focused:

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

Proactive – scoping meetings are held for all audits allowing for changes to the audit scope in line with changes in service delivery and legislation between annual planning and audits starting. There is also an ability to vary the plan should an emerging risk present itself using delegated powers so the audit service can be proactive in providing assurance to

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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those in governance. Consultancy days are built into the plans to allow for pre implementation of new system/process advice.

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

10. Promotes organisational improvement:

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

For further information please reference:

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

## **8. External Relationships**

### 8.1 The main contacts are with:

- Institute of Internal Auditors
- External Auditors
- Local Authorities in the Worcestershire area
- Local Authorities in the Midlands area
- Organisations within the Exeter Benchmarking Group
- CIPFA (publishers of the systems based auditing control matrices written by Exeter IA section)

**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

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- National Fraud Initiative via DCLG and Cabinet Office

but may include other external parties as necessary.

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

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**Notes**

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

REDDITCH BOROUGH COUNCIL**Audit, Governance & Standards Committee 30<sup>th</sup> May 2023**

Version Control:	Date of Change	Action	Updated by
1.0	2 <sup>nd</sup> March 2012	Charter for WIASS	AB
2.0	9 <sup>th</sup> August 2012	Update to Charter	AB
3.0	23 <sup>rd</sup> April 2013	Update to Charter re. International Standards	AB
4.0	21 <sup>st</sup> Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 <sup>st</sup> July 2016	Update re. titles and definition of 'consultancy' and 'assurance'.	AB
6.0	April 2017	Full review in line with Standards	HT
7.0	May 2017	COG suggestion: Update of H&WFRS name to reflect legal entity & 'Council's' to 'Partners'.	HT
8.0	June/July 2018	External Assessment recommendations: Update to Mission & Definition Inclusion of 3.4, IA remit Update to 4.6 regarding HIASS responsibility on briefing Inclusion of 5.7, escalation for late and non return audit reports Inclusion of 6 – Principle of Public Life Inclusion of 7 – Core Principles of Public Practice Inclusion of 8.2, assurance from 3 <sup>rd</sup> Parties Inclusion of 8.3, assurance to 3 <sup>rd</sup> Parties	HG, AB, HT
9.0	June 2021	Review of Charter	AB
10.0	June 2022	Review of Charter	AB
11.0	May 2023	Review of Charter	AB

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REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 30<sup>th</sup> May 2023****THE 2023/24 INTERNAL AUDIT PLAN**

Relevant Portfolio Holder	To be confirmed – Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted	-
Relevant Head of Service	Peter Carpenter, Interim S151 Officer
Report Author: Andy Bromage	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: <a href="mailto:andy.bromage@worcester.gov.uk">andy.bromage@worcester.gov.uk</a> Contact Tel: 01905 722051
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management Underpins all the Strategic Purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. RECOMMENDATIONS****1.1 The Audit, Governance & Standards Committee is asked to RESOLVE that:-**

**1) the 2023/24 Audit Plan is approved subject to any comments / proposed changes.**

**2. BACKGROUND****2.1 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:**

- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

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- undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
- advise upon the control and risk implications of new systems or other organisation changes, e.g. transformation.

**2.2 Formulation of Annual Plan**

WASS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. The Internal Audit Plan for 2023/24, which is included at Appendix 1, is a risk-based plan which considers the adequacy of the council's risk management, performance management, other assurance processes as well as organisational objectives and priorities. It has been based upon the risk priorities per the Corporate and Service risk registers. Large spend budget areas have also been considered, along with direct association to the Council Plan 2020-2024. The Internal Audit Plan for 2023/24 has been agreed with the s151 Officer, considered by the Senior Management Team, and is brought before Committee in draft form. It has been formulated with the aim to ensure Redditch Borough Council meet its strategic purposes, delivers its promises and has directly linked the various aspects to identify the 'golden thread' regarding the objectives and risk identification to Service delivery. It was brought before the Audit, Standards and Governance Committee in draft format as the involvement of the Committee is considered an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.

We recognise there are other review functions providing other sources of assurance, both internally and externally, (e.g. ICT Public Service Network, Cyber Essentials, assurance testing) over aspects of the Council's operations. Where possible Internal Audit will seek to place reliance on such work thus increasing the internal audit coverage without adding additional days to the plan.

The audit plan is available to the external auditors. We understand the importance of working with the external auditors and how their focus has changed leading to duplication of testing in certain areas. We will seek to eliminate duplication of effort by discussing those areas of mutual interest e.g. Benefits and key recommendations from the External Audit Annual Reports.

By bringing a plan of work before the Audit, Governance and Standards Committee which had been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes it allows Members to have a positive input into the audit work programme for 2023/24 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer and within the finite

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

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resource available. Due to the continuing changing environment that exists in Local Government the plan must be seen as a framework for internal audit work for the forthcoming year. There is a need for improved flexibility in the plan due to a constantly changing risk profile. To ensure flexibility there is the possibility that the plan will be updated during the year to address such challenges and any emerging risks. It is planned that a regular review before Senior Management Team will take place to ensure the audit plan remains risk focussed, and any required changes can be considered.

**2.3 Resource Allocation**

The Internal Audit Plan for 2023/24 has been based upon a resource allocation of 359 chargeable days plus Rubicon, an allocation which has been agreed with the council's s151 Officer. A summary of the days as well as the detailed plan provision has been included at Appendix 1. Although all areas have been considered an assessment has been made whether to include in the plan based on the overall risk and governance profile. The Head of Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 359 days plus Rubicon allocation is based on transactional type system audits. This is budgeted for by the Council. When Audits take place there is the need for coordination with Service Departments to release staff to assist in the completion of these audits.

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

Due to both external and internal audit findings and the Section 24 Notice, the financial systems have been included as audit areas. The budgets were significantly increased last year in this area. No additional days have been included for 2023/24 but budgets have been maintained as certain risks remain in these areas. It is hoped that in time a 'watching brief' approach can be adopted when there is a confidence in the new financial system, an embedded process of control and anti-fraud measures thus leading to a reduction in the allocated days. However, for 2023/24 this will not be the case due to the challenges encountered

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

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in the system. A 'Grants' budget has been maintained due to the increasing certification and sign off requirements of Central Government for certain grants. As numbers of grants increase, assurance is now required from the Chief Internal Auditor and Chief Executive that the grants have been spent in accordance with the requisite terms and conditions. Consequently, additional assurance work is required to provide the certification required. Operational support days are included to give a little flexibility and contingency in the plan, e.g. consultancy. The allocated days may not be used during the year but is good practice to include and are necessary to support the delivery of the plan. The total 'Audit Plan' days are often adjusted during the year which is reflected in the contribution the Authority pays towards the Shared Service overall. A direct comparison of days cannot be taken from the reported days for 2022/23 and 2023/24 in Appendix 1 as not all the audited areas covered during 2022/23 have been listed as there is no requirement to revisit them in 2023/24. Where there is a direct correlation, this has been included for information purposes.

The Internal Audit Plan for 2023/24 is set out at Appendix 1.

**2.4 Monitoring and reporting**

Operational progress against the Internal Audit Plan for 2023/24 will be closely monitored by the Head of Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group (which comprises the s151 officers from partner organisations), and, to the Audit, Standards and Governance Committee on a quarterly basis.

**3. FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications arising out of this report. The Authority is billed for the number of days that are delivered during the year and contribution adjustments are made to reflect a revised position. The strategic financial position of the Service is monitored as part of the Client Officer Group meetings which take place every quarter.

**4. LEGAL IMPLICATIONS**

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

To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards (as amended) details that "Internal auditing is an

**Audit, Governance and Standards Committee 30<sup>th</sup> May 2023**

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independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

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

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

**Climate Change Implications**

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

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

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

**Operational Implications**

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

**7. RISK MANAGEMENT**

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

- Insufficiently complete the planned programme of audit work within the financial year leading to an inability to produce an annual opinion; and,
- a continuous provision of an internal audit service is not maintained.

**8. APPENDICES and BACKGROUND PAPERS**

Appendix 1 ~ Internal Audit Plan 2023/24

Audit, Governance and Standards Committee 30<sup>th</sup> May 2023APPENDIX 1SUMMARY OF DETAILED PLAN

<b>Planned Days</b>	<b>2023/24</b>
Core Financial Systems	115
Corporate Work	71
Service Delivery incl. Other Operational Work	119
<b>Sub Total</b>	<b>305</b>
Audit management meetings Corporate meetings / reading Annual plans, reports & Committee support	54
<b>Sub Total</b>	<b>54</b>
<b>Total Audit Days</b>	<b>359</b>
<b>Rubicon</b>	<b>10</b>

**REDDITCH BOROUGH COUNCIL**

Date: 30<sup>th</sup> May 2023

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

2023/24 Internal Audit Plan

Audit Area	Corporate Link	Risk Register Reference			Resource 2022/23 Comparison	Proposed Resource 2023/24	Indicative Planned Qtr.
<b>FINANCIAL</b>							
Debtors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			17	17*	3 to 4
Main Ledger/Budget Monitoring Returns/Bank Rec. (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			30	30*	3 to 4
Creditors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			17	17*	3 to 4
Treasury Management	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			6	6*	2
Council Tax	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			8	8*	1 to 3
Benefits	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			10	10*	1 to 3
NNDR	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			8	8*	1 to 3
Payroll	Enabling & Contractual Obligation	COR17 - Resolution of the approved Budget Position in both Councils			19	19	1 to 3
<b>Sub TOTAL</b>						115	

**REDDITCH BOROUGH COUNCIL**

Date: 30<sup>th</sup> May 2023

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Audit Area	Corporate Link	Risk Register Reference			Resource 2022/23 Comparison	Proposed Resource 2023/24	Indicative Planned Qtr.
<b>CORPORATE</b>							
IT Audit	Fundamental to strategic purpose delivery	COR18 – Protection from Cyber Attack			15	15*	3 - 4
Risk Management Embedding (note 2)	Fundamental to strategic purpose delivery	S151 request			10	10*	3 - 4
Corporate anti-fraud and corruption	Fundamental to strategic purpose delivery	COR - Cost of Living			0	5*	2
Procurement and Contract Management (note 3)	Fundamental to strategic purpose delivery	COR16 – Management of Contracts & S151 request			0	8*	4
Corporate Data Quality and Usage (Critical Friend)	Fundamental to strategic purpose delivery	S151 request			0	10*	2
Projects – Towns Fund	Fundamental to strategic purpose delivery	COR22 - Delivery of Levelling up, Towns Fund and UK Shared Prosperity Fund work & S151 request			0	8*	2
Grants (Various incl. Disabled Facilities Grants)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			20	15	1 to 4
<b>Sub TOTAL</b>						<b>71</b>	

**REDDITCH BOROUGH COUNCIL**

Date: 30<sup>th</sup> May 2023

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Audit Area	Corporate Link	Risk Register Reference			Resource 2022/23 Comparison	Proposed Resource 2023/24	Indicative Planned Qtr.
<b>SERVICE DELIVERY</b>							
<b>Community &amp; Housing Service</b>							
Housing Revenue Account	Finding Somewhere to Live	S151 request			0	20	4
Temporary Accommodation	Finding Somewhere to Live	S151 request			0	10	4
Right to Buy	Finding Somewhere to Live	Local Knowledge/Intelligence			0	10	2
<b>Human Resources</b>							
Organisational Processes	Fundamental to strategic purpose delivery	COR19 – Adequate Workforce Planning & S151			0	5	2
<b>Sub TOTAL</b>						<b>45</b>	
<b>Other Operational Work</b>							
Advisory, Consultancy & Contingency	Operational support	N/a	N/a		20	20	1 - 4
Fraud & Investigations incl. National Fraud Initiative	Operational support	N/a	N/a		15	15	1 - 4
Completion of prior year's audits	Operational support	N/a	N/a		12	12	1
Report Follow Up (all areas)	Operational support	N/a	N/a		15	15	1 - 4
Statement of Internal Control	Operational support	N/a	N/a		6	6*	1 & 4

**REDDITCH BOROUGH COUNCIL**

Date: 30<sup>th</sup> May 2023

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Audit Area	Corporate Link	Risk Register Reference			Resource 2022/23 Comparison	Proposed Resource 2023/24	Indicative Planned Qtr.
Bus Operators Return	Operational support	N/a	N/a		6	6	1 & 3
<b>Sub TOTAL</b>						<b>74</b>	
Audit Management Meetings	Operational support	N/a	N/a		20	54	1 to 4
Corporate Meetings / Reading	Operational support	N/a	N/a		9		
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a		25		
<b>Sub TOTAL</b>						<b>54</b>	
<b>TOTAL</b>							

Rubicon Leisure	Arms-length LA Company	N/a	N/a		<b>10</b>	10	
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REDDITCH BOROUGH COUNCILDate: 30<sup>th</sup> May 2023**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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## Explanatory Notes:

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

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

Note 1: Ongoing risk with financial system therefore audit budgets maintained.

Note 2: Risk management relaunched 2022/23 reviewing ongoing progress against action plan and reporting.

Note 3: Procurement - ensuring embedding continues.

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**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE AND STANDARDS COMMITTEE –  
WORK PROGRAMME 2023-24**

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**30 May 2023**

- Member training on Risk Management (before meeting at 6pm)

## Standing items:

- Monitoring Officer's Report – Standards Regime
- Risk Management Report / Risk Register
- Financial Compliance Report including Update on Statements of Accounts
- Committee Work Programme

## Other items:

- General Dispensation Report
- Annual Update Report on Regulation of Investigatory Powers Act 2000 (RIPA)
- Review of the Role of Independent Member
- Grant Thornton – External Audit Progress Update
- Internal Audit Annual Report and Audit Opinion 2022-23
- Internal Audit – Audit Plan 2023-2024
- Annual Appointment of Risk Champion

**27<sup>th</sup> July 2023**

## Standing items:

- Monitoring Officer's Report – Standards Regime
- Feckenham Parish Council Representative's report - Standards Regime
- Submission of Statements of Accounts (2020/21, 2021/22, 2022/23)
- Risk Management Report / Corporate Risk Register
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

## Other items:

- General Dispensation Report (personal dispensations)
- Grant Thornton – Housing Benefit 2021/2022 Certification Letter [TBC]
- Review of the local pre-election protocols

**21<sup>st</sup> September 2023**

## Standing items:

- Monitoring Officer's Report – Standards Regime

**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE AND STANDARDS COMMITTEE –  
WORK PROGRAMME 2023-24**

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- Feckenham Parish Council Representative's report - Standards Regime
- Submission of Statements of Accounts (2020/21, 2021/22, 2022/23)
- Risk Management Report / Corporate Risk Register
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

**23<sup>rd</sup> November 2023**

Standing items:

- Monitoring Officer's Report – Standards Regime
- Feckenham Parish Council Representative's report - Standards Regime
- Submission of Statements of Accounts (2020/21, 2021/22, 2022/23)
- Risk Management Report / Corporate Risk Register
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

Other items:

- Annual Review from the Local Government Ombudsman

**25<sup>th</sup> January 2024**

Standing items:

- Monitoring Officer's Report – Standards Regime
- Feckenham Parish Council Representative's report - Standards Regime
- Submission of Statements of Accounts (2020/21, 2021/22, 2022/23)
- Risk Management Report / Corporate Risk Register
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

**21<sup>st</sup> March 2024**

Standing items:

- Monitoring Officer's Report – Standards Regime
- Feckenham Parish Council Representative's report - Standards Regime

**REDDITCH BOROUGH COUNCIL****AUDIT, GOVERNANCE AND STANDARDS COMMITTEE –  
WORK PROGRAMME 2023-24**

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- Submission of Statements of Accounts (2020/21, 2021/22, 2022/23)
- Risk Management Report / Corporate Risk Register
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

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