



The Annual Audit Letter for Redditch Borough Council

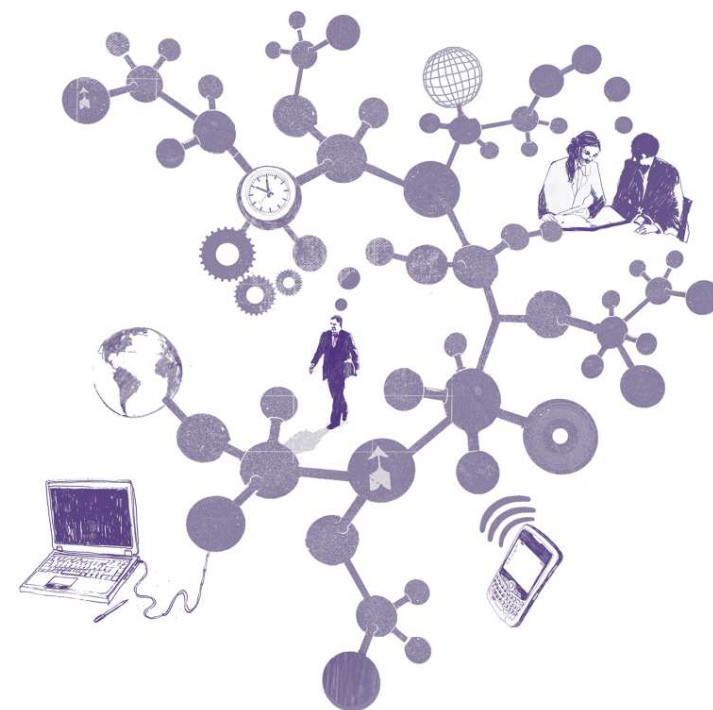
Year ended 31 March 2016

October 2016

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Redditch Borough Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit, Governance and Standards Committee as those charged with governance in our Audit Findings Report on 15 September 2016.

Our responsibilities

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

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

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

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 28 September 2016.

Other Statutory Powers

We have not identified any issues that have required us to apply our statutory powers and duties under the Act in 2015/16. We have however considered the Council's response to the statutory recommendations we issued in 2014/15.

At the end of our 2014/15 audit we issued statutory recommendations requiring the Council to improve its:

- arrangements for the production of its financial statements;
- arrangements for the preparation of its budget; and
- its budget monitoring processes.

Although we have not issued statutory recommendations this year, we have qualified our value for money conclusion on matters relating to progress in implementing these recommendations.

The key actions we expect the Council to take to address our recommendations are:

- improve financial statements production to ensure it can meet the earlier closedown and audit timetables in 2018.
- ensure that the financial statements are adequately supported with working papers and audit queries are responded to promptly
- improve the reporting of the annual budget and Medium Term Financial Strategy to Members, specifically making clear the impact of proposals on the level of reserves and balances
- improve the clarity and consistency of in year budget reporting, ensuring that both the actual and forecast variances from the approved budget and being taken to address budget variances are reported are clearly quantified.

Value for Money

We issued a qualified 'except for' value for money conclusion on 28 September 2016. We concluded that there are weaknesses in the Council's arrangements for:

- reliable and timely financial reporting that supports the delivery of strategic purposes; and
- planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions

We also concluded that there is a failure in governance arrangements as these issues are due our 2014/15 statutory recommendations not being fully implemented.

Certificate

We certified that we had completed the audit of the accounts of Redditch Borough Council in accordance with the requirements of the Code on 19 October 2016, on completion of the Council's Whole of Government Accounts submission.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit, Governance and Standards Committee in our Annual Certification Letter.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff, in particular the Director of Finance and Resources and her team.

Grant Thornton UK LLP
October 2016

Audit of the accounts

Our audit approach

Materiality

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

We determined materiality for our audit of the Council's accounts to be £971,000 which is 1.5 per cent of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as cash, senior officer remuneration and auditors remuneration. We did not set a separate materiality threshold, but undertook more extensive testing on these areas.

The scope of our audit

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

This includes assessing whether:

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

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

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

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

Audit of the accounts

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

| Risks identified in our audit plan | How we responded to the risk |
|--|---|
| <p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Redditch Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Redditch Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We identified one issue in relation to long term debtors. The Councils has a number of long term debtors where they have a legal charge on a property totalling £659k We selected a sample of 9 for testing and found:</p> <ul style="list-style-type: none"> • 3 loans (£23k) where no supporting evidence of the charge could be located • 1 loan where the carrying amount (£18k) as different to the supporting evidence (£24.5k) <p>We included a recommendation that the Council review its record keeping in this area</p> |
| <p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p> | <p>Our work has included</p> <ul style="list-style-type: none"> • review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions. <p>Our audit work did not identify any issues in respect of journals. However our testing of journals did take a considerable time. This is because the Council struggled to produce reports with the required information. This is in part due to the overly complex ledger structure and we have included a recommendation on this.</p> |

Audit of the accounts

| Risks identified in our audit plan | How we responded to the risk |
|--|--|
| <p>Accounting for recharged income and expenditure During the 2014/15 financial statement audit we identified material amendments to the CIES and Segmental Reporting note in relation to the Councils treatment of recharged. We have concluded that there is a potential risk of material misstatement in the 2015/16 accounts if similar errors are made.</p> | <p>We have</p> <ul style="list-style-type: none"> • had early discussion with finance team on their proposed treatment of recharges • undertaken detailed review of the recharges included in the financial statements including the controls in place to ensure that they are materially correct and comply with the accounting treatment required by the CIPFA Accounting Code. <p>We undertook an early review of the finance team's proposal for segmental reporting (financial statements note 27). On receipt of the financial statement we found that the note had been amended and a clear audit trail was not kept of the changes. Further changes were made to the note as a result of our audit.</p> |
| <p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p> | <p>We have completed the following:</p> <ul style="list-style-type: none"> • Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>Our audit work did not identify any issues in respect of the valuation and disclosure of the pension fund net liability.</p> |

Audit of the accounts

| Risks identified in our audit plan | How we responded to the risk |
|---|--|
| <p>Production of the 2015/16 financial statements Due to the issues identified in the audit of the 2014/15 financial statements we issued statutory recommendations to strengthen the production process for 2015/16.</p> | <p>We have</p> <ul style="list-style-type: none"> examined the accounts closedown process and the controls in place to ensure materially accurate accounts are produced had regular and early discussions with the finance team on the key accounting issues such as the IFRS 13 requirements for valuation of assets and the classification of investment properties <p>The draft accounts were submitted by the 30th June 2016 deadline.</p> <p>The quality and timeliness of the working papers supporting the accounts was better than the previous year. There are, however, areas that continue to be problematic specifically</p> <p>a full set of working papers was not available at the start of the audit and when provided did not always clearly link to the relevant amounts in the financial statements.</p> <p>audit queries were not resolved in an efficient and timely way to support the delivery of the audit.</p> <p>The Council needs to ensure further improvements are made so that it can meet the earlier closedown and audit timetables in 2018.</p> |

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 28 September 2016, in advance of the 30 September 2016 national deadline.

In previous years we have commented on the qualitative aspects of the Trusts financial statement production, in particular the number of errors and delays in and the quality of working papers. We issued statutory recommendations at the conclusion of our 2014/15 audit which included improving arrangements for the production of the accounts.

Revised arrangements were put in place by the Executive Director of Finance and Resources for 2015/16 to improve the quality of the financial statements and supporting working papers. These arrangements ensured the accounts were submitted on the 30 June 2016 deadline.

There were improvements in the quality of the financial statements and supporting working papers, but further work is needed in this area, specifically:

- working papers to support entries in the accounts must be available at the start of the audit and clearly link to the item in the financial statements.
- audit queries need to be resolved in an efficient and timely way to support the delivery of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit, Governance and Standards Committee on 22 September 2016. We identified a number of issues during our audit that we have asked the Council's management to address for the next financial year. We have included the recommendations from our AFR as an appendix to this letter.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

We felt that the significant governance issues were not adequately explained in the draft version of the Council's Annual Governance Statement. We agreed with the Executive Director of Finance and Resources that amendments would be made to give more information regarding the responses to our statutory recommendations.

Other statutory powers and duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have not identified any issues that have required us to apply our statutory powers and duties under the Act in 2015/16.

At the end of the 2014/15 audit we issued four statutory recommendations. These were:

- The Council should put in place robust arrangements for: the production of the 2015/16 financial statements, which meet statutory requirements and international financial reporting standards.
- The Council should develop a comprehensive project plan for the preparation of the accounts
- The Council should put in place robust arrangements for the preparation of its budget
- The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances

We have issued a qualified value for money conclusion on matters relating to progress on implementing two of these recommendations.

The key actions we expect the Council to take to fully address our statutory recommendations are:

- improve financial statements production to ensure it can meet the earlier closedown and audit timetables in 2018.
- ensure that the financial statements are adequately supported with working papers and audit queries are responded to promptly
- improve the reporting of the annual budget and Medium Term Financial Strategy to Members, specifically making clear the impact of proposals on the level of reserves and balances
- improve the clarity and consistency of in year budget reporting, ensuring that both the actual and forecast variances from the approved budget and being taken to address budget variances are reported are clearly quantified.

Further details are set out on the following pages.

Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance. In 2014/15 we issued 4 recommendations under section 11 (3) of the Audit Commission Act 1998 to which we required a formal response. Those responses and our assessment are below

| | Recommendation | Follow up |
|---|--|--|
| 1 | <p>The Council should put in place robust arrangements for:</p> <ul style="list-style-type: none"> the production of the 2015/16 financial statements, which meet statutory requirements and international financial reporting standards. <p>In order to achieve this the Council should:</p> <ul style="list-style-type: none"> ensure sufficient resources and specialist skills are available to support the accounts production introduce appropriate project management skills to the production of the financial Statements. | <p>We found that the Council had put in place arrangements for the production of its financial statements which met the statutory deadlines and international financial reporting standards. The arrangements in place included</p> <ul style="list-style-type: none"> A detailed project plan subject to review by the Executive Director of Finance and Resources Specific in house training from CIPFA and attendance at a number of external events Additional experienced external was brought in to support the finance team <p>Whilst this is an improvement given the issue identified in the prior year the Council needs to continue with this progress to ensure it can meet the earlier closedown and audit timetables in 2018.</p> |
| 2 | <p>The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that:</p> <ul style="list-style-type: none"> the financial statements are compiled directly from the ledger the entries in the accounts are supported by good quality working papers which are available at the start of the audit the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources) provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information; the production of the financial statements is monitored through regular reporting to Directors and the Audit Board. | <p>We found that the Council had developed a detailed project plan that ensured that the financial statements were compiled directly from the ledger. However:</p> <ul style="list-style-type: none"> Entries in the financial statements were not adequately supported by working papers and not all working papers were available at the start of the audit. Audit queries were not dealt with in an efficient and timely way to support the delivery of the audit. <p>The Council needs to ensure that further improvements are made and plans are developed to meet the new deadlines in place from 2018.</p> |

Other statutory powers and duties

| | Recommendation | Follow up |
|---|--|--|
| 3 | <p>The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable an accurate forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates</p> | <p>The Council has put in place improved arrangements for setting its annual budget. These include</p> <ul style="list-style-type: none"> • Detailed 'bid' forms for every capital and revenue pressure, linked to the strategic purposes • Template forms for savings/additional income to identify where growth could be made • Use of planning information in relation to new homes bonus and council tax • A review of fees and charges. <p>There are also changes in progress for the 2017/18 budget setting.</p> <p>As in previous years our key concern is around the sufficiency of information reported to Members to support them in making key decision making key decision. The impact of the MTFS is unclear and difficult to interpret and does not enable Members to make decision to support the sustainable delivery of the Councils strategic purposes and maintain statutory functions.</p> |
| 4 | <p>The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances.</p> | <p>We found that Council has good arrangements at an officer level to manage the budgets. However the in year reporting to Members is inconsistent and difficult to follow. We have concluded that there are weaknesses in the Councils arrangements to demonstrate it can produce reliable and timely financial reporting that supports the delivery of strategic purposes.</p> |

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

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

Key findings

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

The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council in September 2016, we agreed recommendations to address our findings. These are contained in appendix B.

Overall VfM conclusion

We have therefore concluded that there are weaknesses in the Councils arrangements for:

- reliable and timely financial reporting that supports the delivery of strategic purposes; and
- planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions
- governance arrangements due to insufficient progress in fully implementing our financial reporting statutory recommendations.

We are satisfied that, in all significant respects, except for the matter we identified above, the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Key findings

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

| Significant risk | Findings and conclusions |
|--|---|
| <p>Financial Outturn We identified during 2014/15 that the outturn position resulted in a large increase in the General fund balances which was not planned when the budget was set. It is not clear from the Council's management processes how this had been achieved.</p> <p>NAO Criteria: Reliable and timely financial reporting that supports the delivery of strategic purposes</p> | <p>We found that Council has good arrangements at an officer level to manage the budgets but in year reporting to Members is inconsistent and difficult to follow. We have therefore concluded that there are weaknesses in the Council's arrangements to demonstrate it can produce reliable and timely financial reporting that supports the delivery of strategic purposes.</p> <p>The 2015/16 outturn position presented to Executive in July 2016 shows an underspend of £1.031 million against a revised budget of £15.874 million. However this performance does not explain significant movements in the budget during the year making it unclear how this outturn performance has been achieved. The agreed budget for 2015/16 was £11.126 million and members were not provided with an explanation for changes to the budget and the forecast spend during the year.</p> |
| <p>MTFS and budget setting We identified during the 2014/15 audit that the budget preparation processes could be strengthened and should be based on sound assumptions which enable an accurate forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates</p> <p>NAO Criteria: Planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions</p> | <p>As in previous years our key concern is around the sufficiency of information reported to Members to support them in making key decisions. The impact of the MTFS on reserves and balances is unclear and difficult to interpret. We have concluded that it does not enable Members to make decision to support the sustainable delivery of the Council's strategic purposes and maintain statutory functions.</p> <p>The 2016/17 budget presented to Cabinet on 22 February 2016 showed a breakeven position. It assumes savings delivery of £654,000. However the breakdown included in the appendices totals £619,000. The 2017/18 and 2018/19 budgets include further savings. The 2016/17 budget also includes the planned use of £479,000 of balances but no further analysis is provided of this or of the impact of the 2017/18 and 2018/19 budgets on reserves and balances.</p> <p>The Council has a number of options available and is considering further savings plans as part of the production of its Efficiency Plan in October 2016. Given the scale of the challenge the Council faces in 2017/18 and 2018/19 it will need to review the range and nature of non essential services and the level of balances it holds to ensure it can continue to deliver strategic priorities and maintain statutory functions.</p> |

Key findings

| Significant risk | Findings and conclusions |
|--|---|
| <p>Corporate plan and monitoring of service performance The corporate plan was last updated in July 2013 and therefore may not address the current strategic purposes of the Council. There is also currently no performance management information routinely reported (other than around customer services which is reported to audit committee). It is not possible to assess the impact of service changes or savings on service quality or priorities as there is no reporting.</p> <p>NAO criteria: Understanding and using appropriate cost and performance information to support informed decision making and performance management</p> | <p>We have concluded that the arrangements in place are sufficient to demonstrate that the Council understands and is using performance information to support informed decision making and performance management.</p> <p>The Corporate Plan was plan last updated in 2013. The six strategic purposes in this document are clearly still in use by the Council. The Corporate Plan has been refreshed and presented to Executive on 7th September 2016 but the strategic purposes remain the same.</p> <p>Since January 2016 officers within the Council have utilised a corporate dashboard to monitor performance management information. The dashboard contains a range of performance indicators that have been developed by departments to support delivery of strategic purposes. The indicators are a combination of service performance and statutory targets and each indicator has a target owner responsible for providing commentary on performance. Six Members are currently trialling access to the dashboard with the intention of rolling out access to all Members . The Overview and Scrutiny Committees will then be able to hold senior officers to account for service performance.</p> <p>There are currently no plans to produce a summary document for consideration by Executive or full Council. Whilst internally (officers and members) will have access to the performance information thought should be given to how to express service performance to the wider public and stakeholders.</p> |

Working with the Council

Our work with you in 2015/16

We have worked with you over the past year and maintained a positive and constructive relationship. We have helped you deliver some improved outcomes.

Audit efficiency – Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team has enabled us to support the improvements that have been made so far and we have given you clear and honest feedback on the further improvements you need to make.

Improved financial processes – during the year we reviewed your financial systems and processes including employee remuneration, non- pay expenditure and property plant and equipment. We made comments to improve the internal controls around shared services invoice, ledger structure and receipt of invoices.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need for

- continued progress on the financial statements production to ensure it can meet the earlier closedown and audit timetables in 2018.
- improvements to the reporting of the annual budget and MTFS to Members, specifically to include the impact on reserves and balances
- improvements to the clarity and consistency of the in year reporting of the budget to enable accurate forecasts to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances

Sharing our insight – we provided regular Audit, Governance and Standards committee updates covering best practice. Areas we covered included Innovation in public financial management, Knowing the Ropes – Audit Committee; Effectiveness Review, Making devolution work and Reforging local government

Thought leadership – We have shared with you our publication on Building a successful joint venture and will continue to support you as you consider greater use of alternative delivery models for your services.

Providing training – we provided your teams with training on financial accounts and annual reporting and housing benefits. The courses were attended by member of the finance and benefits teams.

Working with you in 2016/17

We will continue to liaise closely with the senior finance team during 2016/17 on this important accounting development, with timely feedback on any emerging issues.

We will continue to work with the finance team to improve the efficiency of the year end audit and also share our insights on advanced closure of local authority accounts, through our publication "Transforming the financial reporting of local authority accounts".

We will continue to share our insights into best practice and provide training and support.

The audit risks associated with new developments and the work we plan to carry out to address them will be reflected in our 2016/17 audit plan.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

| | Planned £ | Actual fees £ | 2014/15 fees £ |
|-------------------------------------|---------------|------------------|-------------------|
| Statutory audit of the Council | 57,960 | 57,960 | 83,730 |
| Housing Benefit Grant Certification | 10,529 | TBC* | 13,720 |
| Total fees (excluding VAT) | 57,440 | TBC | 67,890 |

Fees for other services

| Service | Fees £ |
|------------------------|--------|
| Audit related services | 0 |
| Non-audit services | 0 |

Fee variations are subject to approval by Public Sector Audit Appointments Ltd.

*Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. The deadline for completion of this work is the end of November 2016

Reports issued

| Report | Date issued |
|-----------------------|----------------|
| Audit Plan | March 2016 |
| Audit Findings Report | September 2016 |
| Annual Audit Letter | October 2016 |

Appendix B: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

| Rec No. | Recommendation | Priority | Management response | Implementation date & responsibility |
|---------|---|----------|--|--|
| 1 | The Council should improve financial statements production to ensure it can meet the earlier closedown and audit timetable in 2018. | High | <p>Officers are currently preparing the closedown timetable for 2016/17 closure of accounts with the aim to finalise the accounts earlier in 2017 in readiness for the 2018 new deadline. This will be shared with the Audit team as soon as possible.</p> <p>A regular monthly meeting with all the finance staff is held to discuss issues from 2015/16 that can be improved for 2017/18 .</p> <p>Finance representatives will be arranging involvement at departmental management team meetings to ensure that all officers are aware of responsibilities in providing accurate and timely information to the finance team.</p> <p>A presentation will be made to the 4th tier manager forum in relation to the early closedown and how this will impact on information required.</p> | <p>Z Martin December 2016</p> <p>Z Martin October 2016</p> <p>S Morgan December 2016</p> <p>S Morgan December 2016</p> |

Appendix B: Action plan

| Rec No. | Recommendation | Priority | Management response | Implementation date & responsibility |
|---------|--|----------|--|--|
| 2 | The Council should ensure that the financial statements are adequately supported with working papers and audit queries are responded to promptly | High | <p>Within the timetable will be dates for completion of working papers to be prepared in a format that is of a good quality.</p> <p>Staffing resource will be identified at the start of the Audit to ensure that officers are available to respond to queries in a timely manner.</p> | <p>Z Martin December 2016</p> <p>S Morgan April 2017</p> |
| 3 | The Council should improve the reporting of the annual budget and Medium Term Financial Strategy to Members, specifically making clear the impact of proposals on the level of reserves and balances | High | <p>Officers are currently working on the Medium Term Financial Plan for 2017/18-2020/21 and this will include improvements to the reporting to members to improve clarity.</p> <p>Officers will discuss format with External Audit to ensure it is appropriate.</p> <p>The cross party member budget scrutiny group will be presented with the revised format to ensure this meets with member expectations.</p> | <p>J Pickering February 2017</p> <p>J Pickering January 2017</p> <p>J Pickering October 2016</p> |
| 4 | The Council should improve the clarity and consistency of in year budget reporting, ensuring that both the actual and forecast variances from the approved budget and being taken to address budget variances are reported are clearly quantified. | High | <p>Officers have revised the in year budget monitoring for members to ensure the report is clearly linked back to the original budget.</p> <p>Heads of Service are requested to include clear explanations of budget variances within the report</p> | <p>K Godley September 2016</p> <p>K Godley September 2016</p> |



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