



# Audit, Governance & Standards Committee

Thu 27 Jul  
2023  
7.00 pm  
Council Chamber,  
Redditch Town Hall

**REDDITCH** BOROUGH COUNCIL

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a  
difference*

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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

Thursday, 27th July, 2023

7.00 pm

Council Chamber Town Hall

## Agenda

### Membership:

Cllrs:

Juma Begum  
(Chair)  
Ian Woodall (Vice-  
Chair)  
Salman Akbar  
Karen Ashley  
Andrew Fry

Chris Holz  
Anthony Lovell  
Emma Marshall  
Jane Spilsbury

### 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 - 20)

The minutes of the meeting of the Audit, Governance and Standards Committee held on 30<sup>th</sup> May 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 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 21 - 26)

### 6. Dispensations Report - Individual Member Dispensations (Pages 27 - 34)

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

To receive a report from the Feckenham Parish Council Representative on any matters of relevance to the Committee.

(Oral report)

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- 8.** Risk Management Report (Pages 35 - 50)
- 9.** Internal Audit Progress Report (Pages 51 - 98)
- 10.** Financial Compliance Report including update on Council's Statements of Accounts (Pages 99 - 106)
- 11.** Risk Champion Update
- 12.** Committee Work Programme (Pages 107 - 108)



# **Audit, Governance & Standards Committee**

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Tuesday, 30th May, 2023

## **MINUTES**

### **Present:**

Councillor Juma Begum (Chair), Councillor Ian Woodall (Vice-Chair) and Councillors Salman Akbar, Karen Ashley, Andrew Fry, Sharon Harvey (as substitute), Chris Holz, Anthony Lovell and Emma Marshall.  
Hugo Hammersley (Feckenham Parish Council Representative)

### **Also Present:**

Councillor Luke Court – Portfolio Holder for Finance and Enabling (on Microsoft Teams)  
Kirsty Lees – Manager, Grant Thornton (on Microsoft Teams)  
Jackson Murray – Key Audit Partner, Grant Thornton (on Microsoft Teams).

### **Officers:**

Peter Carpenter, Claire Felton, Michelle Howell and Andy Bromage

### **Democratic Services Officers:**

Mat Sliwinski

## **1. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillor Spilsbury. Councillor Harvey attended the meeting as Councillor's Spilsbury named substitute.

## **2. DECLARATIONS OF INTEREST AND OF PARTY WHIP**

There were no declarations of interest nor of party whip.

## **3. MINUTES**

Chair

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The minutes of the Audit, Governance and Standards Committee meeting held on 23<sup>rd</sup> March 2023 were submitted for Members' consideration.

**RESOLVED that**

**the minutes of the meeting of the Audit, Governance and Standards Committee held on 23<sup>rd</sup> March 2023 be approved as a true and correct record and signed by the Chair.**

**4. PUBLIC SPEAKING**

There were no registered public speakers on this occasion.

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

The Head of Legal, Democratic and Property Services presented the Monitoring Officer's report and highlighted that another four Borough Council complaints all relating to the same incident had been received. Whilst the complaints had been managed locally, they were again related to the Members' use of social media. In response, training for new Members had been reinforced and additional more targeted training was to be delivered throughout the municipal year, including a bespoke training with member of the police force.

Members were updated on the position regarding an Independent Person for the Council the purposes of section 27 (7)(a) of the Localism Act 2011. It was noted that the Independent Person assisted and supported the Monitoring Officer in the complaint investigation process. The term of the existing Independent Person for Bromsgrove District Council, Mr Mel Nock (who also served the Redditch Borough Council and Feckenham Parish Council as and when required), had come to an end.

The options under consideration by the Monitoring Officer were 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. Options were being considered moving forward but it was proposed that the Council retain the independent services of Mr Nock to support the Monitoring Officer in the management of Member to Member complaints. A report on the option appraisal with regards to the Independent Person would be submitted to a future meeting of the Committee. In the interim it was noted that Mr

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Nock agreed to continue in the formal Independent Person role on a temporary basis to cover the transition period.

Members also received an update on Member training and it was reported that following the local elections in May 2023, a comprehensive Member training programme had been arranged for both new and returning Members.

It was underlined in response to a question that local complaints would always try to be resolved locally in the first instance. With regards to training it was reported that the view of the Group Leaders and the Monitoring Officer was that Member training should be hybrid where necessary, with both in person and remote attendance options, to make it convenient for Members to fit training attendance around their work commitments.

**RESOLVED that**

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

## **6. GENERAL DISPENSATION REPORT**

The General Dispensation Report was presented for Members' consideration and it was explained that purpose of this report is to provide members with an opportunity to consider and agree a number of general dispensations for all Councillors.

It was noted that as the first Committee meeting of the municipal year was taking place earlier in the year than normally, there was not enough time to discuss and consider with Members any individual dispensations they might wish to apply for. As a result a separate report on individual member dispensations would be brought to the next meeting of this Committee.

**RESOLVED 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**

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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.

## **7. ANNUAL UPDATE REPORT ON REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

The Committee received the Annual Update Report on the Regulation of Investigatory Powers Act 2000 (RIPA). It was noted that the Council had not exercised its powers under RIPA since changes in legislation introduced in 2012.

### **RESOLVED that:**

- (1) the Council's RIPA Policy (version 8.2) be endorsed; and
- (2) the update on RIPA activity as described in this report be noted.



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

The Feckenham Parish Council Representative confirmed that he had no announcements or comments to make on this occasion.

**9. GRANT THORNTON - EXTERNAL AUDIT PROGRESS REPORT  
AND SECTOR UPDATE**

The External Auditors from Grant Thornton presented a report on progress in delivering the external audit function for the Council and provided a wider audit sector update.

It was recapped that in October 2022 Redditch Borough Council was issued with statutory recommendations under Section 24 of the Local Audit and Accountability Act 2014 for non-delivery of the 2020-21 Statement of Accounts. This was reported to be caused primarily by issues with the cash receipting module of the Council's current TechnologyOne ledger system and issues relating to data migration from the legacy financial ledger, eFinancials, to the Council's current ledger.

Members were informed that the Council's Section 151 Officer had not signed off the draft 2020-21 Statement of Accounts to date and thus financial statements for 2020-21 had not yet been submitted to the External Auditor.

The External Auditor reported that testing had been performed on the data migration event from the Council's legacy to the new financial ledger system. The migration of 25 transactions was manually tested and it was confirmed that these transactions were migrated correctly. The External Auditor explained, however, that the number of transactions tested represented a negligible volume of total transactions processed in the data migration event and the External Auditor had been unable to gain sufficient on this basis of this testing that the whole data migration event was performed correctly.

Automated solutions for gaining assurance over the transferred data through testing back-ups taken from the eFinancials system were currently considered as this would provide a much broader coverage of data than could be tested manually. The Interim Director of Finance commented that enquiries had been made with the legacy financial ledger provider, eFinancials, about re-gaining

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access to transactional reports from that system. This would necessitate a contract extension.

It was reported that the Council's subsidiary, Rubicon Leisure, had issued a disclaimer opinion for the company's 2021-22 financial statements. The External Auditor needed to consider the impact of this on the audit of Council's 2020-21 and subsequent financial statements. The Interim Director of Finance commented that the main reason behind the disclaimer opinion lied with the issues with the cash receipting module of the new financial ledger, with all receipts recorded under one entity instead of being directed to one of three separate entities (Redditch Council, Rubicon Leisure, Bromsgrove Council) depending on the transaction. This issue was unresolved throughout the 2021-22 financial year which impacted on the audit of Rubicon accounts.

The External Auditor reported on their Value for Money responsibilities and in doing so noted that an Interim Auditor's Annual Report for the 2020-21 financial year was provided to the Committee in November 2022, and it was anticipated that a joint Interim Auditor's Annual Report for financial years 2021-22 and 2022-23 would be issued later in the year. It was also noted that certification work on the Housing Benefit subsidy claim for 2021-22 was almost completed.

It was reported that there was a likelihood of external audit fee variation due to the impact of delays in financial reporting and the impact of the Section 24 Notice being issued to the Council. The original fee proposed for 2020-21 audit by the External Auditor in April 2022 was £71,292. It was reported that given the work requirements the final proposed fee could exceed £100,000. Any proposed fee variations would be subject to discussions with council management and would have to be submitted for consideration by Public Sector Audit Appointments Limited (PSAA) in their capacity as an external auditor appointer under the audit appointments scheme.

A question was raised with regards to making interim payments on the audit fee. It was explained that a baseline fee for the years 2020-21 and 2021-22 had already been invoiced and this was the fee set by PSAA. However, The External Auditor could not issue an invoice on fee variations until they had been agreed by PSAA.

It was also noted that the last Audit Plan from the external auditors had been presented to the Committee only on the proposed

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approach to auditing 2020- 21 financial statements. The External Auditor explained that currently there was no requirement for an Audit Plan as the outstanding financial statements had to be audited in the first instance. It was added that any reporting of audit fee process and any discussion on fee variation would best be reported before the Committee through the external audit update reports at each meeting rather than a formal annual report.

Indicative dates for completion of overdue audits of Statements of Accounts were discussed and it was reported that the aim was to conclude the audit of 2020-21 Statement of Accounts in November 2023, and the 2021-22 Accounts by May-June 2024. It was reported, however, that meeting this indicative date would be challenging as the issue with cash receipting module (which resulted in transactions being posted and coded incorrectly) affected the whole 2021-22 financial year. It was hoped that the audit of 2022-23 Accounts could be concluded by end of November 2024, thereby clearing the backlog of unaudited years. However, it was highlighted that the timescales provided were the best-case scenario and would be reviewed at future meetings.

Several further questions were asked by Members to which following responses were provided:

- It was reported that as Redditch Borough Council was not a highways authority (this being a County Council function), the risks identified with auditing of infrastructure assets would be of less concern and were less likely to have a material effect on the Council's balances. However, pockets of footways and other similar assets would still need to be looked at for how depreciation was calculated on these assets.
- It was clarified that the recommendations stemming from the Grant Thornton report into the reasons for delayed publication of audited local authority accounts did not concern the Council in particular but highlighted national issues that needed resolution.
- Officers present undertook to check and report back to Members regarding the situation around the Council's Climate Change Officer/Manager.
- With regards to decommissioning of the previous ledger system, Officers reported that the data take-on from the old to the new system had not been undertaken in an appropriate manner and as such Officers had currently no way of accessing the final data from the old system at the

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time of decommissioning. It was reported that Officers were in contact with the legacy financial ledger provider, eFinancials, about re-gaining access to transactional reports from that system.

- It was reported that issues with the cash receipting had now been resolved and the move from 1 back office to 3 back office entities for Redditch Council, Rubicon Leisure, and Bromsgrove Council respectively had been implemented from late 2022.
- Members queried the likelihood of issues with accounts for future years and the strategy to ensure that the Council would have balanced accounts in the upcoming years. In response it was reported that as part of the recent Local Government Association (LGA) Peer Review it was judged that the Council had sufficient, if not high, levels of reserves at present, and that the audit work was moving in the right path with data take-on balances to be signed jointly by the Section 151 Officer and the auditor as to avoid the possibility of qualified statement being issued on 2020-21 Statement of Accounts.
- In response to questions concerning the investigation and lessons learned from the transfer between the ledger systems and the implementation of the Authority's current financial system, Officers reported that an investigation into this had been undertaken by the Bromsgrove Audit Task Group and a final report of that Task Group had been provided to the Committee at the last meeting and would be recirculated to Members.
- Members queried the no assurance of Rubicon Leisure Accounts and the overall financial position of Rubicon and its effect on the Council. In response, it was stated that the level of Council subsidy to Rubicon had been smaller than accounted for in the Council's budget, particularly with regards to the pandemic period. It was further reported in relation that the volume of income coming in through the cash receipting system that related to Rubicon in 2020-21 would be low and 2021/22 was much higher and as such the process of gaining assurance that Rubicon transactions were in Rubicon accounts would take longer to reach assurance.

During the discussion of this item, Councillor Marshall proposed a recommendation in respect of requesting the Portfolio Holder for Finance and Enabling to write to central government with regards to issuing three-year, instead of the current one-year, local government financial settlements. This recommendation was

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substantiated on the basis that a local government settlement covering the period of three years would provide a greater degree of funding certainty for the local government sector and thus enable longer-term planning for funding council services and projects. Councillor Lovell seconded the recommendation.

Some Members commented that whilst this recommendation would represent a positive step, the issue of overall real term reductions in funding to the local government sector had to be considered too.

The Portfolio Holder for Finance and Enabling addressed the Committee, saying he would investigate the recommendation and would wish to see and take part in an all-sector action on the issue of local government financial settlements.

On being put to the vote, this recommendation was carried.

## **RECOMMENDED that**

**The Portfolio Holder for Finance and Enabling write to an appropriate government minister to ask for a 3-year local government financial settlement to provide certainty for the local government sector and enable residents to receive a council service that they deserve.**

## **10. RISK MANAGEMENT REPORT**

The Interim Director of Finance presented the Risk Management Report and in doing so highlighted that this was now the fourth cycle of reviewing Corporate and Departmental Risks since the original baselining of risks in April 2022. It was also the fourth management report on risk presented to the Committee since the original baselining of risks.

It was reported that currently there were 12 Corporate Risks, including a risk related to the Cost of Living Crisis. Since last reporting, a new Corporate Risk had been included which related to the replacement process of the Councils existing Customer interface, which was also linked to significant budgetary savings in the 2025/26 financial year.

As of 22<sup>nd</sup> March 2023, there were now 58 Departmental Risks of which 1 was a red risk related to Revenues - Performance Indicator data that was not deemed robust as it could not be system generated. It was reported that it was unlikely that the number of

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risks could be further reduced on the risk register as they were now mostly linked to compliance.

It was stressed that in the opinion of the internal auditor, from the follow up audit carried out earlier this year, the process applied for 'moving' risks from departmental to corporate and vice versa was logical. The Internal Audit risk level had improved to Moderate Assurance in this audit.

Following the report presentation, questions and comments were made by Members to which following responses were provided:

- In relation to customer interface providing a one-stop portal to all Council services, it was reported that market testing of suppliers was currently taking place and a report would be submitted before the Executive Committee in the near future.
- Members queried the amount of oversight that Audit, Governance and Standards Committee and the Council more widely had over capital projects such as those under the Towns Fund – for example the Town Hall refurbishment. In response, it was noted that details on capital projects were reported to the Executive quarterly through the financial and performance monitoring reports. The Committee also had the option to set up a Task Group to scrutinise the Towns Fund projects more closely. The Council was also selected as one of 5 per cent of local authorities where a 'deep dive' into Towns Fund projects would be undertaken by the Department for Levelling Up, Housing and Communities (DLUHC).
- In relation to temporary accommodation (TA), it was noted that it was a high-pressure area and that an internal audit would soon be undertaken on this service.

## **RESOLVED**

**that the present list of Corporate and Departmental Risks be noted.**

## **11. FINANCIAL COMPLIANCE REPORT INCLUDING PROGRESS UPDATE ON STATEMENTS OF ACCOUNTS**

Members were informed that the Accounting Policies report before the Committee provided details of the financial governance framework under which the Council operated and the legislative

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reporting requirements for reporting to central government in respect of financial compliance.

It was reported that the key risk to the Council's financial compliance remained the closure of the 2020-21 financial statements. A number of key legislative returns, including the Revenue and Capital Outturn forms for 2022-21 and 2021-22 had not yet been submitted to the Government as these were dependent on the Council's closure of accounts for 2020-21. Although the Government now allowed these returns to be completed based on estimates, the level of uncertainty due to the issues with the cash receipting module of the Council's ledger system meant that returns could not be submitted until the External Auditors had signed off the Council's take on balances and the organisation provided the draft accounts to Audit for each Council (Redditch and Bromsgrove).

It was reported with respect to submission of financial statements for 2020-21 that more detailed testing of the data take on balances and associated processes had to be undertaken before submission of the Accounts could be made to the External Auditors.

It was noted that at the last meeting of the previous municipal year it was agreed by the Committee for updates on Financial Compliance to become a standard item at Audit, Governance and Standards Committee meetings to facilitate Members' assurance around Council's financial governance arrangements.

## **RESOLVED that**

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

## **12. INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION 2022-23**

The Head of Internal Audit Shared Service for Worcestershire Internal Audit Shared Service (WIASS) presented the 2022/23 Internal Audit Annual Report and Audit Opinion and in doing so

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noted that the Annual Report was an amalgamation of all Internal Audit Progress Report that the Committee received over the 2022/23 municipal year.

It was reported that the internal audit outcomes from reviews were shared on an ongoing basis with the External Auditors to assist them in gaining assurance around the Council's processes. Audit follow-ups in areas of key risk or where insufficient assurance had been gained previously showed an overall positive trend with management and service areas concerned implementing any follow-up recommendations in a timely manner. There had been no exceptions that needed to be reported to the Committee during 2022/23.

In 2022/23, 2 out of 19 internal audits had resulted in limited assurance, which concerned Debtors and Main Ledger due to the cash receipting system. Since the Committee report had been finalised, 4 other areas had been finalised.

The Annual Audit Opinion was provided at Appendix 2 to the main report and this provided the opinion of the Head of Internal Audit on the Council's governance, risk management and audit function.

Appendix 3 was the Internal Audit Charter of WIASS, which would be updated throughout the current municipal year, mainly around categorisation of assurance.

Following the report presentation, Members asked about the GIS gazette and it was explained that this was a system used in planning that plotted property and related geographical data. The audit of this was necessary as the system was undergoing changes.

A further question was asked about staff retention and what steps the Council was taking to be the 'employer of choice'. Officers explained that the market, especially in respect of council finance staff, was highly competitive. However, the Council was proactive in this matter, for example with the Council recently having published its new agile working policy.

## **RESOLVED**

**that the 2022/23 Internal Audit Annual Report and Audit Opinion be noted.**



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## **13. INTERNAL AUDIT - AUDIT PLAN 2023-24**

The Head of Internal Audit Shared Service for Worcestershire Internal Audit Shared Service (WIASS) presented the draft Internal Audit Plan for 2023/24. It was highlighted that it was a risk based plan that was built around allocation of internal audit days. 359 audit days had been allocated and this had been deemed sufficient to provide management, external audit and those charged with governance with the assurances and coverage required over the system of internal control, annual governance statement and statement of accounts.

It was highlighted that although the audit areas would have an allocation of audit days, all or part of the budgeted days will be used on a flexible basis depending on the risk exposure. Thus the number of audit days planned was an indicative number of days dependent on contingencies and the full number of allocated days did not have to be spent. The Council only incurred the cost for the number of actual days that the internal audit function was delivered.

A question was raised with regards to the Council procedures for evaluating procurement quality versus cost. Officers undertook to contact the relevant staff and provide Members with a response in due course.

It was proposed by Councillor Marshall, seconded by Councillor Akbar, that an internal audit of Mayor's Office finances be added to the Internal Audit Plan for 2023/24. Members present agreed with this proposal. Officers responded that an internal audit of this area would be added to the Internal Audit Plan, and will be undertaken and reported on in due course.

### **RESOLVED**

**that the 2023/24 Internal Audit Plan be approved subject to the addition in the pre-amble above.**

## **14. ANNUAL APPOINTMENT OF RISK CHAMPION**

Councillors Ian Woodall and Emma Marshall were nominated to the position of Risk Champion for the 2023-24 municipal year.

The respective nominations were put to the vote in turn and it was

**RESOLVED that**

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**Councillor Emma Marshall be appointed as the Council's Risk Champion in the 2023-24 municipal year.**

## **15. COMMITTEE WORK PROGRAMME**

The contents of the Audit, Governance and Standards Committee's Work Programme for the 2023-24 municipal year were considered.

**RESOLVED that**

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

The Meeting commenced at 7.01 pm  
and closed at 8.50 pm

REDDITCH BOROUGH COUNCIL**Audit, Governance & Standards Committee  
2023****27<sup>th</sup> July****MONITORING OFFICER'S REPORT**

Relevant Portfolio Holder	Councillor Luke Court – Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted	Yes
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.

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

**3. FINANCIAL IMPLICATIONS**

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

**4. LEGAL IMPLICATIONS**

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

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

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

**Climate Change Implications**

- 5.2 There are no specific climate change implications.

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

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

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**Operational Implications****Member Complaints**

- 6.2 The Monitoring Officer continues to receive complaints in relation to social media and as a result is in discussions with Inspector Richard Field, of West Mercia Police, to identify dates for social media training.
- 6.3 The Monitoring Officer has received a complaint in relation to the use of exempt information and this has been resolved locally. Members are reminded to familiarise themselves with the rules in respect of considering exempt information and to speak to officers if they have any questions.

**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 MSSG are due to take place throughout the 2023/24 municipal year. The first meeting of the group is due to take place in August 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 took place on 13<sup>th</sup> July 2023. During the meeting, Members considered an update in respect of the test of meeting owls and live streaming meetings, a report in respect of the Licensing Committee's recent discussions concerning delegations for the licensing process and an update in respect of the Policy Framework.
- 6.7 Any recommendations arising from meeting of the CRWP are reported for Members' consideration at meetings of full Council, which ultimately determines changes to the constitution.

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Member Training

- 6.7 Following the local elections in May 2023, a comprehensive Member training programme was arranged for both new and returning Members.
- 6.8 The training sessions that have taken place since the last meeting of the Committee include:
- Redditch Members' Overview and Scrutiny Training – 5<sup>th</sup> June 2023.
  - Local Government Finance Training – 12<sup>th</sup> June 2023 (joint with Bromsgrove District Council)
  - Housing Induction Presentation – 19<sup>th</sup> June 2023
  - Planning Committee Procedural Briefing – 21<sup>st</sup> June 2023
  - Licensing Training – 22<sup>nd</sup> June 2023
  - Members' Equalities Training – 27<sup>th</sup> June 2023
  - Data Protection Training – 4<sup>th</sup> July (joint with Bromsgrove District Council)
  - Chaining Skills Training – 5<sup>th</sup> July 2023 (joint with Bromsgrove District Council)
  - Shareholders Committee training – 6<sup>th</sup> July 2023
  - Civility in Public Life and Social Media Training – 10<sup>th</sup> July 2023 (joint with other Councils in Worcestershire)
  - Electoral Matters Committee training – 11<sup>th</sup> July
  - Code of Conduct Training for Parish Council Clerks and Parish Councillors (7<sup>th</sup> June, 6<sup>th</sup> July and 18<sup>th</sup> July 2023)
- 6.9 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**

**Audit, Governance & Standards Committee  
2023****27<sup>th</sup> July**

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No appendices.

Chapter 7 of the Localism Act 2011.

**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	Councillor Luke Court - Portfolio Holder for Finance and Enabling	XX 2023
Lead Director / Head of Service	Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer	7 <sup>th</sup> July 2023
Financial Services	N/A	
Legal Services	Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer	7 <sup>th</sup> July 2023



REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee  
2023**27<sup>th</sup> July**LOCALISM ACT 2011 – STANDARDS REGIME – DISPENSATIONS**

Relevant Portfolio Holder	Councillor Luke Court
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) (any Individual Member Dispensations (IMDs) and Outside Body Appointments dispensations requested by Members up to the point of the meeting, and as advised by the Monitoring Officer at the meeting, be granted under section 33 (2) of the Localism Act 2011, to allow those Member(s) to participate in and vote at Council and Committee meetings in the individual circumstances detailed;**
- 2) 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**
- 3) 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.**

**Audit, Governance and Standards Committee  
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**2. BACKGROUND**

- 2.1 To consider the granting of any new Individual Member Dispensations (IMDs) requested by Members up to the point of the meeting, and which will be detailed by the Monitoring Officer at the meeting. To also consider granting Outside Body Appointment Dispensations.
- 2.2 This item follows a previous report to the Audit, Standards and Governance Committee, considered at a meeting held in May 2023, on the subject of general dispensations. The decision was taken to present a report on Individual Member Dispensations and Outside Body Dispensations at the second meeting of the Committee in the municipal year to provide new Members with the time to consider whether they wished to request any Individual Member or Outside Body Dispensations.

**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. The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee.
- 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

**Audit, Governance and Standards Committee  
2023**27<sup>th</sup> July

- 
- business would be so upset as to alter the likely outcome of any vote relating to the business,
- (c) considers that granting the dispensation is in the interests of persons living in the authority's area,
  - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without them 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 Since the introduction of the current standards regime in 2012, the Audit, Governance and Standards Committee has been responsible for considering the granting of dispensations in circumstances where the Monitoring Officer feels that a dispensation may be warranted. This function was previously carried out by the former Standards Committee.
- 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:
- (i) General Dispensations
  - (ii) Council Tax Arrears
  - (iii) Individual Member Dispensations
  - (iv) Outside Body Appointment Dispensations
- 3.6 The table below sets out the Individual Member Dispensations and Outside Body appointment dispensations that have been requested in previous years by Members as well as dispensations requested by current Members prior to the publication of the agenda for this meeting. Further requests for dispensations may be made after the publication of the agenda for this meeting and will be reported by the Monitoring Officer for Members' consideration. Subject to approval by the Audit,

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Governance and Standards Committee, these dispensations will apply until the next Borough Council elections in 2024 unless amended by the Committee prior to that date.

<b>Councillor(s)</b>	<b>Relevant DPI</b>	<b>Reason for dispensation</b>
Councillor Joe Baker	The Redditch LGBTQ Support Services and PRIDE Committee (Other Registerable Interest - ORI)	To talk and discuss issues regarding LGBTQ community and PRIDE issues (not including funding for the LGBTQ Support Services and Pride Committee)
Councillor Matthew Dormer	Outside Body appointment and Other Registerable Interest (ORI) as a director to the Redditch Business Improvement District (BID)	To participate in discussions and decisions concerning town centre regeneration and economic development, including in respect of the Redditch BID.
Councillor Matthew Dormer	Outside Body appointment as an appointee to the West Midlands Combined Authority Board	To participate in discussions and decisions concerning town centre regeneration and economic development, including in respect of the WMCA.
Councillor Matthew Dormer	Outside Body appointment and Other Registerable Interest (ORI) as a member of Redditch Business Leaders	To participate in discussions and decisions concerning town centre regeneration and economic

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		development, including in respect of Redditch Business Leaders.
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- 3.7 In relation to Independent Member Dispensations, Officers have contacted all Members to ask whether they wish to seek to add any dispensations.
- 3.8 The new Local Government Association (LGA) Model Code of Conduct was considered at the Audit, Standards and Governance Committee in April 2022. It was recommended by the Committee that the Council adopt the new Model Code, subject to a few amendments. The new Model Code of Conduct was subsequently presented at the Council meeting held in May 2022 with Members agreeing to adopt the LGA Model Code of Conduct incorporating those changes suggested by Members. As a result of this adoption Members are now required to complete an 'Other Registerable Interests' (ORI) form to declare any ORIs and Members may wish to request Individual Member Dispensations in relation to these ORIs.

**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.

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**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 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, where such Members have a DPI which would otherwise preclude them from so participating / voting.

**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.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee  
2023**27<sup>th</sup> July**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	Councillor Luke Court	
Lead Director / Head of Service	Claire Felton, Head of Legal, Democratic and Property Services	
Financial Services	Pete Carpenter, Interim Section 151 Officer	
Legal Services	Claire Felton, Head of Legal, Democratic and Property Services	

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**Quarterly Risk Update**

Relevant Portfolio Holder	Councillor Luke Court
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell, Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Interim S151 Officer Contact Pete Carpenter email: peter.carpenter@bromsgroveandredditch.gov.uk Contact Tel:
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 Audit, Governance and Standards 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 fully completed and embedded within the Councils and therefore no assurance could be given.

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3.3 This is now the Fifth 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.
- That the Risk Level has moved to a Moderate Assurance in May 2023.

**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 2022 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 5 meetings since the original baseline was reported.

**Corporate Risks**

3.7 Corporate Risks are summarised in the following table. There have been no changes in their number since the meeting in March. We have moved Cyber Risk from Amber to Red due to the increased risk in this area despite all the mitigations we have and are putting in place.

Ref	Corporate Risk Description
COR 9	Non Compliance with Health and Safety Legislation
COR 10	Decisions made to address financial pressures and implement new projects that are not informed by robust data and evidence
COR 14	Non adherence with Statutory Inspection Policy
COR 15	Impact from Changes to Partner Funding Arrangements

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<b>COR 16</b>	Management of Contracts
<b>COR 17</b>	Resolution of the Approved Budget Position
<b>COR 18</b>	Protection from Cyber Attack
<b>COR 19</b>	Adequate Workforce Planning
<b>COR 20</b>	Financial Position Rectification
<b>COR 22</b>	Delivery of Levelling Up, Towns Fund, UK SPF Initiatives
<b>COR 23</b>	Cost of Living Crisis
<b>COR 24</b>	New Customer Facing Interface

Note, Appendix A sets out the complete listing of Departmental Risks. These have been linked to Corporate Risks where relevant.

3.8 Mitigating factors for the Corporate Risks 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.

There are 4 departmental risks linked to this corporate risk.

**Projects being informed by robust data and evidence** - Robust budget-setting process in place. Executive at Bromsgrove on the 25<sup>th</sup> July will review an updated Project Management Process and extra resource, based on work initially highlighted by the Audit Task Group work in February 2023.

**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

There are 11 departmental risks linked to this corporate risk. Should this not be delivered the consequences are significant.

**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 of issues well before they happen. There is a reserve, which required approval for use from all partners. This remains a Corporate Risk as the impact of a partner leaving or stopping services might make delivery unviable for others.

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**Management of contracts** - Procurement Strategy updated 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 has now gone live on the 1<sup>st</sup> April 2023 and reports are going to Executive in July setting out new requirements in terms of contracting and transparency.

**Resolution of the approved budget position** - MTFP process now 2 stages. 2023/4 budget was approved in February 2023. Final MTFP contains S151 Officer's robustness statement which is key to sign off of a robust sustainable budget. Budget working group scrutinise proposals before Executive. Same process will be used for the 2024/5 budget process.

**Protection from cyber attack** – weekly penetration test, annual PSN Security Audit, regular internal audits, occasional LGA audit, Cyber Insurance requirements. In addition, we are also implementing KnowBe4, a new software tool for both officers and Members. Cyber Insurance has also been extended for a further year but importance and risks in this area have moved this risk to red.

**Adequate workforce planning** - Workforce plan has been circulated to services who now know their high risk areas and the wider scheme was launched in June. The challenges remain on delivering to these high risk areas however, they are identified. Three departmental risks are linked to Workforce Planning.

**Financial position rectification** - External Audit reports financial recovery process Reporting to Executive, Audit & Council. Risk is amber and not red as quarterly reporting is taking place and Council is delivering to the Key Recommendations of the 2020/21 Draft External Audit Report. There are still issues in relation to debt management which will remain until the suspense accounts are cleared which is programmed to take place by the end of the Calendar year.

**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. Biggest issue in all these workstreams remains delivery before the funding deadlines. This was raised by multiple Councils at the Towns Fund Conference in Manchester on the 20<sup>th</sup> June

**Cost of Living Crisis** - Housing Register Access to Housing Benefit and Universal Credit Council budget. We are also noting an increase in insurance claims due to fires which are linked to this.

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

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**Departmental Risks**

- 3.9 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.

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

- 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  
The next set of reviews in September reduced this number further to
- 83 Departmental Risks – 4 Red, 26 Amber, 53 Green  
The third Set of reviews in December reduced this number to
- 62 Departmental Risks – 1 Red, 27 Amber, 34 Green  
The fourth Set of reviews in March reduced this number to

**3.10 Position as at the 22nd March 2023**

<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

**3.11 Position as at the 22nd June 2023**

**Audit, Governance and Standards Committee 27<sup>th</sup> July 2023**

<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	6	<b>13</b>
<b>Finance</b>	0	2	0	<b>2</b>
<b>Environmental Services</b>	0	5	1	<b>6</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	3	<b>4</b>
<b>HR</b>	0	0	1	<b>1</b>
<b>Total</b>	<b>1</b>	<b>31</b>	<b>19</b>	<b>51</b>

- 3.12 The table at Appendix A sets out the detail of these departmental Risks and links them where relevant to Corporate Risks.

The Red Risk continues to be REV7 - Revenues - Performance Indicator data is not robust.

WRS risks, as per their Board Pack for June 2023 are attached at Appendix C.

- 3.13 This report sets out the position a year following the initial baselining of council risks. This is the fifth 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 continues to take place quarterly (8th April 2022, the 22<sup>nd</sup> June, the 21<sup>st</sup> September, the 21<sup>st</sup> December, 22<sup>nd</sup> March, 22<sup>nd</sup> June) to embed processes and validate Risks on the register.
- Each department has nominated a representative to a Risk Board. These report back to management teams who ensure Departmental Risk Registers are updated at least quarterly and discussed at management teams monthly.
- The Audit Committee reviews the Risk Registers on a quarterly basis. These reports have also been presented to Executive although this will stop after June 2023 as this should be a function of the Audit Committees.
- CMT are updated on risk management issues in their monthly “assurance” meeting, which is a week after the Risk Board meets on a quarterly basis.
- The Corporate Risk Register is now discussed as an early item on the agenda at meetings of the Audit, Governance and Standards Committee, as per the Audit Task Group’s recommendation.
- The Risk Level has moved from a Limited Assurance in March 2022 to a Moderate Assurance in May 2023.

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**In terms of departmental lists:**

- 3.14 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 now the Safeguarding Risk which affects all service areas and at the next quarters meeting will need to be reviewed to assess if it moves to a Corporate Risk.
- 3.15 The majority of Housing risks are compliance and/or Health and Safety led. We noted in the March report the issues in relation to “disrepair” claims (60), fires in premises, which has increased significantly over the past 2 years, and due to cost of living, the volume of tenants who now have no Council contents insurance. A report went to CMT on the 21st June setting out a new structure to facilitate improved housing repairs and maintenance. There is still significant work being undertaken at St Davids.
- 3.16 The Building Control risk will become more focused towards the end of the financial year as if Building Control staff are not accredited, we cannot use them. This will also possibly limit the number of staff available in the agency market.
- 3.17 It should be noted that the Members Data Protection risk in ICT clearly depends on Members undertaking the training. Given the significant cyber risks faced by Council’s, as noted in the Corporate Risks section, it is important Members engage to mitigate this risk. Using KnowBe4 will assist in mitigating this risk. As noted earlier, the Council have successfully renewed their cyber insurance policy.
- 3.18 We are reviewing all our assets as there is a significant impact on EPC (Energy) ratings and what will be allowable after 2026. This could have significant cost impacts for the Council.

**Insurance**

- 3.19 We have successfully renewed our Cyber insurance. It seems that the markets have settled down following the issues we had in renewing in 2022 and the premium has only increased marginally.
- 3.20 The Council are in their final year of the present insurance contracts. These will be renewed next year – this process is a joint process delivered across all districts in Worcestershire. An issue remains Property values, as there are now significant differences between asset values and insurance re-instatement values.
- 3.21 We are seeing significant increases in fires, which are mostly linked to electrical equipment. This will affect the Property renewal figures.

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**The Risk Management Framework**

- 3.22 Risk Management Training. Given the active management of risks by service departments, we have seen numbers of departmental risks reduced by over 50% although Corporate Risks have increased by 20%. There is the requirement for Corporate Risk training (Members and Officers) and existing processes need further embedded in the organisations to increase assurance.

**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 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.



**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 27<sup>th</sup> July 2023****9. APPENDENCES**

Appendix A – Present Departmental Risks  
Appendix B – Previous Risk Management 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 27<sup>th</sup> July 2023****Appendix A - Present Departmental Risks**

Ref	Risk Description	Link to Corp Risk
BEN 1	Fail to effectively resource the service to meet demand	COR 9
BEN 3	Impact of Welfare Reform Act	
BEN 6	Impact of ELF scheme	
BEN 7	Benefits subsidy	
BEN 9	Failure to meet Audit requirements	
CUS 3	Failure to deal with complaints to customers satisfaction	
CUS 7	RBC/BDC Fail to ensure the adequate security arrangements for Customer Service Centres	COR 9
REV 4	Failure to effectively manage change	
REV 7	Performance Information data is not robust	
REV 11	Reduced collection rates	
REV 12	Failure to meet Audit requirements	
REV 16	Maintenance and Recovery of Collection Performance Post Covid	
REV 17	Failure of corporate Fraud and Compliance team	
FIN 1	Fail to provide adequate support to managers to manage their budgets	COR10
FIN 4	Fail to effectively manage high value procurements resulting in breach of EU procurement rules.	COR16
ENV 7	Fail to adequately maintain and manage car parking and On Street enforcement	
ENV 9	Avoidable damage to fleet arising from staff behaviour and none compliance	
ENV 10	Fail to ensure adequate Health & Safety across the service	COR 9
ENV 11	Fail to engage with the WCC regarding land associated with highway maintenance	
ENV 20	Workforce planning	COR19
ENV 22	PDMS - New Environmental database	
L&C 2	Fail to ensure the health & safety of the Public / Staff and visitors using services (meeting regulatory requirements)	COR 9
LED 9	Failure to ensure that Council Owned buildings, Property Assets and Facilities remain fit for purpose now and for the future.	
LED 10	Fail to optimise the income from Commercial properties	
LED 11	Fail to effectively manage property assets	
LED 12	Fail to effectively manage the disposal of assets as part of asset disposal programme	
LED 13	Bromsgrove Leisure Contract	COR16
ICT 4	Breach of Data Protection – disclosure of data / staff not aware of guidelines	COR18

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 27<sup>th</sup> July 2023**

ICT 7	Failure to identify, maintain and test adequate disaster recovery arrangements	COR18
ICT 15	Members and Data protection Training	
PLA 11	Loss of effective Building Control service due to changes in legislation / Hackett / Grenfell	COR19
HOU 2	Fail to effectively manage housing repairs and maintenance	COR14
HOU 7	Fail to manage impact of increasing homelessness cases and Recruitment challenges	COR19
HOU 8	Inability to collect rent and rent arrears	
HOU 9	Fail to effectively management leaseholder properties	
HOU 10	Fail to effectively manage capital projects (also the right contracts are put in place, internal and external)	
HOU 11	Potential for an increase in right buys	
HOU 12	Failure to Achieve CQC Compliance at St Davids House	COR14
HOU 14	Failure to complete annual gas Safety Inspections	COR14
HOU 15	Risk of legionella in housing with communal facilities	COR14
HOU 16	Housing Revenue Account	
HOU 19	Failure to comply with Charter for Social Housing and the Regulator	COR14
HOU 21	Non compliance with Asbestos Regulations	COR14
HOU 22	Non compliance with Regulatory Reform (Fire Safety) Order 2005 - Blocks of flats and communal entrances	COR14
HOU 27	Failure to comply with IEE regulations	COR14
HOU 28	Damp and Mould In Council Housing	COR14
COM 3	Safeguarding - Inadequate child and adult protection systems/process.	COR14
COM 16	Lifeline - Impact of the telephony network digital upgrade on the service	
COM 17	Starting Well Partnership – underperformance of contract	COR16
COM 18	Social Prescribing – underperformance of contract	COR16
HR 2	Fail to monitor and respond to changes in employment legislation	COR14

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 27<sup>th</sup> July 2023****Appendix B - 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	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities and Democratic Services	0	0	7	7
ICT	2	4	5	11
Planning Services	0	1	1	2
Housing	1	11	11	23
Community Services	1	1	5	7
HR	0	0	1	1
<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	18
Finance	0	2	2	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities, Democratic Services & Property	0	3	9	12
ICT	2	6	2	10
Planning Services	0	2	1	3
Housing	1	10	10	21
Community Services	0	2	6	8
HR	0	0	1	1
<b>Total</b>	<b>3</b>	<b>36</b>	<b>57</b>	<b>96</b>

The the departmental red risks are:

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 27<sup>th</sup> July 2023**

- REV7 - Revenues - Performance Indicator data is not robust
- 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.

After the Risk Board in December, the number reduced to 62

<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 – 1 in total**

- REV7 - Revenues - Performance Indicator data is not robust

**Audit, Governance and Standards Committee 27<sup>th</sup> July 2023**

**Appendix C - 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	Green	Wyre Forest ICT has effective processes and business continuity plans in place. WFDC upgraded relevant systems including Windows. The service moved to Office 365 during 2021/22, which provides 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  Hidden costs with add-on features	On-going	Low	High	Amber	Current contract due to be re-negotiated in February 2023. Work has commenced on negotiating new contract. The cost of moving systems is prohibitive currently and, whilst the system has its faults, it provides the necessary functionality and will allow the enablement of data transfer from electronic forms.
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	Amber	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 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. Existing BC Plans need updating and reviewing.
Maintain our capacity to achieve service delivery	Disruption to service e.g., Major staff sickness (e.g., flu pandemic) or  Unable to recruit or retain suitably qualified staff.	On-going	Low	Medium	Amber	The pandemic response has shown that the service was well-placed to respond to what was required.. Consultants are available to provide short term cover and, 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.  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.  Regional and sub-regional groups are in place so can provide shared resources for local authorities if required.  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.  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.
Pest contractors cease operations.	Disruption to service.  Negative media coverage.  Increased public health risks	On-going	Low	High	Green	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.

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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	Amber	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 remains difficult and consideration may be given to creating our own capacity.
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	Amber	Issues with the new BDC finance system have mainly been resolved, however some workarounds remain in place due to some unforeseen issues. Development of a self serve recruitment platform has improved recruitment systems.
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	Amber	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 but even this is now fully occupied.
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	Green	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	On-going	Low	High	Amber	Limited detail of what is required for statutory minima can make decision making difficult around what is required in law as a minimum.
	Intervention by Government bodies i.e., FSA, whilst highly unlikely, is damaging to reputation.					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 authority with whom we have the contract	Damage to reputation, loss of future income streams, financial impact of paying damages  Loss of key staff or skills	On-going	Low	High	Green	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 competence of those undertaking work outside Worcestershire. Maintain strong links with the customer's monitoring staff. Intervene early with corrective action. Ensure contingency plans in place if key staff leave to enable contract delivery, to include contractors, staff development and apprenticeship

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Date: 27<sup>th</sup> July 2023**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****THE INTERNAL AUDIT PROGRESS REPORT**

Relevant Portfolio Holder	Councillor Luke Court
Portfolio Holder Consulted	Yes
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 recommend:-****1) the report is noted.****2. BACKGROUND**

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

This section of the report provides commentary on Internal Audit's performance for the period 01<sup>st</sup> April 2023 to 30<sup>th</sup> June 2023.

**Summary Dashboard 2023/24:**

Total reviews planned for 2023/24	15 (minimum)
Reviews finalised to date for 2023/24:	0
Assurance of 'moderate' or below:	0
Reviews awaiting final sign off:	0
Reviews ongoing:	2
Reviews to commence (Q4):	6
High' Priority recommendations reported 2023/24:	0
Satisfied 'High' priority recommendations to date:	N/a
Plan delivery to June 2023:	11%

Since the last progress report presented to the Committee, five 2022/23 reports have been finalised, four 2022/23 reports are at clearance/draft report stage and two 2023/24 reviews have commenced.

Date: 27<sup>th</sup> July 2023**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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Follow Up outcomes are reported in Appendices 4 and 5 and by exception.

All 'limited' or below assurance reviews go before Corporate Management Team for full consideration.

2022/23 AUDITS

The reviews that have been finalised since the last committee update:

- Accounts Payable
- Treasury Management
- Risk Management
- Payroll
- Workshop Licensing Compliance (Critical Review)
- Worcestershire Regulatory Services (Critical Review)

The reviews that are at draft report or clearance stage are:

- ICT (Moderate)
- Council Tax (Moderate)
- National Non-Domestic Rates (Significant)
- Benefits (Significant)

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

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

2023/24 AUDITS TO 30th JUNE 2023

A rolling programme of testing is due to take place during quarters 1 to 3 for Debtors, Creditors and Payroll. The results will be reported during quarter 4.

Critical review audits are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made regarding the audit approach. Where there is significant change taking place due to transformation, restructuring, significant legislative updates or a comparison required a critical review approach will be used. To assist the service area to move forwards challenge areas will be identified using audit review techniques. The percentage of critical reviews will be confirmed as part of the overall outturn figure for the audit programme. The outturn from the reviews will be reported in summary format as part of the regular reporting.

Internal Audit are continuing to consider new processes emerging from the 'new norm' working arrangements that have been necessary to continue to provide

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Redditch residents with services post pandemic. Plan flexibility is required to include and provide assurance on potential areas of change.

Follow up reviews are an integral part of the audit process. There is a rolling programme of review that is undertaken to ensure that there is progress with the implementation of the agreed action plans (Appendix 4). The outcomes of the follow up reviews are reported in full (Appendix 5) so the general direction of travel and the risk exposure can be considered by Committee. An escalation process involving CMT and SMT is in place to ensure more effective use of resource regarding follow up to reduce the number of revisits necessary to confirm the recommendations have been satisfied.

### 3.4 AUDIT DAYS

Appendix 1 provides a summary of delivery. At the 30<sup>th</sup> June 2023 a total of 39 days had been delivered against an overall target of 364 days for the year.

### 3.5 OTHER KEY AUDIT WORK

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

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

#### National Fraud Initiative

- 3.6 National Fraud Initiative data set uploads are planned for December 2023 and January 2024. The results from the 2022/23 uploads are currently being investigated by the various Service areas who are working through them and taking appropriate action. WIASS continue to provide advice and assistance regarding the process.

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## **AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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### **Monitoring**

- 3.7 To ensure the delivery of the 2023/24 plan and any revision required there continues to be close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Head of Internal Audit Shared Service remains confident his team have provided the required coverage for the year to ensure an internal audit opinion can be reached using reviews from the authority's core financial systems, as well as other systems. Changes to the plan have been discussed with the s151 Officer and reported to Committee.

### **4. FINANCIAL IMPLICATIONS**

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

### **5. LEGAL IMPLICATIONS**

- 5.1 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".

### **6. STRATEGIC PURPOSES - IMPLICATIONS**

#### **Relevant Strategic Purpose**

- 6.1 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**

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

### **7. OTHER IMPLICATIONS**

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

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

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**Operational Implications**

7.2 There are no new operational implications arising from this report.

**8. RISK MANAGEMENT**

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

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

**9. APPENDICES and BACKGROUND PAPERS**

Appendix 1 ~ 2023/24 Internal Audit Plan summary of delivery

Appendix 2 ~ 2023/24 Plan progress

Appendix 3 ~ 2022/23 Finalised audit reports including definitions

Appendix 4 ~ Follow Up Programme Overview

Appendix 5 ~ Follow Up Reports recently issued

Date: 27<sup>th</sup> July 2023

## AUDIT, GOVERNANCE & STANDARDS COMMITTEE

### APPENDIX 1

#### Delivery against Internal Audit Plan for 2023/24 1<sup>st</sup> April 2023 to 30<sup>th</sup> June 2023

Audit Area	2022/23 Plan Days	Days used to 30 <sup>th</sup> June 2023
Core Financial Systems (see note 1)	115	8
Corporate Audits	71	0
Other Systems Audits (see note 2)	124	26
<b>SUB TOTAL</b>	<b>310</b>	<b>34</b>
Audit Management Meetings/		
Corporate Meetings / Reading		
Annual Plans, Reports and Audit Committee Support	54	5
Other chargeable (see note 3)	0	0
<b>SUB TOTAL</b>		
<b>TOTAL</b>	<b>364</b>	<b>39</b>
<b>Rubicon</b>	<b>10</b>	<b>0</b>

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year-end. A rolling programme continues regarding Debtors, Creditors and Payroll to maximise coverage and sample size. The overall results will be reported during Q4.

Note 2: Several budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters potentially resulting in unallocated days.

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**

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**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

**Appendix 2**

**2023/24 Internal Audit Plan**

Audit Area	Corporate Link	Risk Register Reference			Proposed Resource 2023/24	Indicative Planned Qtr.	Progress to Date
<b>FINANCIAL</b>							
Debtors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			17*	3 to 4	Commenced Rolling Programme
Main Ledger/Budget Monitoring Returns/Bank Rec. (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			30*	3 to 4	
Creditors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			17*	3 to 4	Commenced Rolling Programme
Treasury Management	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			6*	2	
Council Tax	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			8*	1 to 3	Completion of 2022/23 required
Benefits	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			10*	1 to 3	Completion of 2022/23 required
NNDR	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			8*	1 to 3	Completion of 2022/23 required

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## AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Audit Area	Corporate Link	Risk Register Reference			Proposed Resource 2023/24	Indicative Planned Qtr.	Progress to Date
Payroll	Enabling & Contractual Obligation	COR17 - Resolution of the approved Budget Position in both Councils			19	1 to 3	
<b>Sub TOTAL</b>					<b>115</b>		
<b>CORPORATE</b>							
IT Audit	Fundamental to strategic purpose delivery	COR18 – Protection from Cyber Attack			15*	3 - 4	
Risk Management Embedding (note 2)	Fundamental to strategic purpose delivery	S151 request			10*	3 - 4	
Corporate anti-fraud and corruption	Fundamental to strategic purpose delivery	COR - Cost of Living			5*	2	
Procurement and Contract Management (note 3)	Fundamental to strategic purpose delivery	COR16 – Management of Contracts & S151 request			8*	4	
Corporate Data Quality and Usage (Critical Friend)	Fundamental to strategic purpose delivery	S151 request			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			8*	2	
Grants (Various incl. Disabled Facilities Grants)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			15	1 to 4	Not required during Q1



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Audit Area	Corporate Link	Risk Register Reference			Proposed Resource 2023/24	Indicative Planned Qtr.	Progress to Date
<b>Sub TOTAL</b>					<b>71</b>		
<b>SERVICE DELIVERY</b>							
<b>Community &amp; Housing Service</b>							
Housing Revenue Account	Finding Somewhere to Live	S151 request			20	4	
Temporary Accommodation	Finding Somewhere to Live	S151 request			10	4	
Right to Buy	Finding Somewhere to Live	Local Knowledge/Intelligence			10	2	
<b>Human Resources</b>							
Organisational Processes	Fundamental to strategic purpose delivery	COR19 – Adequate Workforce Planning & S151			10	2	
<b>Sub TOTAL</b>					<b>55</b>		
<b>Other Operational Work</b>							
Advisory, Consultancy & Contingency	Operational support	N/a	N/a		20	1 - 4	Ongoing
Fraud & Investigations incl. National Fraud Initiative	Operational support	N/a	N/a		15	1 - 4	Ongoing

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## AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Audit Area	Corporate Link	Risk Register Reference			Proposed Resource 2023/24	Indicative Planned Qtr.	Progress to Date
Completion of prior year's audits	Operational support	N/a	N/a		12	1	Ongoing
Report Follow Up (all areas)	Operational support	N/a	N/a		15	1 - 4	Ongoing
Statement of Internal Control	Operational support	N/a	N/a		6*	1 & 4	
Bus Operators Return	Operational support	N/a	N/a		6	1 & 3	
Sub TOTAL					74		
							Ongoing
Audit Management Meetings	Operational support	N/a	N/a		54	1 to 4	
Corporate Meetings / Reading	Operational support	N/a	N/a				
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a				
Sub TOTAL					54		
TOTAL					364		

Rubicon Leisure	Arms-length LA Company	N/a	N/a		10	10	
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## **Audit, Governance & Standards Committee**

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

### **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.

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

### APPENDIX 3

Appendices A & B are indicated below and are applied to all reports.

#### Appendix A

#### Definition of Audit Opinion Levels of Assurance

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

**Appendix B**  
**Definition of Priority of Recommendations**

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

**2022/23 Audit Reports.**  
Recently Finalised Reports.

## **Worcestershire Internal Audit Shared Service**



### **Final Internal Audit Report**

### **Accounts Payable 2022/23**

**4<sup>th</sup> April 2023**

**Distribution:**

To: Creditor, Debtors and Insurance Manager  
Head of Finance and Customer Services  
CC: Chief Executive  
Interim Section 151 Officer

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

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### 1. Introduction

- 1.1 The audit of Accounts Payable was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 as approved at the Audit, Governance and Standards Committee on 28<sup>th</sup> July 2022 and for Bromsgrove District Council as approved at the Audit, Standards and Governance Committee on 21<sup>st</sup> July 2022. The audit was a risk-based systems audit of Accounts Payable system as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 This review does not relate directly to the strategic purposes but does underpin them as it is the system that is used to make payments for goods and services.
- 1.3 The following risk entries from the corporate risk register were relevant to this review: -
  - COR 20 – Financial Provision Rectification

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

- 1.4 There is a potential fraud risk in the form of invoice fraud, fraud through collusion, phishing E-mails and scams if controls are not in place and working effectively.
- 1.5 This review was undertaken during the months of November 2022 to February 2023.

### 2 Audit Scope and objective

- 2.1 This review has been undertaken to provide assurance that robust controls and risk management arrangements are in place to mitigate risks known to exist within any creditor system/process.
- 2.2 The scope covered:
- Purchase order process including the authorisation process/levels and banding of authorisation permissions.
  - Invoice payment process/Prompt payment code/Goods receipting
  - Access rights - Officer profiling has been set up correctly and accounts are being updated when officers have left the organisation.
  - New supplier accounts are being set up correctly and the correct procedure is being adhered to - suppliers accounts can only be set up once there is evidence of 3 quotes on file.
  - Change of suppliers' details minimises the risk of fraud.
- 2.3 This reviewed covered the period from 1<sup>st</sup> April 2022 to February 2023.

### 3 Audit Opinion and Executive Summary

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



## Audit, Governance & Standards Committee

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27<sup>th</sup> July 2023

- 3.2 We have given an opinion of **moderate assurance** in this area because the system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.
- 3.3 The review evidenced that a lot of work has been undertaken by the payments team to implement controls to mitigate the risks highlighted in the previous year's review Some of the key areas where improvements were identified include: -
- Setting up a new supplier – In July 2022 new supplier forms were introduced; New Suppliers must now be approved by Procurement prior to finance adding the new supplier to the finance system.
  - The system will no longer allow officers to both raise and approve invoices; this has to be completed by two separate officers.
  - Fasttrack payments are minimal and have a robust process which has to be approved by the Section 151.
  - Accounts payable Suspense accounts are cleared regularly.
- 3.4 The review found the following areas of the system were working well:
- New supplier accounts are being set up correctly and amended accurately when required.
  - Invoice payment process –
    - Requisitions are being raised correctly.
    - Prompt payment code/Goods receipting is being issued
    - Purchase orders are being raised correctly.

## Audit, Governance & Standards Committee

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

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

	Priority (see Appendix B)	Section 4 Recommendation number
Approval of orders	High	1
User access	High	2
Raising of Purchase Orders	Medium	3

## 4 Detailed Findings and Recommendations

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

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>New matters arising</b>					
1	H	<b>Approval of orders</b>  The review found that:  1) The authoriser can approve orders without going on the system by clicking an "approve" button contained within the notification email and can therefore approve orders	There is a high risk of reputational damage and financial loss to the Council if authorisers are authorising an order without knowledge of what the item is.	There needs to be clear controls in place to mitigate the risk of orders being authorised incorrectly.  Orders should not be approved unless the authoriser has read and	Management agrees with this recommendation. Whilst requisitioners and authorisers/budget managers will have had the opportunity to attend training on the purchase ordering system, further financial training is being rolled out across

**Audit, Governance & Standards Committee**

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

		<p>without reading what the goods/services being authorised is.</p> <p>2) An officer who has no knowledge of the goods/services being procured has access to approving orders if they are in the same pool against another services budget.</p> <p>3) If a cost code is input incorrectly, then the approval request may get emailed to another pool of authorisers and if approved the spend would come out of another services budget code.</p>		<p>understood what they are approving. Firstly the pools of authorisers should be reviewed to ensure that these are appropriate, any changes that can be implemented via the system should be investigated and then training should be undertaken to ensure that all officers know their responsibility when authorising an order.</p>	<p>the organisation to ensure that all officers are aware of their financial responsibilities.</p> <p>We will undertake a review of the authorisation pools and investigate removing the ability to approve an order without accessing the system.</p> <p><b>Responsible Manager:</b> Creditor, Debtors and Insurance Manager</p> <p><b>Implementation date:</b> October 2023</p>
2	H	<p><b>User access</b></p> <p>The review identified that:</p> <p>1) There are 36 profiles set up with full access to the system, of which 19 are active and are 3<sup>rd</sup> party users.</p> <p>2) it is accepted that for 3<sup>rd</sup> party users working remotely and from abroad there is a need to have the access open to work outside of IT working hours. However, these remain open after the work has been completed with no monitoring.</p>	<p>Corruption of data and orders processed and authorised fraudulently leading to financial and reputational damage.</p>	<p>To undertake a review of all live users and determine if access is still required to the system. A review to be undertaken on a yearly basis to ensure that all access remains appropriate.</p> <p>With the risk of 3<sup>rd</sup> party users who have full access to the system, there needs to be a process in place to approve the opening of third-party access as required and then</p>	<p>Management agrees with this recommendation.</p> <p>At the point of writing, a review of active users with full access to the system has been undertaken. This review resulted in 1 council and 7 third party users system access being disabled. The remaining users are either council employees or TechOne consultants who provide system support to the council. If users have not accessed the system for</p>

## Audit, Governance & Standards Committee

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

		<p>3) Access is not being kept to a minimum as there are 326 active users on the finance system of which 179 users can approve Orders. No justification could be evidenced to reflect the reason why the total amount of users highlighted was required.</p> <p>4) There is no clear audit trail report that can be pulled from the system to highlight a user's activity in the event an investigation is required for fraudulent activity.</p> <p>5.) Leavers are not disabled from the system until Human Resources make system admin aware which is taking place once every three months. However a valid Microsoft account would be required to access the system and this is closed at the point of hem leaving.</p>		<p>once they have completed the work these must be closed down and not remain constantly open.</p> <p>Work needs to take place with HR to ensure that all leavers' accounts are suspended as close to the date that users leave the authority as possible.</p> <p>To discuss with the system developer the potential for the generation of reports that can provide an audit trail into user activity as a prevention in the event fraud takes place.</p>	<p>3 months, access will be disabled.</p> <p>Work is ongoing to ensure a robust leavers system process is in place. In addition to this, a full review of all user access and access to reports will be undertaken.</p> <p><b>Responsible Manager:</b> Creditor, Debtors and Insurance Manager</p> <p><b>Implementation date:</b> October 2023</p>
3	M	<p><b>Raising of Purchase Orders</b></p> <p>Out of 100 transactions tested across both authorities 10 were found where the Purchase Orders</p>	<p>There is a risk of Financial loss/reputational damage to the authority if payments are made without appropriate</p>	<p>As part of the on-going journey to improve the process in the Accounts payable system, and to make</p>	<p>From 1<sup>st</sup> April 2023, the council has implemented a no purchase order no payment process to ensure that all departments are</p>

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

		were raised after the invoice date/service was received.	controls in place over the raising of Purchase Orders/Goods Receipts.	sure late payments are kept to a minimum training to be undertaken in areas where purchase orders are not raised prior to the supply of goods and services.	<p>compliant with the procurement process. This should therefore remove the issue of purchase orders being raised after the invoice is received.</p> <p>The Finance team will work closely with the Procurement team to identify any areas that may require additional training or support.</p> <p><b>Responsible Manager:</b> Creditor, Debtors and Insurance Manager</p> <p><b>Implementation date:</b> April 2023</p>
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### 5. Independence and Ethics:

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

Head of Internal Audit Shared Services

## **Worcestershire Internal Audit Shared Service**



### **Final Internal Audit Report**

### **Light Touch Treasury Management 2022/23**

**24<sup>th</sup> March 2023**

**Distribution:**

To: Technical Accountant  
Financial Services Manager

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

Cc: Head of Finance and Customer Services

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## 2. Introduction

- 1.1 The light touch audit of Treasury Management was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 as approved by the Audit, Governance and Standards Committee on 28<sup>th</sup> July 2022 and for Bromsgrove District Council as approved by the Audit, Standards and Governance Committee on 21<sup>st</sup> July 2022. The light touch audit was a risk based systems audit of Treasury Management as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 This area is a back office function and therefore underpins all of the strategic purposes.
- 1.3 There are no Corporate or Service Risks that were relevant to this review.

## Audit, Governance & Standards Committee

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27<sup>th</sup> July 2023

- 1.4 There is a potential for fraud in this area with the transfer of funds fraudulently to personal or third-party bank accounts.
- 1.5 This review was undertaken during the month of February 2023.

### 2 Audit Scope and objective

- 2.1 A full audit was undertaken in 2020/21 with no concerns raised. In 2021/22 a light touch review gave significant assurance so this year a light touch audit has been undertaken to provide assurance that controls are still in place and operating effectively. 2023/24 will be a full review of Treasury Management.
- 2.2 The review covered authorisation of investment and borrowings, compliance with the Treasury Management Strategy in relation to Institutions invested in, the limits invested, and the interest received and paid. In addition to this the 2021/22 audit findings were also followed up.
- 2.3 This review covered processes in place at the time of the audit.

### 3 Audit Opinion and Executive Summary

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



## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

- Investments and borrowings are in line with the Treasury Management Strategy
- Interest is received/paid in line with agreed rates.

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

	Priority (see Appendix B)	Section 4 Recommendation number
Reconciliations	Medium	1

## 4 Detailed Findings and Recommendations

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

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Issues brought forward from previous audit</b>					
1	M	<b>Reconciliation</b>  The Treasury Management Transactions are not recorded in the Main Ledger in a timely manner.	Potential for financial loss if transactions are not tracked and monitored to identify any unaccounted-for transactions.	Treasury Management transactions to be recorded in the main ledger in a timely manner.	The Finance team will ensure that reconciliations are undertaken in a timely manner during 2023/24.

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

		No reconciliations are undertaken between the investment spreadsheet and the Main Ledger.		Reconciliations to be undertaken on a quarterly basis as a minimum.	<b>Responsible Manager:</b> Financial Services Manager  <b>Implementation date:</b> 30 <sup>th</sup> April 2023
<b>New matters arising</b>					
There were no new risks or control issues from the testing that require reporting.					

### 5. Independence and Ethics:

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

### Head of Internal Audit Shared Services

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**Worcestershire Internal Audit Shared Service**



**Final Internal Audit Report**

**Risk Management 2022 - 23**

**24<sup>th</sup> April 2023**

**Distribution:**

To: Interim Section 151 Officer

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

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### 1. Introduction

- 1.1 The audit of the Risk Management system was carried out in accordance with the Draft Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 to be presented to the Audit, Governance and Standards Committee on 28<sup>th</sup> July 2022 and for Bromsgrove District Council to the Audit, Standards and Governance Committee on 21<sup>st</sup> July 2022. The audit was a risk-based systems audit of the Risk Management System as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 Risk management is a function underpinning all corporate priorities and objectives.
- 1.3 Risk Management underpins all corporate & service risks. The 4Risk system is the risk register and all entries are relevant to this review.
- 1.4 This review was undertaken during the months of February and March 2023.

## **2. Audit Scope and objective**

- 2.1. This review has been undertaken to provide assurance that robust systems of risk management are in place with corporate management overview, with a culture of risk management embedded throughout the authority.
- 2.2. The scope covered:
- Consistent and appropriate use of the 4Risk system.
  - Management of risk appetite and risk training.
  - Service approaches to risk are consistent and defined. Risks that are deemed to be tolerable are not recorded as open on 4Risk.
  - Members are reported to and involved in risk discussions.
- 2.3 The review covered processes and policies in place at the time of the audit.
- 2.4 This review did not cover:
- External audit reviews and findings.
  - Assessment and scoring of risks.

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

### 3. Audit Opinion and Executive Summary

- 3.1. From the audit work carried out we have given an opinion of **moderate** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.
- 3.2. We have given an opinion of **moderate** in this area because there is a sound system of control in place but that some of the expected controls are not in place and / or are not operating effectively therefore assurance can only be given over the effectiveness of controls within some areas of the system.
- 3.3. The review found the following areas of the system were working well:
- Direction, guidance, and leadership from the Section 151 to risk champions was consistently praised.
  - Risk champions acted upon their responsibilities and displayed a desire for successful risk management.
  - The Audit, Standards and Governance committee is receiving detailed updates from officers.
  - The embedding of risk management across the councils and its services is developing.
  - There is improved focus within the councils towards risk. There were 119 departmental risks, due to the management of the risk officer board they are reduced to 58 meaningful risks. Further embedding is now planned.
- 3.4. The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
4Risk User Access, Risk and Action Ownership, Management and Training.	High	1
Risk Strategy and Manuals	Medium	2

## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

### 4. Detailed Findings and Recommendations

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

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>New matters arising</b>					
1	H	<b>4Risk User Access, Risk and Action Ownership, Management and Training.</b> <ol style="list-style-type: none"> <li>1. Testing highlighted that several users known to have ceased employment at the council retained user access and risk/action ownership.</li> <li>2. Risk and action ownership was not always assigned.</li> <li>3. Data input was inconsistent in the corporate risk register. Notably entries for risk control, residual risk priority and action required were missing from several risks.</li> <li>4. The review functionality is not in use on a corporate level and inconsistently used on a service level. Whilst assurance can be provided that corporate and service risks are reviewed, the</li> </ol>	<p>Successful management of risk hampered by lack of historical data because of absent reviews, unidentified persons responsible.</p> <p>Risk of external access to system. Users maintain access until password expires if account not deactivated.</p>	<p>A full review of users is required to ensure that past staff members are removed from the system.</p> <p>Risk/action ownership must be assigned or reallocated to an appropriate user. Owners must ensure all risks have appropriate data fully input into the system and review functionality for risks and actions is used.</p> <p>Identify where in the 4Risk system explanatory notes are held and who can view them. Ensure that explanatory</p>	<p><b>Responsible Manager:</b> Interim Section 151 Officer</p> <p>A full review will be undertaken of users, including the Risk Owner and the Delegated Risk Owner to ensure these line up with present roles and responsibilities. This will include a link to the departmental risk lead who sits on the quarterly risk board and is responsible for formally reporting those departments risks.</p> <p>As part of this process links will also be made between Corporate Risks and Department Risks.</p> <p>Guidance will be reviewed on 4 Risk reporting, especially at departmental level, to ensure</p>

# Audit, Governance & Standards Committee

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

		<p>same assurance cannot be provided that risk actions are reviewed. Action reviews are not consistent. Explanatory notes added when reviewing risks could not be found on the system. There is currently no method to identify how services reviewed risk.</p> <p>5. A consistent corporate training programme has not been provided in recent years. Ownership for training has been on individual services/users. There are no parameters set for the quantity and quality of content in recent years.</p>		<p>notes are available to relevant management.</p> <p>A corporate training programme must be set up to develop high standards of risk management and consistent use of the 4Risk system. This should include initial introduction to new users, system processes and refresher training.</p>	<p>monthly risk reviews taking place have access to the pertinent information. This will include training on systems access for those who are required to access 4 Risk.</p> <p>Overall risk training will be added to the finance training plan however this will not take place until later in 2023 given the volume of finance related training taking place in Q1 and Q2 of the 2023/4 financial year.</p> <p><b>Implementation date:</b> 31<sup>st</sup> July 2023 apart from the wider Corporate Training which will be by 30 December 2023. (see point below)</p>
2	M	<p><b>Risk Strategy and Manuals</b></p> <p>The risk strategy does not reflect the current approach to risk management within the council.</p> <p>Not all staff members are aware of the council's risk strategy.</p> <p>Policies and documents are not up to date on modern gov websites for both councils. These include risk registers and risk strategy.</p>	<p>Inconsistencies in risk approach with any of the possible ramifications for corporate or service risks including but not limited to: resource sink, downtime, reputational damage and financial implications.</p>	<p>To ensure that the council's risk strategy and associated documents reflect the Council's current approach to risk.</p> <p>Risk strategy must be communicated to all staff.</p> <p>To remove old copies of risk registers and strategies and</p>	<p><b>Responsible Manager:</b> Interim Section 151 Officer</p> <p>The underlying Risk Strategy was formulated via Zurich in 2019. Since this time the way that the Council operates and how the Government funds Councils has changed considerably. Before the initial 2023/4 Audit Committees on the</p>



## Audit, Governance & Standards Committee

27<sup>th</sup> July 2023

			Inefficient processes towards the management of risk.	then pending the review publish up to date documents.	<p>30<sup>th</sup> May and the 1<sup>st</sup> June Member appetite to Risk will be assessed.</p> <p>This will be fed into a review of the Councils overall Risk Strategy which will update the existing plan to reflecting how the Council works now and Risks have potentially changed due to this.</p> <p>This will include Risk Management recommendations from the Audit Committee Task Group on why the Council received a S24 Statement reported to Bromsgrove Audit Committee on the 9<sup>th</sup> March 2023.</p> <p>The updated Strategy will then be presented to CMT and then both Audit Committees for approval before implementation.</p> <p><b>Implementation date:</b> September 2023</p>
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### 5. Independence and Ethics:

## **Audit, Governance & Standards Committee**

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

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

### **Head of Internal Audit Shared Services**

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**Worcestershire Internal Audit Shared Service**



**Final Internal Audit Report**

**Payroll Audit 2022/23**

**Date 24th April 2023**

**Distribution:**

To: Payroll Team Leader  
Human Resources & Development Manager  
Head of Finance and Customer Services

CC: Financial Services Manager  
Interim Director of Finance and S151 Officer

## Audit, Governance & Standards Committee

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27<sup>th</sup> July 2023

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### 3. Introduction

- 1.1 The audit of the Payroll system was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 as approved by the Governance and Standards Committee on 28<sup>th</sup> July 2022. The audit was a risk based systems audit of the Payroll System as operated by Redditch Borough Council.
- 1.2 This review does not relate to any of the Strategic Purposes directly but does underpin them as it is the system used to pay the salaries to all officers.
- 1.3 There are no risks on the corporate risk register relevant to this review. The service risk relevant to this review is:  
FIN 3 - Unable to provide payroll service at key times
- 1.4 This review was undertaken during the months of December 2022, January and February 2023.

## Audit, Governance & Standards Committee

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27<sup>th</sup> July 2023

### 2 Audit Scope and objective

- 2.1 This review has been undertaken to provide assurance that only Bona Fide employees were paid, that payments were made in a timely manner, are accurate and all adjustments, special leave and additional pay were only actioned upon authorisation.
- 2.2 The scope covered:
- Starters and Leavers
  - Payslip calculations for Council employees and members are correctly calculated including PAYE, National Insurance and pensions.
  - Special Leave is being correctly authorised and correctly processed through the system.
  - Additional Pay – e.g., Honorariums are being correctly authorised and correctly processed through the system.
  - Follow up of 2021-22 audit recommendations.
- 2.3 This reviewed covered the period from 1<sup>st</sup> April 2022 to 3<sup>rd</sup> February 2023
- 2.4 This review did not cover
- Payroll reconciliations
  - 3rd party payments
  - Wyre Forest District Council Payroll
  - Rubicon Payroll
  - The setting of pay rates

### 3 Audit Opinion and Executive Summary

- 3.1 From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been

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defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.

- 3.2 We have given an opinion of **significant assurance** in this area because there is a generally sound system of internal control in place, but our testing has identified isolated weaknesses in the design of controls and / or inconsistent application of controls in a small number of areas.
- 3.3 The review found the following areas of the system were working well:
- Employees are bona fide.
  - NIC, PAYE and Pensions have been correctly calculated.
  - Actions from the 2021/22 have been completed.
- 3.4. While this review did not highlight any concern over the inputting of information by payroll Internal Audit are concerned there is potential for human error when relying solely on the information provided on the set forms/spreadsheet due to the inconsistency and poor quality of information provided to the Payroll Team from Service Managers.
- 3.4 The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
Honorariums	Medium	1
Special Leave/Documentation	Low	2

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### 4 Detailed Findings and Recommendations

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

Ref.	Priority	Finding	Risk	Recommendation	Management Response/Action Plan
<b>New matters arising</b>					
1	M	<b>Honorariums</b>  There is no council policy or guidance on awarding honorariums.  Testing identified: <ul style="list-style-type: none"> <li>2 employees that had been awarded honorariums for over 4 continuous years. This service has also been in an interim structure for the same period.</li> </ul>	Impact on the employee's personal circumstances.	Decide what a Council defines as an honorarium and provide guidance to managers.  Address the Interim structure within the Finance and Customer Service Team as a priority.	<b>Management Response and Action</b> Management agrees with the recommendation that further guidance will help managers to complete forms correctly, including those relating to honorarium requests. We will review and update forms and guidance.  The Head of Finance and Customer Services agrees with the recommendation to address the interim structure within Finance and Customer Services. Work is currently ongoing to resolve this.  <b>Responsible Managers</b> Human Resources and Organisational Development Manager and Head of Finance and Customer Services  <b>Implementation Date</b> December 2023
2	L	<b>Special Leave/Documentation</b>			

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		<p>The Special Leave Policy found on the Orb has a next review date of December 2020.</p> <p>The Special Leave form / spreadsheet submitted to HR/Payroll doesn't capture the relationship to the deceased. Therefore, Internal audit are not able to give assurance that the special leave process has been correctly followed against the criteria.</p> <p>Testing identified an Inconsistent approach from line managers submitting information. The Spreadsheet is not being completed correctly and not all forms are being fully completed.</p>	<p>With a manual process there is the risk of human error in the recording and processing of information which has the potential to result in employees incorrectly paid.</p>	<p>The Council should review the current manual process including the forms and spreadsheet to ensure they are user friendly, practical and relevant for the services, HR and Payroll. These forms need to be completed correctly to provide the Council with an audit trail in the event of a challenge.</p> <p>Consider the use of Microsoft forms for Managers to submit information to HR and Payroll. These could also provide Management with statistical information.</p>	<p><b>Management Response</b> Management agrees with this recommendation. The existing forms and spreadsheet were developed as an interim solution during the early stages of the Covid-19 pandemic and corresponding changes in working practices.</p> <p><b>Action</b> The HR and Payroll teams will review all forms to ensure that they are capturing the required information and will ensure that guidance for managers is clear.</p> <p><b>Responsible Managers</b> Human Resources and Organisational Development Manager and Payroll Team Leader</p> <p><b>Implementation Date</b> December 2023</p>
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### 5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.



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- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

### **Head of Internal Audit Shared Services**

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## Overview of 2023/24 Follow Up Programme

**Appendix 4**

	<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>Position and Conclusion</b>
RBC	21/22	Procurement	Limited	2 <sup>nd</sup>	May-23	Q1	All points implemented – Report - Appendix 5 No further action required
RBC	21/22	General Data Protection Regulation	Moderate	2 <sup>nd</sup>	Jul-23	Q2	1 recommendation implemented and 2 partially implemented. Further follow up to be arranged and linked to GIS/Gazetteer Phase 1.
RBC	21/22	Asbestos	Significant	1 <sup>st</sup>	Apr-23	Q1	Awaiting management response
RBC	21/22	Gas Inspections	Significant	1 <sup>st</sup>	Apr-23	Q1	Awaiting management response
RBC	22/23	GIS/Gazetteer Phase 1	Critical Review	1 <sup>st</sup>	Jul-23	Q2	To be arranged and linked to the General data Protection regulation.
RBC	22/23	Accounts Payable	Moderate	1 <sup>st</sup>	Nov-23	Q3	To be included in 23/24 Audit
RBC	22/23	IT Review	Moderate	1 <sup>st</sup>	Jan-24	Q4	To be included in 23/24 Audit
RBC	22/23	Treasury Management	Significant	1 <sup>st</sup>	Jul-23	Q2	To be included in 23/24 Audit

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	<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>Position and Conclusion</b>
RBC	22/23	Accounts Receivable	Limited	1 <sup>st</sup>	Dec-23	Q3	To be included in 23/24 Audit
RBC	22/23	Council Tax	Moderate	1 <sup>st</sup>	Nov-23	Q3	To be included in 23/24 Audit
RBC	22/23	National Non-Domestic rates	Significant	1 <sup>st</sup>	Nov-23	Q3	To be included in 23/24 Audit
RBC	22/23	Benefits	Significant	1 <sup>st</sup>	Nov-23	Q3	To be included in 23/24 Audit
RBC	22/23	Workshop Licensing Compliance	Critical Friend	1 <sup>st</sup>	Dec-23	Q3	To be arranged
RBC	22/23	Fuel Usage and Efficiency	Moderate	2 <sup>nd</sup>	Aug-23	Q2	To be arranged
RBC	22/23	WRS- Animal License Activity	Critical Friend	1 <sup>st</sup>	Sept-23	Q2	To be arranged
RBC	22/23	Homelessness Grants	Moderate	1 <sup>st</sup>	Jul-23	Q2	To be arranged
RBC	22/23	Risk Management	Moderate	1 <sup>st</sup>	Sept-23	Q2	To be arranged
RBC	22/23	Payroll	Significant	1 <sup>st</sup>	Sept-23	Q2	To be included in 23/24 Audit

Note:  
There are no exceptions to report.

2023/24 Review areas will be added to the table when they become due for a follow up visit.

**Follow Up Reports**

**Worcestershire Internal Audit Shared Service**



**Procurement 2021/22**

**2<sup>nd</sup> Follow-up Report – 19<sup>th</sup> June 2023**

**Distribution:**

To: Procurement Officer  
Senior Solicitor, Contracts, Commercial and Procurement Officer  
Head of Legal, Democratic and Property Services  
Section 151 Officer

Cc: Chief Executive

## Audit, Governance & Standards Committee

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APPENDIX B.....	<b>Error! Bookmark not defined.</b>

### Section A - Justification of Audit Follow-up Approach

The date of the final audit Report was 14/06/2022 with the first follow up report on 25/11/2022 and is being followed up again because:

- 1 high priority recommendation remained outstanding; and
- At least 6 months have passed since the previous follow-up:

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

The following audit approach has therefore been applied:

1. The 1 'high' priority recommendation outstanding from the first follow up has been updated with the current position.
2. Where required recommendations against weaknesses in key controls have been tested.

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### Section B - Conclusion - Current Position statement

The original audit report gave **Limited Assurance** over the control environment, and this was the 2<sup>nd</sup> follow-up. The first follow up found that 1 medium recommendation had been implemented and was not included in this report.

From the explanations received and the evidence provided, internal audit was satisfied that further progress has been made in relation to the high priority recommendation and this has now been fully implemented.

As Internal Audit is satisfied that the risk to the Council has been mitigated no further follow-up will be required.

This follow up was undertaken during the month of June 2023.

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## Section C – Current Position

<b>Ref./ Priority</b>	<b><u>Recommendation</u></b>	<b><u>Management Response and Action Plan</u></b>	<b><u>1<sup>st</sup> Follow up Position as at 26<sup>th</sup> October 2022</u></b>	<b><u>2nd Follow up Position as at 14<sup>th</sup> June 2023</u></b>
<b>1 High</b>	<p><b>Compliance of the procurement rules and purchases made</b></p> <p>To work with finance to implement phase 2 of the finance system which will in turn enable more functionality to block users ordering without permission and allow better monitoring of new procurement projects.</p> <p>To conduct appropriate meetings with each individual service and understand what is preventing the service from contacting procurement about new supplier contracts and understand what is preventing services from complying with the procurement rules.</p> <p>To consider having regularly procurement meetings with the Head of Service so that concerns can be raised and addressed and where possible appropriate sanctions can be given.</p>	<p>A meeting took place on 9<sup>th</sup> May 2022 between Finance and the Procurement Team.</p> <p>It was agreed that an action plan would be developed to cover the following areas:</p> <ol style="list-style-type: none"> <li>1. Review of thresholds and rules - The review was completed on 11<sup>th</sup> May 2022. There was no requirement to change thresholds, but it was agreed some improvements were required on the instructions for each stage which as at 13<sup>th</sup> June 2022 are in draft awaiting final approval.</li> <li>2. Training (content, attendees, when, how etc) – training slides have been updated and as of 13<sup>th</sup> June 2022 dates are to be booked for training sessions in September 2022. (2 weeks)</li> <li>3. Financial systems &amp; processes - April 23 is the target for this to embed this across the authorities prior to rolling out the official Policy.</li> </ol>	<p><b>Partially Implemented</b></p> <p>Although some changes have been made within the Procurement Rules to help with the compliance aspects, this action is still to be fully implemented.</p> <p>Since the review, wording on the orb has been updated to help users better understand the Procurement Rules and the Procurement Team are currently reviewing the Procedure Rules. This is to be finalised by Q1 2023.</p> <p>In September 2022 training was also undertaken to help embed the Procurement Rules.</p> <p>A new module within the financial system is still in development to enable all purchases that involves procurement to have a clear sign off procedure prior to spending being undertaken.</p>	<p><b>Implemented</b></p> <p>Since the last review there has been a review of the thresholds in place and the decision was to keep the current thresholds the same. A further review will take place once the procurement white paper has been through Parliament.</p> <p>The financial system has been updated so that all new suppliers must have a new supplier form attached to the system which must have been signed off by Procurement.</p> <p>On 1<sup>st</sup> April 2023 Procurement have introduced a new purchasing compliance which will not allow services to raise purchase orders on the finance system except to suppliers that have been actively confirmed as compliant with a contract listed on</p>

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<b>Ref./ Priority</b>	<b><u>Recommendation</u></b>	<b><u>Management Response and Action Plan</u></b>	<b><u>1<sup>st</sup> Follow up Position as at 26<sup>th</sup> October 2022</u></b>	<b><u>2nd Follow up Position as at 14<sup>th</sup> June 2023</u></b>
	Finally to update the procurement section on the orb and include text to inform staff that they must communicate with procurement on spends of all values of the procurement rules so that procurement is in the loop about all suppliers/frameworks used.	<p>4. Senior Leadership Culture and Management – Action plan reported to CMT 11<sup>th</sup> May 2022. Heads of Service to be included in training and CMT to champion each training session. 13<sup>th</sup> June 2022 it has been agreed that Legal and Procurement Leads to meet with Heads of Service quarterly to review procurement matters as part of raising the profile of compliance. Also there are more communication messages planned to embed this with staff.</p> <p><b>Responsible Manager:</b> Executive Director of Resources in conjunction with the Interim Head of Finance and Customer Services and the Head of Legal, Democratic and Property Services</p> <p><b>Implementation date:</b> Ongoing as above with final action by 30<sup>th</sup> April 2023.</p>	<p>This system update is due to be implemented by April 2023. As well as this, an interim manual control has been put in place where all new suppliers must be authorised by procurement, otherwise Finance will not allow any spending to occur. Existing suppliers will be monitored more actively from April 2023.</p> <p>Quarterly meetings occur with the Heads of Service to review procurement matters as part of raising the profile of compliance.</p>	<p>the ERP: no compliance, no order.</p> <p>Since the first follow up a new Procurement channel has been developed on Microsoft Teams to enable services within the Council to discuss and ask questions.</p> <p>As part of continued development the procurement page on the orb no longer gets updated and instead there is a 'how to procure' section within the channel on Teams / SharePoint to allow staff easier visibility.</p> <p>Monthly meetings now take place with Heads of Service and new suppliers forms are scrutinised prior to approval to ensure compliance with Procurement rules.</p>



**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 27<sup>th</sup> July 2023****Financial Compliance Report**

Relevant Portfolio Holder	Councillor Luke Court, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
Report Author	Job Title: Head of Finance & Customer Services Contact email: michelle.howell@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Key Decision / 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 RECOMMEND that:**

- 1) Progress on the 2020/21 Audit process be noted.**
- 2) Any areas of concern within this key compliance report are raised with Executive.**

**2. BACKGROUND**

- 2.1 From a Governance point of view, the financial frame work under which the Council works is set out in the Constitution. In addition to this there are legislative reporting requirements which set out what needs to be done and by when. The Accounting Policies report which was tabled at the Audit, Standards and Governance Committee on the 23<sup>rd</sup> March 2023 set out the Financial Governance Framework, and associated references to key documentation, that the Council, it's Member and Officers work to. This are (in summary):

- **The Budget and Policy Framework Procedure Rules.** These set out: The framework for Executive Decisions, Decisions outside the budget or policy framework, Urgent Decisions outside of the Budget or Policy Framework, Virement rules, In-year changes to policy framework and, Call-in of decisions outside the budget or policy framework. These rules set out how decisions can be made, by whom and how they can be challenged

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- **Financial Procedure Rules** which are set out in Part 14 of the Constitution. These “operational policies” run to 36 pages and set out how the organisation financially runs its “day to day” business.
- **Finance Protocols** which set out requirements and expectations of the Finance Team and Services in terms of financial administration and demarcation of duties.

- 2.2 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.
- 2.3 As reported in previous Audit, Governance and Standards Committee meetings in January, March, and May draft 2020/21 accounts will be presented to the Council's External Auditors once they have completed their work on the data take on balances. An update on this work is contained in this report.
- 2.4 The 2023/4 budget was approved at Council on the 27th February 2023. An update on the “budget book”, which will provide more clarity to Officers and Members, is contained in this report.

**Legislative Requirements**

- 2.5 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.
- 2.6 The following are key legislative deliverables and the Councils delivery against them to June 2023:
- **Budget**
    - Delivered by 11<sup>th</sup> March in preceding financial year – ***delivered Feb 2023***
    - Council Tax Base – Yearly – ***2023/24 delivered in January 2023***
    - Council Tax Resolution – ***Yearly 2023/4 delivered 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 Accounts delivered to Audit by 31st June in order for 22/23 RO forms to be delivered.
    - Audit Completed by 30<sup>th</sup> November ***but dependent on previous years being completed (see closure section)***
  - Government Returns
    - VAT – Monthly
      - ***Still to be delivered for 20/21 – dependent on closure of accounts***
    - Revenue Outturn Reports – July

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- ***Still to be delivered for 20/21 – dependent on closure of accounts***
- Capital Outturn Reports – July
  - ***Delivered for 2020/21 and 2021/22 on Friday 30th June***
- 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 to be delivered on 21st 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 due 5th 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***
- Capital Estimates Return – ***to be delivered by 24th March 2023***
- Public Works Loans Board Certainty Rate – April
  - ***2022/3 delivered on 28<sup>th</sup> April 2022***
- Pooling of Housing Capital Receipts – May
  - ***2022/23 Delivered 13th May***
- 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 due to be delivered on 28th April 2023***
- DHP Claim – Yearly
  - ***Sent 29th April 2022***
- 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
    - Initial Strategies as part of the MTFP – ***2023/4 Strategy Approved in March 2023***
    - Half Yearly Report
      - ***Update provided in Q1 Revenue Return***

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- Yearly Outturn Report
  - ***To be produced in July***
- Council Tax Support Scheme – Yearly – ***Approved in Jan 2023 after consultation***
- Minimum Revenue Provision – yearly – ***Approved as part of the 2023/4 to 2025/6 Medium Term Financial Plan***

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

- 2.7 At this point, it is also important to include key Council deliverables (financially and risk based)
- Financial Monitoring – ***delivered quarterly to Executive – due to Summer Holidays Q1 23/4 will go to Executive in September.***
  - Risk Management – ***delivered quarterly to this Committee.***
  - Financial Controls (still in development)
    - Clearance of suspense accounts - ***return to being up to date expected by end of this calendar year***
    - Bank Reconciliation - ***linked to above point although a separate stream assessing/clearing 2023/4 items***
  - Over £500 spending.
    - ***Updated to March 2023***
- 2.8 The key returns that have still not been delivered are the Revenue Outturn forms for 2020/21 and 2021/22 and the VAT returns. 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**

- 2.9 The key Closure deliverables for each financial year are set out below:
- Closure 2020/21
    - Agreement of Treatment of Take on Balances – This will now take place in early July 23 as significantly more testing is required by the External Auditors
    - Provision of Draft 2020/21 Accounts to Audit (to begin Audit) July 23. This is dependent on the External Auditors confirmation that they have approved both Council's take-on balances work. The auditors are having issues in how they need to test the transactional data due to their "normal" models not working on our data.
    - 2020/21 Audit – July to September 23 (estimated)
    - Sign Off of 20/21 Accounts - November 2023
  - Closure 2021/22

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- Updated Outturn position – August 2023
- Draft Accounts to Auditors November 2023 (following external Auditors sign off of 20/21 Accounts)
- Audit of Accounts December to April
- Sign off of the Accounts – May/June 2024
- Closure 2022/23
  - Budget Manager Closure Training – 23rd-28th March 2023 – 83 staff attended closure training at the end of March.
  - Provisional Outturn Report – Executive Report for will now come in September 2023. This will show outturn as well as amount in suspense to be cleared. This will enable the 2022/23 Revenue Outturn Report to be presented to DLUHC on the 31st July 2023 as per Government deadlines.
  - Draft 2022/23 Accounts to Audit – June 24 (following External Auditors sign off 21/22 Accounts)
  - Sign off of the Accounts – November 2024

2.10 The Interim Director of Finance attended a meeting hosted by the Financial Standards Authority (FSA) and Public Sector Audit Appointments (PSAA) in the 3<sup>rd</sup> July. At that meeting, it was highlighted that there were over 500 Audit Opinions still outstanding for English Councils for 2021/22 and earlier. Both the PSAA and FSA have highlighted the following key issues to be resolved including:

- Having a Workforce Strategy that improves attractiveness and prestige in the local government and audit profession.
- Identification of changes required to promote high standards and financial reporting and audit in the public interest.
- Creating a roadmap securing sustainable reforms underpinned by an agreed vision and purpose of financial reporting and audit.

2.11 The severe backlogs of Audit Opinions was discussed in the meeting, as this is a symptom of the issues being experienced by Auditors and Councils. Conversations are taking place with DLUHC onto changes that could be implemented to ease the backlog issues. Ideas being discussed include: possible limitations of scope on opening balances, and balance of Audit time on operational assets and pensions. Any changes to the present audit requirements, including any simplification of processes or formats, will require the Minister's approval.

2.12 Issues on External Audit were also discussed at the Local Government Conference at various sessions on the 4<sup>th</sup> 5<sup>th</sup> and 6<sup>th</sup> July. Discussions were similar to the points raised in 2.10 and 2.11 above.

2.13 We have upgraded the TechOne system, moving from the present version which is 20b to 23a over the weekend of the 7<sup>th</sup> to 10<sup>th</sup> July. This upgrade will give access to more functionality and resolve a number of issues being experienced which have been resolved in later issues of TechOne. We have only been able to upgrade the system

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following the resolution of cash receipting issues and movement of this part of the solution to steady state running.

- 2.14 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.
- 2.15 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**

- 2.16 The Councils 2023/24 Budget was approved in February. Budgets are loaded onto TechOne and a draft budget book is now being prepared to assist in Members and Officers understanding of budgets.
- 2.17 Quarter One 2023/4 financial and performance monitoring will go to Executive in September.
- 2.18 A report will go to Executive in July which sets out new arrangements to managing projects as per the recommendation in the Audit Task Group Report that came to this Committee in March. Project updates will now be part of the quarterly finance and performance reporting.

**Compliance Items**

- 2.19 There are a number of areas where compliance will be measured going forwards. Compliance to process and timetable is a key underlying theme of the Draft External Audit Report 2020/21. These items are being measured to improve how we work and change behaviours. This will lead to an improved financial health/knowledge across both Councils. Not all these measures can be put in place instantly but there should be the full suite by the middle of the summer (Debt indicators depend on the clearing of suspense and the updating of the bank reconciliations).

**Training:**

- Number on Closure Training 23, 24, 27, 28 March – by Service Area – 83 attended.
- Mandatory Budget Manager Training – July/August after the upgrade - by Service Area – Corporate Finance team trained on budget loading processes in April but issues due to cash receipting changes have led to budgets not being loaded until June. Also waiting the Upgrade so training will also encompass that as well.
- Mandatory Financial Awareness Training – July/August after the upgrade – by Service Area
- TechOne Budget Manager Training July/August after the upgrade – by Service Area.
- Number on Payments Purchase Order Training (Monthly) by Service Area.

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 27<sup>th</sup> July 2023****Errors:**

- Non delivery of GPC Card Data (monthly basis) – will begin at the end of Quarter 1.
- Mis-codings on TechOne per month – by Service Area - will begin at the end of Quarter 1.

**Procurement:**

- The new 'No Compliance No Order' process has been live since April 2023.
- Many departments are now proactively getting quotations for lower value works. A lot of the issues we have are now training issues that are being resolved.
- The number of contracts in place is growing regularly and we are confident that this process is having a positive effect. We hope that eventually we get to the place where the number of orders coming to us is minimal.
- A spreadsheet is being collated for requests with no contracts and we will discuss this with teams going forward. We hope that eventually we get the place where the number of orders coming to us is minimal.
- A report is going to Executive in July setting out new government procurement requirements that the Council are addressing, many of which come into force on the 1<sup>st</sup> April 2024.

**Summary**

- 2.20 This report in July set out the policies (local and national) that underpins the Council finances. This report is now updated for data as at the end of June and is delivered to each Audit, Governance and Standards Committee at Redditch 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.

**REDDITCH BOROUGH COUNCIL****Audit, Governance and Standards Committee 27<sup>th</sup> July 2023****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.

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. **BACKGROUND PAPERS**

Accounting Policies Report – March and June 2023 – Audit, Governance and Standards Committee

Finance Recovery Report – June 2023 – Executive

Programme Management Office Requirements – July 2023 - Executive



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

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**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:

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

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

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Other items:

- Annual Review from the Local Government Ombudsman

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

Standing items:

- Monitoring Officer's Report – Standards Regime
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**21<sup>st</sup> March 2024**

Standing items:

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