



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 24TH MARCH 2016 AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman), S. R. Colella, M. Glass, H. J. Jones, P. M. McDonald, S. R. Peters, M. Thompson and S. A. Webb

AGENDA

1. Apologies for Absence and Named Substitutes
2. Declarations of interest and Whipping Arrangements
3. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 10th December 2015 (Pages 1 - 10)
4. Standards Regime - Monitoring Officers' Report (Pages 11 - 12)
5. Annual Review of the Operation of the Audit, Standards & Governance Committee (Verbal)
6. Standards - Parish Councils' Representatives' Reports (Oral Updates)
7. Grant Thornton Certification Work Report 2014/15 (Pages 13 - 20)
8. Grant Thornton Audit Plan 2015/16 (Pages 21 - 42)
9. Grant Thornton - Progress Report / Action Plan Update (Pages 43 - 58)
10. Benefit Fraud Quarter 3 Update Report (Pages 59 - 70)
11. Section 11 Update Report (Pages 71 - 86)

12. Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19 (Pages 87 - 110)
13. Quarter 3 (April to December 2015) Financial Monitoring Report (Pages 111 - 114)
14. Internal Audit Plan 2016/17 (Pages 115 - 124)
15. Internal Audit Monitoring Report (Pages 125 - 144)
16. Risk Champion - Verbal Update Report (Councillor Michael Thompson)
17. Audit, Standards and Governance Committee Work Programme (Pages 145 - 146)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

16th March 2016

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

10TH DECEMBER 2015 AT 6.00 P.M.

PRESENT: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman), S. R. Colella (from Minute No. 33/15 to 44/15), M. Glass, P. M. McDonald, S. R. Peters, M. Thompson and S. A. Webb

Parish Councillors: Mr. C. Scurrall and Mr. J. Ellis

Officers: Mr. A. Bromage, Ms. S. Morgan, Ms S. Knight and Ms. J. Bayley

33/15 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

An apology for absence was received on behalf of Councillor H. J. Jones.

34/15 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest or any whipping arrangements.

35/15 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 17TH SEPTEMBER 2015**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 17th September 2015 were submitted.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 17th September 2015 be approved as a correct record.

36/15 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

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

- There had been one complaint about a Councillor since the last meeting of the Committee had taken place. The case had been investigated and it had been found that there had been no breach of the Council's Code of Conduct.
- A small amount of training had occurred since the previous meeting and there had been particularly positive feedback about the Chairing skills training.

- Members were encouraged to report any suggestions about training to their group leaders for further discussion at a future meeting of the Member Support Steering Group.
- The County Monitoring Officers' Group had recently agreed that it was no longer necessary for Members to seek dispensations to participate in the budget or Council Tax setting process.
- The Localism Act 2011 placed a requirement on Councils to promote and maintain high standards of conduct (at both District and Parish Councillor level). This included co-opted Members who had voting rights.
- It was confirmed that this did not apply to co-optees who did not have voting rights but Members were advised that there were currently no co-optees in that position.

RESOLVED that the report be noted.

37/15

STANDARDS REGIME - REVIEW OF THE ARRANGEMENTS FOR STANDARDS HEARINGS

The Head of Legal, Equalities and Democratic Services also presented a report concerning the Council's arrangements for Standards Hearings. During the delivery of this presentation the following points were raised for Members' consideration:

- Council had agreed that the Audit, Standards and Governance Committee should consider Standards Hearing arrangements following the merger of the Audit Board with the Standards Committee.
- There was a requirement for the Council to have a set process in place for Standards Hearings, though Members were advised that it was unlikely that a hearing would take place.
- Officers had reviewed Standards Hearing arrangements in place at other Councils where the Audit and Standards functions were fulfilled by a single Committee and had identified a number of options for the Council's Standards Hearing procedures from this research.
- Members were asked to consider both appropriate Standards Hearing arrangements and preferred membership appointment processes.
- A permanent Standards Sub-Committee was one option available. Membership appointments would need to be made on a politically proportional basis and this could impact on appointments to other Committees.
- Alternatively, the Audit, Standards and Governance Committee could establish Standards Hearings on an ad hoc basis as and when required. Ad hoc meeting arrangements would provide the Council with greater flexibility than a permanent Sub-Committee.
- Complaints would only reach a Standards Hearing in cases where the complaint had been made by the member of the public and no simple resolution could be identified or the councillor refused to comply with any sanctions that were imposed.
- A separate process, involving group leaders, had been introduced for handling complaints against Councillors made by another elected Member.

Following presentation of the report Members discussed a number of areas in detail:

- The circumstances under which a complaint would be referred to a Standards Hearing. Members were advised that this was only likely to happen in exceptional circumstances.
- The potential for the Councillor who was the subject of the complaint to ignore sanctions imposed by both the Monitoring Officer and a standards Hearing. In these circumstances Members were advised that the case, and the sanctions imposed, would be referred to full Council for consideration in public.
- The need for complaints to be substantiated before they reached the stage of being referred to a Standards Hearing for further consideration.
- The extent to which complainants would be willing to make their complaints public and their identity known to the Councillor who was the subject of their complaint.
- The potential for political bias to occur in appointments to Standards Hearings if appointments were made in a politically proportionate manner and the legal requirements on this matter. The Committee was advised that Members had always recognised the gravity of the situation and had in the past carried out Standards Assessment Sub-Committee hearings in a professional manner without political bias.
- The mechanisms available to elected Members to enable them to defend themselves against any complaints that were made about them by the public.
- The need for robust training for Members serving on Standards Hearings in order to fulfil their roles fairly and effectively.

Following further discussions it was

RESOLVED that

- (a) Standards Hearings be established by the Audit, Standards and Governance Committee on an ad hoc basis as and when required; and
- (b) Appointments to Standards Hearings be determined on a case by case basis by the Audit, Standards and Governance Committee.

38/15 **STANDARDS - PARISH COUNCILS' REPRESENTATIVES' REPORTS (VERBAL UPDATES)**

There were no updates provided by the Parish Councils' representatives on the Committee.

39/15 **GRANT THORNTON ANNUAL AUDIT LETTER**

Ms Zoe Thomas, Manager, Grant Thornton, presented the external auditor's annual audit letter 2014/15 for Members' consideration. During the presentation of this item she highlighted the following for the Committee's consideration:

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- The letter summarised the audit work undertaken by Grant Thornton during the year.
- Grant Thornton had given unqualified opinions in respect of the Council's accounts and the Value for Money judgement.
- A number of S11 recommendations had been made in relation to the accounts and an action plan had been developed to address these.
- Work would begin to address points raised in the Action Plan from January 2016 onwards.
- The Council's accounts had been presented late and lessons needed to be learned in order to make improvements in future.
- Grant Thornton had highlighted that the Council had a good level of balances but had raised some concerns about budget management arrangements.
- Work had been completed on the audit of benefit claims and this had been qualified as it did not meet certain criteria. Members were advised that this was fairly common and a letter had been sent to the Department of Work and Pensions (DWP).
- It was likely that Grant Thornton would be issuing a supplementary fee. This was required to address the costs of the additional work that had arisen following the late submission of the Council's accounts.

Following presentation of the report the Committee discussed a number of issues in further detail:

- A typographical error in the report concerning the fees for the service. It was confirmed that the main audit fee was £48,680.
- Discussions at the previous meeting of the Committee concerning the reasons why the accounts had been submitted late.
- The impact of staff vacancies on delays in submitting the accounts.
- The intention of Officers to present the S11 action plan at the following meeting of the Committee. In the meantime updates would be emailed to members of the Committee on a monthly basis.
- Progress made to date by the Financial Services team in terms of addressing the S11 recommendations.
- The extent to which the actions detailed in the plan and the deadlines provided were realistic. The Committee was informed that Officers were confident that the actions could be implemented in the timescales available.

RESOLVED that the report be noted.

40/15

GRANT THORNTON PROGRESS REPORT - COMMITTEE UPDATE

Ms Zoe Thomas, Manager, Grant Thornton, also presented the external auditor's Committee update for December 2015 and in so doing raised a number of points for Members' consideration:

- Interim reviews due to take place in January and February 2016 would pick up on some of the issues identified the previous year.

- The final accounts audit would start in July 2016, for completion in August and would be reported to Committee in September.
- Deadlines for auditing the accounts had been brought forward because, in 2017, there would be a legal requirement for this to be completed at an earlier date and it was felt prudent to attempt to apply similar arrangements in 2016 in preparation for this change.
- The National Audit Office (NAO) was responsible for setting the criteria for Value for Money conclusions. The criteria had changed and had more of a risk based focus than in previous years. This was unlikely to impact on findings but the external auditors had to be mindful of these developments.
- Grant Thornton had delivered a number of Member training sessions, including an event at Wychavon focusing on governance arrangements.
- Members were advised that Grant Thornton had also produced a number of reports including a guide to devolution and a review of effective Audit Committees.
- The Business Location Index had been developed by Grant Thornton to help local authorities address an unequal balance in terms of inward investment across England.
- Grant Thornton could provide further briefings to Members on any subject where required.

RESOLVED that the report be noted.

41/15

BENEFIT FRAUD - QUARTER 2 MONITORING REPORT

The Assistant Benefits Manager presented the Benefits Fraud update for the second quarter of 2015/16. Members were advised that information had been provided about the background to the cases covered during the period and some of the demographic details underpinning these cases.

Responsibility for investigations concerning housing benefit fraud would be transferring to the DWP under the Single Fraud Investigation Service in February 2016. The Council had been asked by the DWP to take on no new cases from December 2015, though staff continued to work on old cases identified prior to this date. Consequently, whilst a further Benefit Fraud update report would be available to report to the Committee for Quarter 3 it would not be possible for officers to report to the Committee in subsequent quarters.

RESOLVED that the report be noted.

42/15

INTERNAL AUDIT MONITORING REPORT

The Worcestershire Internal Audit Shared Service Manager presented the Internal Audit Monitoring report. During the delivery of this presentation he highlighted the following matters for the Committee's consideration:

- A couple of Internal Audit reports had been finalised since the previous meeting of the Committee.

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- The report contained more contextual information in relation to each Internal Audit investigation to enable the Committee to reach a balanced view of the outcomes.
- The audits that had been completed had concluded there was either moderate or significant assurance which was considered to be acceptable.
- The key focus of the Committee needed to be on internal audits that concluded there was limited or no assurance, which had not occurred in this quarter.
- Information had been provided regarding progress in respect of the Internal Audit plan for 2015/16. This indicated that the team was making good progress.
- No high priority recommendations remained outstanding and a small number of medium priority recommendations were in the process of being implemented.
- The Internal Audit team also monitored progress with the implementation of recommendations made in previous years. Only one priority from 2014/15, concerning equalities and diversity, needed to be followed up further.

The Committee subsequently proceeded to discuss a number of specific points in further detail:

- The rent guarantee bond and the fact that the Council held this bond. Members requested further information about the collective level of funding accruing from such bonds and the extent to which the Council earned interest from them.
- The Internal Audit team's findings in respect of the bond, which had concluded that there were reasonable practices in place though these could be strengthened.
- The extent to which the terminology within the report could be amended to provide greater clarity. In particular, positive references to "significant assurance" could be confusing as "significant risk" had more negative connotations as a term.
- Debt recovery delays in respect of sundry debts. The Committee was advised that this was a separate matter to the Write off of Debts report which focused on benefit repayments.
- The impact of system issues on debt recovery and the action that had been taken to resolve these issues.

RESOLVED that the report be noted.

43/15

OUTLINE INTERNAL AUDIT PLAN 2016/17

The Manager of the Worcestershire Internal Audit Shared Service also presented an outline of the Internal Audit Plan Report 2016/17. The report had been provided at this stage because the Audit Board had previously requested that the draft Internal Audit Plan 2016/17 be presented to the Committee to enable Members to comment on the content and to suggest amendments. Also, as previously requested by Members, information had

been provided in the plan about the anticipated quarter in which specific Internal Audits would be completed. It was possible that dates would change during the year, though it was unlikely that any changes would be significant.

It was proposed that the overall number of audit days for 2016/17 be reduced to 230 from 250 in 2015/16. The Committee was informed that Officers were confident, in light of shared services and other close working relationships with partner organisations, that this number of days would enable the Internal Audit team to undertake their work in a robust fashion.

Members expressed concerns about the possible financial risks arising from the withdrawal of Worcestershire County Council from Worcestershire Regulatory Services (WRS). The Committee was advised that there were financial risks associated with this decision and these would need to be addressed as part of a robust risk assessment. The Internal Audit team would also address this issue as part of their proposed Internal Audit of WRS.

The proposed Key Performance Indicators (KPIs) for Internal Audit and the suitability of these KPIs for the service was also considered. Members questioned the suitability of the first 2 KPIs listed in the report, which focused on decreasing the number of high priority recommendations and decreasing the number of moderate and low assurances. Instead, it was suggested that these KPIs appeared to be more appropriate as targets for the services that were subject to an Internal Audit.

RESOLVED that

- (a) The content of the outline Audit Plan 2016/17 be noted; and
- (b) Subject to the Committee's comments as detailed in the preamble above the Key Performance Indicators be noted.

44/15

QUARTER 2 FINANCIAL MONITORING REPORT

The Financial Services Manager presented the Financial Monitoring Report for the second quarter of 2015/16. The report detailed the Council's progress mid-year in terms of achieving the savings predicted in the Medium Term Financial Plan 2015/16 – 2017/18. The data provided reflected the Council's revenue position mid-way through the financial year so could only be regarded as an estimate. However, information provided by the Heads of Service indicated that the Council was performing well with only one projected overspend anticipated for the end of the year.

Following the presentation of the report the Committee discussed a number of matters in detail:

- The impact that the overspend at Parkside might have on expected variances at the end of the year and anticipated revenue from the sale of the Council House site.
- The extent to which Heads of Service could accurately predict whether savings would be achieved mid-way through the financial year.

- The type of works that were classified as essential maintenance at the Council House site.
- The source of the reserves that had been used to offset the additional expenditure on Parkside.
- The need for contingency planning in cases where significant expenditure was required.

RESOLVED that the report be noted.

45/15

CORPORATE RISK REGISTER - PRESENTATION

The Financial Services Manager delivered a presentation on the subject of the Corporate Risk Register (Appendix 1).

The Committee debated a number of issues arising from the presentation:

- The reasons why the risks in relation to financial constraints were considered to be high. Members were advised that this rating was considered appropriate because there was uncertainty about the eventual government grant settlement.
- The deadline for the announcement of the Government grant settlement, which was likely to take place on 17th December 2015.
- The action that was being taken by the Council to mitigate the risks arising from the financial constraints impacting on the Council.
- The potential for future reports and presentations about the Corporate Risk Register to stipulate that the content was accurate as of a particular date.
- The need to ensure that the Council complied with data protection requirements. Members suggested that this should be included on the Corporate Risk Register due to the significant amount of data collected and maintained by the Council.

RESOLVED that the presentation be noted.

46/15

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR MICHAEL THOMPSON)

Councillor M. Thompson provided a verbal update on his work as the Council's Risk Champion and highlighted a number of key points for Members' consideration.

a) **Customer Access and Financial Support**

Councillor Thompson had met with the Head of Customer Access and Financial Support to discuss the various risks within her service areas.

In terms of Customer Access there were risks arising from the relocation to Parkside.

There were a number of risks associated with services provided by the Benefits team. This included the potential impact of the introduction of

Universal Credit on people living in the district, such as on demand for hardship schemes.

In respect of the work of the Revenues team there were risks in relation to business rates. These risks related both to the collection of the business rates and the distribution of funds amongst partner organisations.

b) Leisure and Cultural Services

Councillor Thompson had also met with the Head of Leisure and Cultural Services to discuss risks within his service areas.

There were a number of general risks associated with maintaining leisure facilities, including slippery surfaces and falls. Risks in respect of specific services had also been discussed.

The potential financial risks in relation to the new Dolphin Centre were discussed by the Committee. Concerns were expressed that, following a recent petition to Council about the absence of a sports hall from the new Dolphin Centre, there might be a decline in public support for use of the centre and this could impact on income. It was proposed that the Head of Leisure and Cultural Services could be invited to attend the following meeting of the Committee to discuss the financial risks involved and the extent to which these might have changed since the original plans were discussed by Cabinet.

However, it was suggested that this subject would be more suitable for the Overview and Scrutiny Board to discuss. As the Board was already scheduled to receive a presentation on the subject of the Dolphin Centre from the Head of Leisure and Cultural Services it was suggested that this would provide an opportunity to discuss financial risks.

RESOLVED that the Chairman of the Audit, Standards and Governance Committee should raise the subject of financial risks arising from the new Dolphin Centre during the meeting of the Overview and Scrutiny Board on 14th December 2015.

47/15

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee was advised about the opportunity for Members to participate in Effective Risk Management Training in Birmingham on 4th February 2016. The training would be provided by PricewaterhouseCoopers and would provide useful guidance to elected Members. The Council had been offered 3 free places on the training session, 1 of which had already been reserved. Members were encouraged to approach the Democratic Services team as soon as possible if they wanted to participate.

Members considered the other training needs of the Committee whilst discussing this item. As part of this discussion further information was

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requested about the financial costs involved in arranging for an academic expert to deliver training on the Committee's audit function.

RESOLVED that the Work Programme be noted.

The meeting closed at 8.10 p.m.

Chairman

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

24th March 2015

MONITORING OFFICER'S REPORT

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Wards affected	All Wards
Ward Councillor consulted	N/A

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Standards and Governance Committee since the last meeting of the Committee on 10th December 2015.
- 1.2 It is proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated as to any relevant standards matters.
- 1.3 Any further updates arising after publication of this report will be reported on orally by Officers at the meeting.

2. RECOMMENDATION

That, subject to Members' comments, the report be noted.

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and also came into force on 1st July 2012.

Service / Operational Implications

Member Complaints

- 3.3 At the time of drafting this report one complaint had been received by the Monitoring Officer since the last meeting of the Committee. The complaint was made by a member of the public against a parish councillor and relates to an alleged failure by the parish councillor to declare another disclosable interest. The complaint is currently ongoing.

Member training

- 3.4 No training events have taken place since the last meeting of the Committee.
- 3.5 A number of sessions covering a variety of subjects will be available in the new municipal year, with dates to be agreed shortly.

Customer / Equalities and Diversity Implications

- 3.6 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.

4. RISK MANAGEMENT

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.

5. APPENDICES

None.

6. BACKGROUND PAPERS

Chapter 7 of the Localism Act 2011.

AUTHOR OF REPORT

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AUDIT STANDARDS & GOVERNANCE COMMITTEE 24TH MARCH 2016

GRANT THORNTON – CERTIFICATION WORK REPORT 2014/15

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Grant Certification Letter for 2014/15 from the Councils External Auditors Grant Thornton.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note the letter 2014/15**

3. KEY ISSUES

Financial Implications

- 3.1 There are no additional financial implications as a result of the certification of the grants.

Legal Implications

- 3.2 Grant Thornton have a statutory responsibility to certify the claims submitted by the Council. The Council has a legally binding contract with Grant Thornton to provide the External Audit service for at least the next 3 years.

Service / Operational Implications

- 3.3 External Auditors have a duty to carry out all work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. This includes certification of grant claims.
- 3.4 The auditors have certified the Housing Benefit Claim for 2014/15 relating to over £16m of expenditure. Their results on their certification work is detailed in Appendix 1. The claim was qualified due to a number of issues and recommendations made for improvements. There is an action plan in place within the benefits team to address the recommendations highlighted in the certification letter.

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- 3.5 The key messages from the Audits and to be addressed in the action plan include;
- Weaknesses in benefit processing identified as part of case testing
 - Improvements to subsidy claim preparation
 - Arrangements to streamline the audit
- 3.6 Officers have developed a comprehensive improvement plan which includes addressing the above recommendations and they are in regular liaison with the Auditors to ensure the plan is meeting expectations.
- 3.7 This is supported by a quality checking regime and increased resources to support the subsidy audit. Officers will be working with the DWP who can provide free support and advice to support the work to improve the quality of processing.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Grant Thornton Certification Letter 2014/15

6. BACKGROUND PAPERS

Individual internal audit reports.

AUTHOR OF REPORT

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Grant Thornton

An instinct for growth™

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13 February 2015

Dear Jayne

Certification work for Bromsgrove District Council for year ended 31 March 2014

We are required to certify certain claims and returns submitted by Bromsgrove District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified one claim, the Housing Benefits subsidy, for the financial year 2013/14 relating to expenditure of £16 million. Further details are set out in Appendix A.

The indicative fee for 2013/14 for the Council should be based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £3,872. We consider that there is an error in the indicative fee stated by the Audit Commission, because it is out of line with the fee it has set in both 2012/13 and 2014/15. We have highlighted this to the Audit Commission. This is set out in more detail below and in Appendix B.

Housing Benefits Subsidy

The claim was amended by £9,580 and was qualified. The qualification letter provides detail of the errors identified and the extrapolated impact.

We identified an unusually high number errors (17 cases) in cell 114 eligible over payments, where expenditure should have been reflected in a lower value subsidy cell. Officers understand the reason for the errors and we are told have measures in hand to address the issue for the 2014/15 subsidy. It will be for the Department of Work and Pensions to determine whether claimed subsidy for 2013/14 will be adjusted for the extrapolation.

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Benefit subsidy is a relatively complex area and the amount of testing that we are required to undertake is extensive. In addition to the matter reported above, there were a number of other issues encountered in conducting the audit and so the amount of time we spent was greater than expected. We have provided some detailed feedback to your team on areas of improvement and an action plan has been agreed. As a result of the additional work we are proposing a fee variation. This has been discussed and agreed with your officers as reasonable in view of the additional work required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Z Thomas', written in a cursive style.

Zoe Thomas
For Grant Thornton UK LLP

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Appendix A - Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	16,016,285	Y	9,580	Y	<p>We identified an unusually large number of errors on Cell 114, where expenditure should have been included in another cell with a lower subsidy rate.</p> <p>Improvements to working papers to support the subsidy audit have been discussed with officers and we will provide further training in the Summer.</p>

Appendix B: Fees for 2013/14 certification work

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance (£)	Explanation for variances
eg. Housing benefits subsidy claim (BEN01)	11,430	3,872	not greater than 11,685	7,813	Inappropriate indicative fee set and additional work required.
National non-domestic rates return (NNDR3)	1,870	N/a	N/a		No requirement to certify this return in 2013/14
Total	13,300	3,872	not greater than 11,685	7,813	

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE 24TH MARCH 2016

GRANT THORNTON AUDIT PLAN 2015/16

Relevant Portfolio Holder	Cllr Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To present to members the Grant Thornton Audit Plan 2015/16. A copy of this document is attached to this report as Appendix A..

2. RECOMMENDATIONS

- 2.1 **Members are asked to note and agree the 2015/16 Audit Opinion Plan**

3. KEY ISSUES

Financial Implications

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £49k. This includes £9k in relation to the audit of the Housing Benefit Grant Claim as reported to this meeting. This is a reduction of over £25k from the 2014/15 fee.

Legal Implications

- 3.2 The Council has a statutory responsibility to formally prepare accounts in compliance with national guidelines and ensure these are audited by an audited body.

Service / Operational Implications

- 3.3 Attached at Appendix A is the 2015/16 Audit Plan . The Plan sets out work that the Grant Thornton propose to undertake in relation to the Audit of the financial accounts for 2015/16 and any risks that have will require additional review and consideration.
- 3.4 The Audit will include an understanding of the organisational operations together with issues that may impact on the Council in the

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE 24TH MARCH 2016

future. This assessment results in the External Audit consideration of the risks associated with the accounts and the Appendix details the level of risk allocated to the services we provide.

- 3.5 The work by the Grant Thornton will enable a robust opinion to be made across all the internal control and accounting arrangements that the Council has in place.
- 3.6 There are a number of specific areas that will be analysed in greater detail when the accounts are being audited these include:
- Valuations of Council Assets
 - Monitoring of the S11 recommendations
 - Potential impact of Devolution
- 3.7 The Auditors will also make an assessment of the Councils arrangements to secure value for money to include systems and processes to manage financial risks and improving efficiency.

Customer / Equalities and Diversity Implications

- 3.8 None as a direct result of this report

4. RISK MANAGEMENT

- 4.1 The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are treated in compliance with accounting standards. Risk management arrangements in place across the organisation ensure that risks are addressed and mitigated.

5. APPENDICES

Appendix 1 – Annual Audit Plan 2015/16

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
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Tel: 01527-881400

The Audit Plan for Bromsgrove District Council

Year ending 31 March 2016

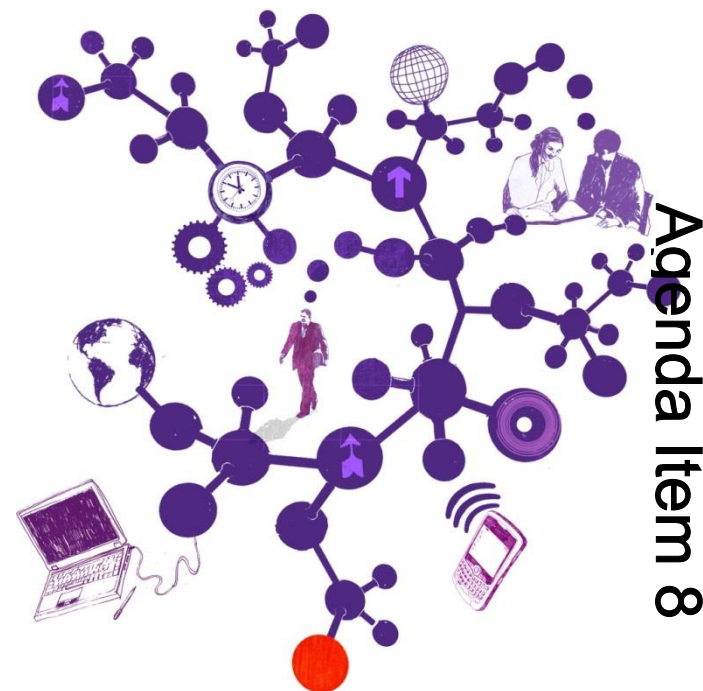
March 2016

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

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24th March 2016

Dear Members of the Audit Standards and Governance Committee

Audit Plan for Bromsgrove District Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Bromsgrove District Council, the Audit and Governance Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Yours sincerely

Richard Percival
Engagement Lead

Chartered Accountants

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Contents

Section

- Understanding your business
- Developments and other requirements relevant to the audit
- Our audit approach
- Significant risks identified
- Other risks identified
- Value for Money
- Results of interim audit work
- Key dates
- Fees and independence
- Communication of audit matters with those charged with governance

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.

2. Shortfall in the MTFS

- The MTFS presented at the February Cabinet meeting showed that despite substantial savings plan there was a reliance on the use of reserves and a financial shortfall from 2017/18 onwards.

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The devolution proposal for West Midlands Combined Authority has been agreed and the new organisation is in the process of being set up
- Bromsgrove DC is a member of the Birmingham and Solihull LEP but has decided not to be a member of the Combined Authority

5. Section 11 Recommendations

- We made four formal recommendations to the Council under our statutory powers on completion of our 2014/15 audit.
- These related to accounts production and budget setting and monitoring.

Our response

- We will consider the impact of the changes in funding and the Council's plans for addressing its financial challenges as part of our work on the VFM conclusion.

- We will consider how savings delivery is being monitored and reported as part of our work to reach our value for money conclusion.
- Our regular meetings with the Executive Director of Finance include briefings on progress with delivering the MTFS, including additional actions to close the gap from 2017/18 onwards.

- We will review the Council's arrangements for working with partners as partners as part of the VFM conclusion.
- We will also maintain a watching brief on the development of the devolution agenda and how it impacts on the Council.

- We will review your responses to the Section 11 recommendations
- We will support the Executive Director of Finance and her team in improving the accounts production process.
- We will review progress made with the implementation of all four of our recommendations as part of this year's audit.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Report, which reports on your financial performance and use of resources in the year. This replaces the explanatory foreword in the financial statements.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. VFM conclusion

- We are required to satisfy ourselves that you have achieved economy, effectiveness and efficiency in your use of resources
- The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015
- There are three revised criteria (see page 11 for details)

Housing Benefits

- The Council completes the Housing Benefit grant claim on which audit certification is required.
- With the deadline for the publication and the audit opinion being bought forward to July for the year 2017/2018 the work on the claim will not be completed in time.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

Our response

- We are discussing the impact of IFRS 13 and the planned approach to valuation of these assets with the Executive Director of Finance and her team.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

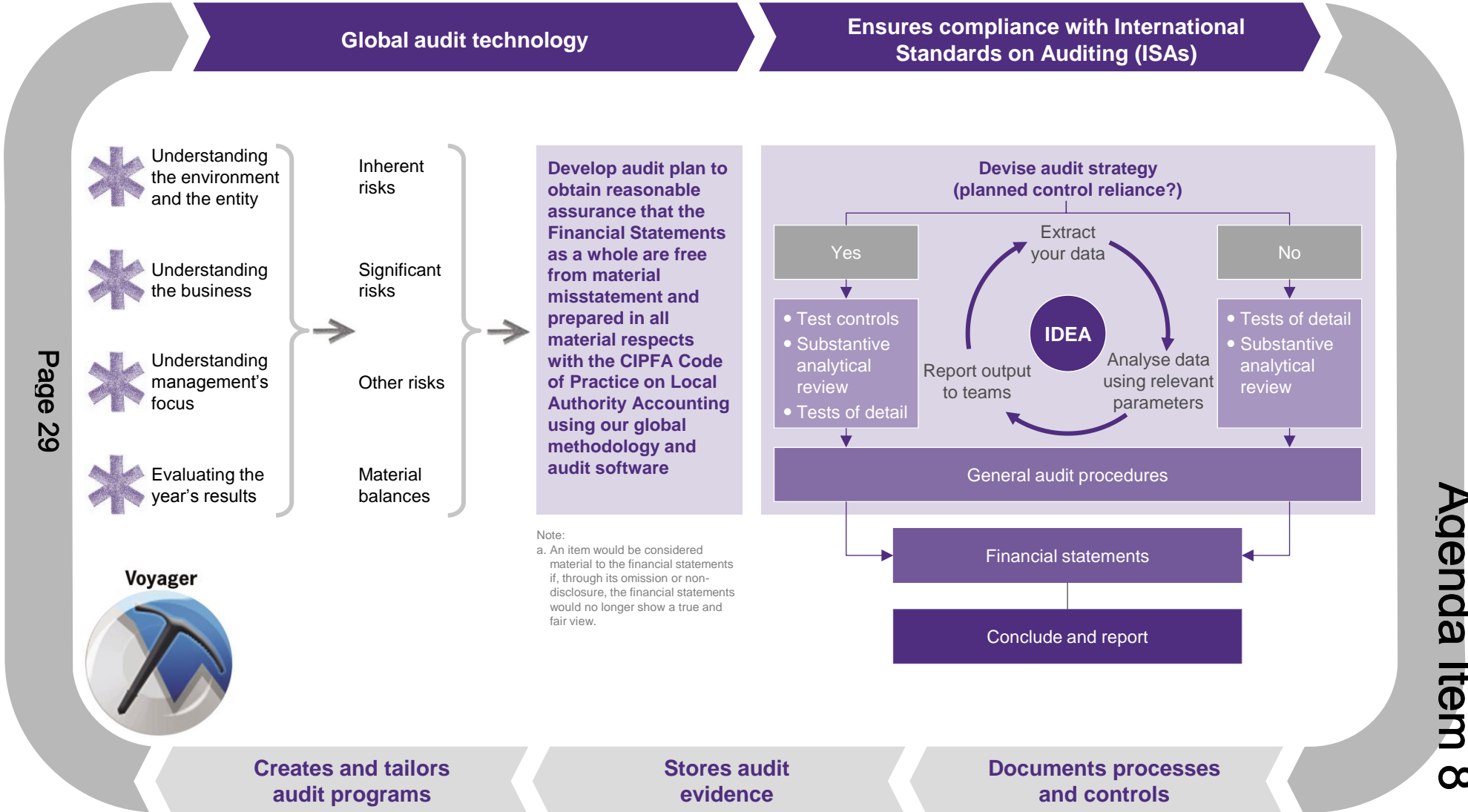
- We will review your Narrative Report to ensure it reflects the requirements of the CIPFA Code of Practice
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will complete a risk assessment and review the Council's arrangements for securing economy, efficiency and effectiveness for these risks.

- We will complete the certification work in line with HB COUNT as prescribed by the DWP.
- For the accounts we are working with the Council on obtaining our assurance by reviewing payments.

- As part of your improvement planning we are working with the Executive Director of Finance and her team to identify areas of your accounts production that can be undertaken earlier
- We aim to complete all substantive work in our audit of your financial statements by the end of August 2016 as part of a two year process.

Our audit approach



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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £672,000 (being 1.5% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £34,000.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where we are not setting a separate materiality threshold, but where we are undertaking more extensive testing:

Balance/transaction/disclosure	Explanation
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Related Parties	Due to public interest in these disclosures and the statutory requirement for them to be made

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified.

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Bromsgrove District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Bromsgrove District Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management. • Determining our journal testing strategy <p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions
Production of the 2015/16 financial statements	The issues with accounts production in 2014/15 resulted in material inaccuracies in the draft accounts. We have therefore concluded that there is a potential risk of material misstatement in the 2015/16 accounts if the improvements are not effectively implemented.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will examine the accounts closedown process and the controls in place to ensure materially accurate accounts are produced • Regular and early discussions with the finance team on the key accounting issues • Review of the detailed closedown plan

Significant risks (continued)

Significant risk	Description	Substantive audit procedures
Valuation of Parkside	During 2015/15 the Council moved into the refurbished Parkside. The Council paid half of the refurbishment costs which were managed by the County Council. The 2015/16 the financial statements need to account for this arrangement in accordance with the CIPFA Code and relevant accounting standards. The asset needs to be valued on the appropriate basis	<p>Work planned:</p> <ul style="list-style-type: none"> • We will examine the controls in place to ensure that an appropriate accounting treatment is adopted and the carrying value is materially accurate • Examine title deeds and other legal documentation • Review the instructions to the valuer • Agree the value included in the financial statements to the valuers report
Valuation of Bromsgrove Council Offices	At 31 March 2016 the Council's old offices will be classified as a surplus asset, as they are no longer operational. The new accounting standard, IFRS 13, will apply and the asset needs to be revalued on a 'highest and best use' basis. This valuation could be significantly different to its current carrying value.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will examine the controls in place to ensure materially accurate valuation is produced • Review the instructions to the valuer • Agree the value included in the financial statements to the valuers report

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors related to core activities understated or not recorded in the correct period	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have conducted a walkthrough of the key controls for this system <p>Further work planned:</p> <ul style="list-style-type: none"> We will search for unrecorded liabilities by reviewing payments after the year end We will review the Council's accruals process and test according (including goods receipted) Where GRNI's are material, testing will be undertaken to identify unaccrued items.
Employee remuneration	Employee remuneration and benefits obligations and expenses understated	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have conducted a walkthrough of the key controls for this system. We have completed a trend analysis on employee remuneration covering the period up to January 2016. <p>Further work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation of the payroll system to the general ledger We will complete our trend analysis for the full 2015/2016 year.

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Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Property, Plant and Equipment
- Investment Properties
- Assets held for sale
- Short and Long Term Debtors
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Sable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Bromsgrove Arts Development Group (Artrix)	Yes	<ul style="list-style-type: none"> Targeted 	<ul style="list-style-type: none"> Valuation of Artrix Building 	<ul style="list-style-type: none"> Reliance on an expert in relation to the Artrix valuations. Confirmation form Bromsgrove Arts Development Trustees in relation to income and expenditure.

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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

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

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance Understanding and using appropriate cost and performance information to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We shall carry out an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we will consider :

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

Following the completion of this risk assessment, we will issue a separate planning document setting out our planned work for 2015/16 to meet our duties in respect of the VfM conclusion. This will include any significant risks identified, along with details of the work we plan to carry out to address these risks.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

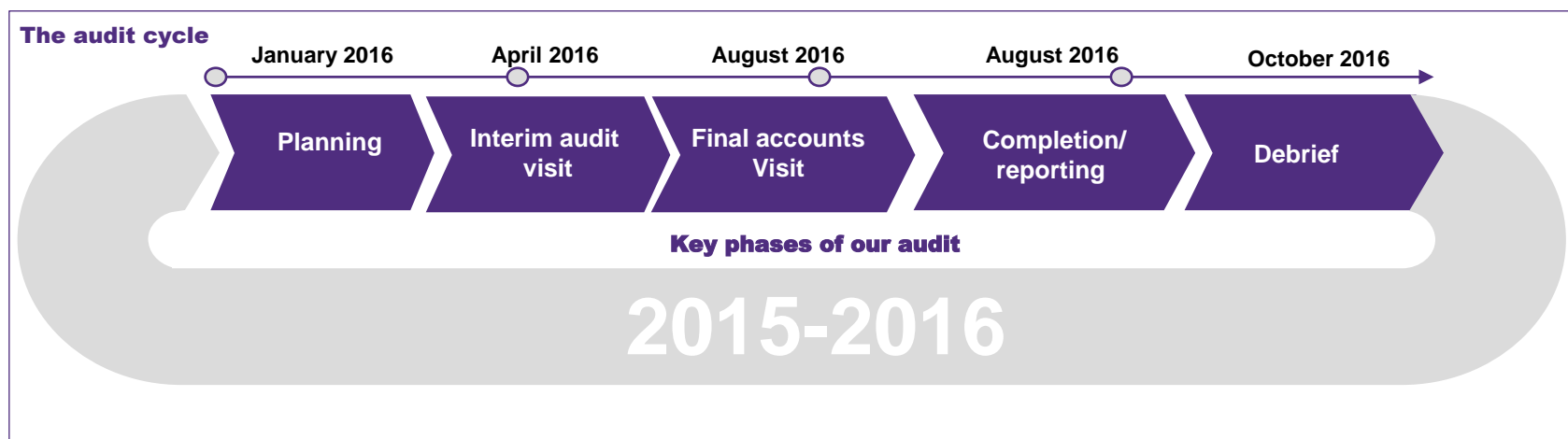
We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements
Review of information technology controls	We are carrying out a high level review of the general IT control environment, as part of the overall review of the internal control system.	Our specialists will complete this testing in March 2016 and we will report any significant matters to the Audit Standards and Governance Committee
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	We have not identified any concerns surrounding journals from our documentation of journal controls.

Key dates



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Date	Activity
January 2016	Planning
April 2016	Interim site visit
24 March 2016	Presentation of audit plan to Audit, Governance and Standards Committee
25 July – 29 August 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Executive Director of Finance
September 2016	Report audit findings to those charged with governance (Audit, Governance and Standards Committee)
September 2016	Sign financial statements opinion

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Fees and independence

Fees

	£
Council audit 2015/16	48,680
Additional fee for 2014/15 audit work *	TBC
Grant certification	8,760
Total audit fees (excluding VAT)	57,440

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

*Due to the additional work required on the 2014/15 audit we have submitted a fee variation to PSAA of £9,150.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. There were no fees for other services at the time of drafting our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 24TH MARCH 2016

GRANT THORNTON UPDATE – MARCH 2016

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 To update members on general issues and developments that may impact on the Council in the future.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note updates as included on Appendix 1.**

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications

Legal Implications

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

Service / Operational Implications

- 3.3 The report attached at Appendix 1 updates Members on the progress on work undertaken by Grant Thornton since the last Committee meeting. The majority of the progress update refers to work that is reported in other items included in this agenda and sets out the plans that Audit have in place to address concerns previously raised and how the Audit will be progressed for 2015/16. In addition the appendix includes updates on the Emerging Developments and Grant Thornton Publications in relation to issues that are relevant to the Council and may impact in the future.

- 3.4 These include

- Fair Value
- Highways Network

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 24TH MARCH 2016

- Business Rate Appeals

3.5 There are no issues that are not being addressed by officers to ensure the Council meets its statutory financial obligations.

Customer / Equalities and Diversity Implications

3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – March 2016 Grant Thornton Report

6. BACKGROUND PAPERS

7. KEY

N/a

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Audit and Governance Committee Progress Report and Update Year ended 31 March 2016

March 2016

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Introduction

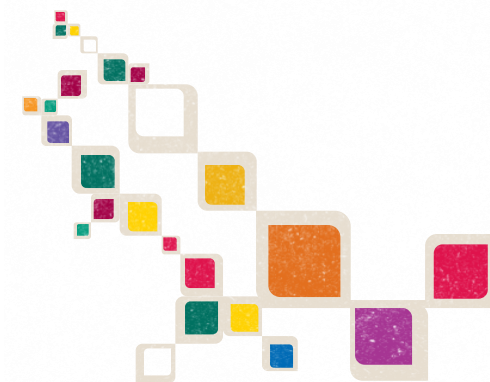
This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Assurance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

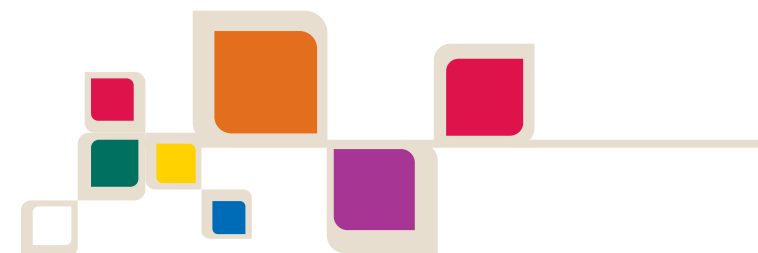
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

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

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

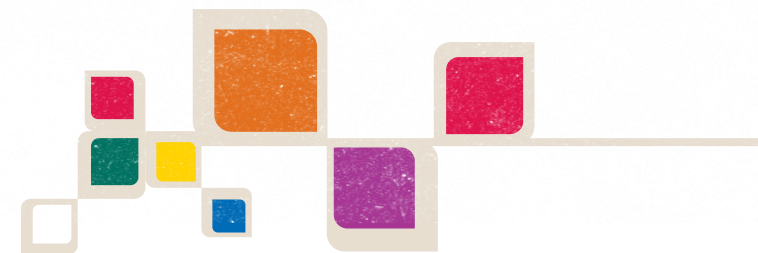


Progress at 9th March 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015</p>		Yes	The 2015/16 fee letter was issued in April 2015
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p>	March	Yes	Our audit plan is included as a separate agenda item for the Audit and Governance Committee to consider.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February – March	In progress	<p>Our interim audit work is in progress. This includes early audit testing where practical to support a more efficient final accounts audit. We also have regular meetings with the finance team to ensure that we are briefed on emerging accounting issues and that the team is aware of the progress we are making.</p> <p>We are also reviewing progress with the improvement plan following our s11 recommendations.</p>
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	July - August	Not started	We are planning to complete our audit fieldwork by 31 st August. We are working with the Financial Accounts Team to support improvements in accounts production efficiency and the project management of the audit visit.

Progress at 9th March 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>March - July</p>	<p>In progress</p>	<p>We have complete the risk assessment and this is included within the audit plan.</p>
<p>Other areas of work</p> <p>Meetings with Members, Officers and others</p> <p>Additional fee. Due to the additional work required on the 2014/15 audit we have submitted a fee variation to PSAA.</p>	<p>On-going</p>		<p>We are continuing to hold regular meetings with key members and officers.</p>

Local Government Accounting and other issues

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A decorative graphic in the bottom right corner consisting of a cluster of overlapping circles in various colors including yellow, green, teal, and blue, arranged in a pattern that suggests a starburst or a stylized flower.

IFRS 13 'Fair value measurement

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local Authorities need to:

- review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.



Highways Network Asset

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset form 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA's expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which is available from your Engagement Lead and Engagement Manager and will provide further briefings as further details become available requirements.

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Unlodged non-domestic rate appeals

Last year, there were primarily no provisions for unlodged non-domestic rates appeals as appeals received on or after 1 April 2015 were only backdated to 1 April 2015. The effect of last years announcement was supposed to put authorities in the position as if the revaluation had been done in 2015 as initially intended before the extension to 2017. This was only a one year reprieve and so any unlodged appeals at 31 March 2016 will only be backdated to 1 April 2015 and therefore may not be material.

However, this year, local authorities will need to estimate a provision for unlodged appeals but as above it may not be material.

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the Code it is in only extremely rare cases that a reliable estimate cannot be made. Therefore, if your local authority does have such an instance, the rationale needs backing up: both in terms of disclosures (as a contingent liability) and in providing evidence to those charged with governance as to why a reliable estimate for the provision cannot be made.

Grant Thornton Publications

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CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

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We are happy to organise a demonstration of the tool if you want to know more.

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Innovation in public financial management

In December 2015 we issued a report, which drew on a survey of almost 300 practitioners worldwide, also includes insights from experts at the International Consortium on Governmental Financial Management (ICGFM) and the Massachusetts Institute of Technology's Centre for Finance and Policy.

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The report is the latest in a decade-long series jointly published by Grant Thornton and the ICGFM and it covers four major topics that, globally, will impact on the future of public financial management:

Changing practices. Our research showed that the biggest issue ahead will be finding the political commitment to support more difficult innovations on the agenda – such as increasing public engagement.

The right PPP formula. 90% of respondents felt that substantial investment in infrastructure was required to drive economic growth. In this age of austerity, most governments are also seeking ways to attract outside investment – with the majority using some form of public-private partnership (PPP). Many countries remain inexperienced with such arrangements and the results of

their application have been mixed. There has been little improvement since our 2011 survey, which shows that it takes a long time to develop the requisite skills and experience to make PPPs work.

Transparency with technology. Public financial managers are convinced of the importance of enhancing transparency and most are trying to be innovative in this area. However, most are using outdated digital tools. Fewer than half use social media to enhance openness. Even among the best, most transparency efforts are focussed on releasing data sets than data insights.

The new normal. Public financial management remains weighed down by the effects of the global financial crisis, but respondents also focussed on important developments since 2008, such as the Eurozone problems and the collapse of commodity prices. This suggests that public financial management is having to come to terms with not just the lessons one major financial crisis, but with how governments can live with less over the long term.

Our report, Innovation in public financial management, can be downloaded from our website: <http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/>

Grant Thornton reports



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2016 Transparency Report

Grant Thornton's commitment to quality underpins all that we do and this is reflected in our 2016 Transparency Report.

We have more than 42,000 people in over 130 countries and this report is a public statement of our commitment to provide high-quality services to businesses and organisations operating throughout the world.

It is designed to help clients, audit committees, regulators and the public, who make up our many stakeholders, understand us better.

The report covers the three key aspects of our business, namely:

- Audit and assurance;
- Taxation; and
- Advisory services.

The report provides information on our audit methodology and sets out how we monitor the quality of our work and engage with external regulators.

It also covers our arrangements for governance and management and sets our most recent financial information.

The report can be downloaded from our website:

www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-global-transparency-report-2016.pdf

Alternatively, hard copies can be provided by your Engagement Lead or Audit Manager.

Grant Thornton reports



Transparency report 2016
Our commitment to brighter futures





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BENEFITS FRAUD – QUARTER 3 UPDATE

Relevant Portfolio Holder	Cllr Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda De Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To advise Members on the performance of the Benefits Services Fraud Investigation team. This report gives performance information for the team from 1 October 2015 to 31 January 2016.

From 1 February 2016 onwards, the investigation of Housing Benefit fraud has become the responsibility of the Department for Work and Pensions.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that subject to any comments, the report be noted.

3. KEY ISSUES

Financial Implications

3.1 Direct expenditure in Housing Benefit for the period from 1 April 2015 until 31 December 2015 was £12,450,690. Council Tax Support is awarded and paid directly onto the Council Tax account for existing claims at the start of each financial year for the whole year's entitlement. Council Tax Support for any new claim awarded throughout the year is paid onto the account at the time the claim is decided. Reporting expenditure for Council Tax Support on part yearly basis is not meaningful but direct expenditure in Council Tax for the year ending 31 March 2015 was just under £4.5 million.

3.2 During the 3 month period from 1 October 2015 to 31 December 2015 Housing Benefit overpayments of £182,844 were identified. These were made up as follows:

Customer error/fraud	£168,223
Local Authority error	£7,514
Overpayments caused by administration delay	£7,107

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Overpayments can only be classified as fraud after a customer has been prosecuted, accepts an administrative penalty or formal caution or has made an admission of fraud during an interview under caution. Any overpayment that the customer has contributed to, for example by not reporting a change in their circumstances on time, is recorded as customer error. Overpayments caused through mistakes made by staff are recorded as Local Authority error and administration delay overpayments arise when changes that have been reported cannot be processed immediately.

- 3.3 The following table sets out the total overpayments recovered or written off between 1 October 2015 and 31 December 2015.

Payments received	£108,240
Overpayments written off	£329

- 3.4 Overpayments on fraud investigations closed during the period of this report totalled £93,315 in Housing Benefit, £10,415 in Council Tax Benefit and £17,435 in Council Tax Support. Some of these overpayments will be included in the totals identified as shown in 3.2 but because investigations sometimes continue for a considerable time after the overpayment is calculated, many of these will have been calculated in prior to 1 October 2015.

Legal Implications

- 3.5 There are no specific legal implications.

Service/Operational Implications

- 3.6 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support in the local area. A shared dedicated counter fraud team was in place for the period of this is report. The main purpose of the team was to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity on Housing Benefit and Council Tax Support claims. All members of the team had completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.
- 3.7 As at 31st January 2016 there were 5,146 live Housing Benefit claims and 4,765 Council Tax Reduction claims in payment. Approximately half the caseload is made up of working age customers which results in a large number of changes on claims when people move into or out of work and claiming various benefits and tax credits.
- 3.8 Measures have been in place for some time to make these changes easier for both the customer to manage and the authority to process, but this remains one of the highest areas of risk of fraud and error

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entering the system. Also as both Housing Benefit and Council Tax Support are means tested there are potential financial incentives for customers to under declare income and savings or not to report a partner or other adult living in the property with them.

- 3.9 During this period 139 fraud referrals were received and considered for investigation by the team.
- 3.10 102 of these were data matches, showing there is still a resource requirement to action these following transfer of HB fraud investigation to the Single Fraud Investigation Service.
- 3.11 11 referrals were received from the Department for Work and Pensions (DWP) as joint working invitations or for consideration of investigation into Housing Benefit/Council Tax Support alone. From 01/02/16, Housing Benefit will be the responsibility of the DWP to investigate.
- 3.12 Whenever possible if fraud referrals related to Housing Benefit and benefits paid by the DWP, a joint approach was taken to ensure that the full extent of offending was uncovered and the appropriate action is taken by both bodies. This also maximised staffing resources as depending on workloads either body could take the lead and also prevented duplicate investigation work.
- 3.13 34 investigations were closed during the period with fraud or error established.
- 3.14 4 customers accepted cautions, all for offences relating to an undeclared or under-declared work.
- 3.15 No administrative penalties were offered during the period of this report.
- 3.16 2 prosecutions were completed during the period; both of these were for undeclared or under-declared work.
- 3.17 All aspects of a case were taken into consideration at each stage of the investigation from the referral stage through to the decision being made on whether prosecution or an alternative sanction was appropriate.
- 3.18 When deciding whether investigation is appropriate initially, the potential loss to public funds was the primary consideration which was balanced against resources available to investigate. This meant that the cases most likely to result in a large overpayment and therefore most appropriate for prosecution were prioritised. If however it was decided that full investigation was not possible but there was still a risk that benefit was incorrectly in payment, the case was referred back to the Benefit Team for the matter to be addressed and the claim corrected.

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- 3.19 Each case was reviewed during each stage of the investigation and again when deciding whether prosecution or an alternative sanction was appropriate on conclusion of the investigation. The offence that had been committed was measured alongside the amount of benefit obtained and evidence available. Any mitigation that the customer had given during interview was taken into consideration along with their co-operation with the investigation and whether there have been any previous investigations into their claim. The cases most likely to be recommended for prosecution were those with the longest period of offending. Any opportunities for the customer to have reported the true facts themselves or the Authorities ability to have possibly identified the offences sooner were also considered.
- 3.20 It was appropriate to consider alternative sanctions to prosecution, generally where the offences did not warrant the costs and consequences involved in prosecution as a first option. In making this decision the customer's full circumstances were considered, including their financial situation. The main purpose of a caution or administrative penalty was considered to be ensuring that the customer understands the seriousness of their offending and to prevent any further fraud being committed or overpayments on their claim.
- 3.21 The minimum administrative penalty payable is £350 and this was usually only offered when there was a realistic chance of recovering this amount in addition to the overpayment within a reasonable period of time. This practice was in place for some time and cautions were usually offered when an administrative penalty was not considered appropriate for this reason.
- 3.22 Very few repeat investigations were carried out on customers who had accepted either a caution or administrative penalty which demonstrates the deterrent value of each as an alternative sanction.
- 3.23 Fraud investigations often identify large overpayments which can distort the apparent recovery rate of overpayments. For example, 8 of the Housing Benefit overpayments on cases closed during this period were each over £5,000 and are therefore likely to take a considerable time to recover.
- 3.24 The overpayments identified on Council Tax Support continued to increase, as the scheme is now in its third year of operation.
- 3.25 The expertise of the Investigation team has been retained in the creation of a new Compliance team. The team is the liaison point for the exchange of information between the Benefit team and the DWP to enable the successful investigation of Housing Benefit fraud to continue. The team will also continue to ensure that claims are

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referred back to the Benefit team for appropriate action if not accepted for investigation by the DWP.

- 3.26 The main focus of the Compliance Team has shifted to areas of non-compliance which have a financial impact upon the authority. Initially the team will be working on areas of the Council Tax system where additional income can be generated. Council Tax Support fraud remains the responsibility of the authority, so the team will continue to investigate this in appropriate cases but this will be on a much lesser scale than their previous investigation of Housing Benefit fraud.
- 3.27 Although this authority no longer has control over fraud investigation on Housing Benefit claims, we are still responsible for recovering any overpayments identified. Prevention and deterrence of fraud is the only area where there will be any influence. Risk based verification of claims will be introduced during 2016 which will increase assurance at the onset of new claims and when changes of circumstances are being notified. A robust review programme is also being introduced from April 2016 in order to proactively identify unreported changes in circumstances and reduce fraud and error within the caseload.
- 3.28 This will be the final report providing Housing Benefit Fraud information. There will be no quarter 4 report but it is proposed to bring an update report on the activity of the new Fraud and Compliance team with effect from quarter one of the new financial year. This will allow time for the necessary data and measures to be put in place on which to report.

Customer / Equalities and Diversity Implications

- 3.29 A robust mechanism for pursuing Housing Benefit and Council Tax Support Fraud is important to customers who expect to see action taken to reduce fraud and keep overpayment of benefits to a minimum.

4. RISK MANAGEMENT

- 4.1 Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and additional costs could be incurred. In addition, without effective control activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

5. APPENDICES

- | | |
|--------------|-------------------------|
| Appendix 1 - | Example cases |
| Appendix 2 - | Demographic information |
| Appendix 3 - | Trends data |

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6. BACKGROUND PAPERS

None

7. KEY

AUTHOR OF REPORT

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APPENDIX 1

Example Cases

Case 1

A man from Ward A accepted a caution for failing to declare that he had started work a year before reporting that his circumstances had changed.

This was a joint working exercise with DWP fraud investigators which identified overpayments of £1,592.43 Housing Benefit, £326.67 Council Tax Support and £2,312.00.

A caution was offered as an alternative to prosecution for the housing Benefit offences after it was decided that prosecution should not be the first option in view of the mitigation given during the interview under caution.

Overpayment recovery action is currently being pursued.

Case 2

A woman from Ward B was prosecuted for failing to declare work for 3 consecutive employers between 2012 and 2015.

This investigation started following receipt of real time employment information from HMRC showing the undeclared work and identified overpayments of £7,365.72 Housing Benefit, £482.82 Council Tax Benefit and £1,055.01 Council Tax Support.

After pleading guilty to the offences, the customer was fined £200 and was ordered to pay costs of £135 with an additional £20 victim surcharge.

The overpayment is being repaid by monthly instalments.

Case 3

After becoming a widower, an elderly man from Ward C found that his late wife had held premium bonds that had not been declared on his claim to Council Tax Benefit/Support.

The investigation established that Council Tax Benefit of £8,937.71 and Council Tax Support of £2,075.05 had been overpaid. It was decided that no further fraud action was appropriate in the circumstances.

A lump sum of £8,000 has been paid toward the overpayment and the balance is being repaid through an instalment agreement.

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APPENDIX 2

This table gives additional information on the nature and demographic profile of cases of benefit fraud where sanctions were applied during the period covered by this report.

Gender	Status	No. dep children	Tenancy type	Area	Fraud type	Outcome
F	Single	1	Privately rented	Alvechurch	Increased earnings	Caution
F	Single	0	Privately rented	Stoke Prior	Increased earnings	Caution
F	Partnered	1	Housing Association	Charford	Un/underdeclared work	Caution
M	Single	0	Private	Catshill	Working	Caution
F	Single	0	Private	Catshill	Work	Prosecuted
F	Single	1	Private	Belbroughton	Increased earnings	Prosecuted

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APPENDIX 3

Fraud Trends 2011 to 31st January 2016

Referrals

Referral source	2011/12	2012/13	2013/14	2014/15	2015/16
Members of public	54	32	65	80	47
Data matching	114	66	52	47	228
<u>Official source</u>	<u>59</u>	<u>65</u>	<u>48</u>	<u>35</u>	<u>52</u>
Total referrals	227	163	165	146	327

The increase in data matching referrals during 2015/16 is due to the way in which HBMS matches are now recorded. All matches are now managed through the fraud management computer system and therefore each is recorded as a referral. This also increases the number of fraud referrals that are recorded as not taken up.

The number of referrals from official sources is increasing, demonstrating the success of the shared team in areas such as raising fraud awareness and joint working with the DWP. The reduction in the number of data matching referrals from 2012/13 was a general trend following the automation of information regarding benefits and Tax Credits between local authorities and DWP. This trend also decreased the number of cases of lower level fraud where a caution or administrative penalty would quite often have previously been offered.

Closure by fraud type	2014/15	2015/16
undeclared income	10	5
working and drawing	29	51
contrived tenancy		1
employer fraud		
landlord fraud		
living together	5	4
non-commercial tenancy		
non-dependants	2	9
non-residency	1	10
other	1	
property owner		
student award	4	
<u>undeclared capital</u>		<u>2</u>
Total closures	52	82

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Closure by referral source	2014/15	2015/16
Members of public	2	4
Data matching	34	71
<u>Official source</u>	16	7
Total referrals	52	82

Outcomes Bromsgrove	2011/12	2012/13	2013/14	2014/15	2015/16
Administrative Penalty	7	6	1	1	2
Caution	45	32	21	5	13
Prosecution	3	9	10	10	5
No sanction	Not available	26	17	15	62
Total	Not available	73	49	31	82

The increase in the number of cases closed without sanction during 2015/16 is also mainly due to the way in which data matching is now recorded. Although this work has always been carried out within the investigation team, the amount of work involved was not captured.

AUDIT STANDARDS & GOVERNANCE COMMITTEE

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SECTION 11 UPDATE

Relevant Portfolio Holder	Cllr. Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To present the Committee with an update of the progress following the Section 11 recommendations as reported to the Committee on 10th December 2015.

2. RECOMMENDATIONS

The Committee is asked to NOTE the Action Plan as included on Appendix 1.

3. KEY ISSUES

Financial Implications

3.1 There are no specific implications to this report.

Legal Implications

3.2 The Council received a s11 notice (Audit Commission Act 1998) in relation to a number of recommendations relating to the financial management and accounting of the Authority. As part of the monitoring of the actions in place to address these recommendations the Committee agreed to receive updates of the progress against the actions to ensure that the Council is taking appropriate action to address the significant issues identified.

Service/Operational Implications

3.4 As Members are aware unqualified opinions were given for the accounts and the Value for Money Judgement on 30th September 2015 for the financial year 2014/15.

3.5 There were however a number of concerns raised by Grant Thornton in relation to financial accounting and budget monitoring that require

AUDIT STANDARDS & GOVERNANCE COMMITTEE

24th March 2016

addressing for 2015/16 closedown and financial management of budgets for 2016/17.

- 3.6 The action plan was reported to Members to the last meeting of this Committee. The plan was agreed by Grant Thornton and as required by legislation, a summary of the actions to be undertaken was advertised in the local press in early March. Appendix 1 details the action plan as at 15th March 2016, this shows that there are 2 areas of concern where the deadline has not been met by the due date. These relate to a full set of template working papers being prepared and agreed with the Auditors.
- 3.7 A meeting has been held with the Auditors to discuss requirements but the Grant Thornton has proposed that they undertake their interim audit work and develop the working paper requirements at the same time and therefore at present there are no formal templates that officers can use to prepare the working papers. It is anticipated therefore that these will be agreed as part of the interim audit in early April.
- 3.8 As part of the Final Accounts process a full detailed timetable has been prepared and agreed with the team, giving clear, set deadlines for tasks to be completed to ensure that the Accounts meet the required quality and the statutory date of 30th June 2016, for the 2015/16 accounts. This is being managed with weekly meetings with all team members to allow them to raise any concerns and ensure they are meeting all deadlines. There are also weekly update meetings with the S151 Officer to ensure the timelines are being met and any concerns highlighted. It is proposed that a small member group is also established to monitor the action plan on a monthly basis. Update reports will also be presented to this Committee at each meeting.
- 3.9 A Memorandum including key dates has also been prepared for all Council Officers showing clearly the dates when information is received by Finance and the importance of this, this was emailed to Heads of service and managers and a copy was available for all staff on the council intranet; this is included at Appendix 2.
- 3.10 A risk log is also being held in finance showing all areas of concern that may affect the ability for Officers to meet the timetable, this is being updated on a daily basis and risks are being mitigated where possible. A current copy of this is included at Appendix 3.
- 3.11 Officers will continue to work with both Internal and External Audit to ensure the recommendations are implemented as reported.

AUDIT STANDARDS & GOVERNANCE COMMITTEE

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Customer / Equalities and Diversity Implications

3.8 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 -	S11 Action Plan
Appendix 2 -	Officer Memorandum
Appendix 3 -	Finance Risk Log

AUTHOR OF REPORT

Name:	Sam Morgan Financial Services Manager
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Tel:	(01527) 587088

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Bromsgrove District Council - S11 ACTION PLAN MONITORING UPDATE

As part of the audit of our Final Accounts 2014/15, our auditors, Grant Thornton, issued a number of recommendations as per s11 Audit Commission Act 1998. This is our response, as agreed by Full Council on 20/01/16:

Update as at 15th March 2016

Recommendation	Action	Owner	Deadline
<p>1</p> <p>The Council should put in place robust arrangements for the production of 2015/16 financial statements, which meet statutory requirements and international financial reporting standards. 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>External support (via procurement tender) will be appointed.</p>	Financial Services Manager	complete
	<p>A detailed Final Accounts closedown and production timetable will be compiled, monitored by weekly s151 officer meetings. Slippage to be escalated, explained and immediate actions implemented to rectify.</p>	Technical Accountant	complete
	<p>An assessment of the level of external support required will be carried out and communicated to provider.</p>	Financial Services Manager/Technical Accountant	complete
	<p>Visits to be arranged for key closedown staff to observe processes at other local authorities, with the aim of sharing best practice.</p>	Financial Services Manager and Technical Accountants	complete
	<p>Training needs to be identified.</p>	All Finance	complete
	<p>Appropriate training to be provided which will include the mentoring of Technical Accountants and other key financial staff by external provider.</p>	Financial Services Manager/Technical Accountant	complete
<p>2</p> <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 -the production of the financial statements is monitored through regular reporting to Directors and the Audit Board. 	<p>Full set of template working papers to be compiled.</p>	Technical Accountants	22/02/2016*
	<p>Meeting with external auditors to be arranged, with the aim being to agree working paper templates.</p>	Financial Services Manager	22/02/2016*
	<p>CIPFA Toolkit prior year figures to be populated as soon as available.</p>		
	<p>Early training to be arranged with CIPFA advisor to ensure any errors are eliminated.</p>	Technical Accountant	complete
	<p>Reconciliation schedule to be completed with clear deadlines for each reconciliation, signed off and reviewed by the Exec Director of Finance on a monthly basis.</p>	Technical Accountant	complete
	<p>A review of the ledger system will be carried out to ensure that information required is available to download direct to the Statement of Accounts where practical</p>	Technical Accountants	complete

<p>3</p> <p>The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable 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>Pressures/Savings/Bids forms on staff Orb intranet currently being updated by Heads of Service and budget holders. A detailed summary to determine gap will be prepared for Members.</p> <p>Budget-holders in discussions to determine potential changes to 2016/17 budget (on assessment of 2014/15 out-turn).</p>	<p>Senior Business Support Accounting Technicians</p> <p>Business Support Accounting Technicians</p>	<p>complete</p> <p>complete</p>
<p>4 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 out-turn and action to be taken, where</p>	<p>New Financial Planning module to be implemented, giving managers more control and flexibility of their budgets.</p> <p>Quarterly monitoring statements are sent out to budget-holders within 5 working days of period end. Projections and explanations are required within a week of draft Committee reporting.</p> <p>Compilation of Monitoring reports for Members.</p> <p>Large variances to budget to be addressed with Head of Service prior to Committee with details of cause and plans to mitigate any overspends</p>	<p>Senior Business Support Accounting Technician</p> <p>Business Support Accounting Technicians and budget-holders</p> <p>Senior Business Support Accounting Technician</p> <p>Exec Director of Finance</p>	<p>30/06/2016</p> <p>ongoing</p> <p>ongoing</p> <p>ongoing</p>

* A full set of working paper requirements has not been received from Grant Thornton as they have proposed that they will work with the officers during their interim audit to develop the requirements of working papers. This will be undertaken in early April

MEMORANDUM

To: Chief Executive,
Executive Directors
Heads of Service
Budget holders
All staff involved in final accounts

From: Executive Director Finance & Resources

Date: 23rd February 2016

**COMPLETION OF FINANCIAL ACCOUNTS 2015/16 – BROMSGROVE
DISTRICT COUNCIL AND REDDITCH BOROUGH COUNCIL**

I would like to seek your co-operation and support in the closing of the financial accounts for the year ending 31st March 2016. The Accounts and Audit Regulations 2011 require that the Statement of Accounts be issued by the Council as soon as possible after the year-end and in any case no later than **30th June 2016**.

As you know we encountered significant difficulties and challenges when closing the accounts and in the production of the final statement of Accounts with both Councils missing the statutory deadline for submission to the Auditors. I am assured that the plans we have in place for closedown this year will ensure that we do not face the same problems and we will meet all deadlines and produce an accurate and robust set of accounts and working papers. We do need your help and your teams support to ensure we complete all of the tasks within the dates allocated.

It is essential that the financial ledgers are closed by **15th April 2016**. I would therefore be grateful if you could ensure that your staff are made aware of the following arrangements and make every effort to meet the deadlines. Changes in legislation combined with accounting for shared services, and installations of new systems, continue to place additional pressures on the year end timetable this year.

By 2017/18, the regulations are changing and we will have to close the accounts a month earlier, so we need to ensure that arrangements are in place to enable an earlier closedown.

The dates indicated are the **final** dates by which various processes are to be completed and it would help to achieve these deadlines and ease peaks in workload if data could be provided as and when it is ready rather than held until the deadline.

The 2015/16 financial year ends on 31st March 2016.

The 2016/17 financial year starts on 1st April 2016.

The closedown process impacts on all Service areas, not just Financial Services. With this in mind your support will ensure that the Councils' deadlines are met. I appreciate that there is a lot of financial detail in this timetable and I would emphasise that full support will be given by Financial Services. You will find contact details for Financial Services staff at the end of this memo. If you have any queries about the completion of any of the forms or content of this memo please speak to your accountant, or another member of the team.

IDENTIFICATION OF HERITAGE ASSETS

One of the recent changes in legislation requires the separate identification, valuation and disclosure of Heritage Assets. A number of potential items were identified and considered last year end but could you please still have a think about any assets within your service areas or items you are aware of that you think possibly meet the definition(s) outlined below. There may be new items compared to last year or the purpose for which they are being held may have changed. In 2014/15, RBC only had the Forge Mill and BDC did not have any heritage assets.

The overriding principle is the purpose for which items are held. An historic building in itself might not be a heritage asset if for example: it is used principally as an operational office building.

Definitions:

A tangible heritage asset is a tangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

Please feel free to discuss this with your accountant and submit any ideas you may have to them.

REVENUE/CAPITAL OUTTURN 2015/16

Please review the February 2016 (Period 11) monitoring statements with your accountant to identify outstanding invoices/income/grants and any accounting transactions required. If possible, please raise debtors invoices and process creditor invoices well in advance of 31st March 2016 as this will minimise the workload for everyone at year end.

March monitoring statements will be sent in early April, as usual, with a further report, showing the draft outturn, distributed once the ledgers close (15th April). This will be the final chance for budget holders to review their financial position for

2015/16 and to provide any commentary required for the formal outcome report to members.

BUDGETARY CONTROL

Capital: For capital projects, it is important to identify whether underspends relate to genuine slippage on projects or are really retention amounts where the project is substantially complete. It is important for retention to be provided for in the year in which a scheme relates. Please advise your accountant of any such monies.

Revenue: For revenue items, any approved transfer to reserves (approved by Members) will be processed in 15/16 allowing the funding to be drawn down to the appropriate area in 16/17. Please advise your accountant as soon as possible of any transfers needing Member approval.

CREDITOR PROCEDURES

It is vitally important that all Eproc orders are GRN'd by 5pm on Thursday 31st March 2016 if the goods or services have been received. If they have not been received by this date, they will not be included in 2015/16.

Capital Expenditure (Work in Progress)

In cases where a capital project is incomplete you should obtain Valuation Certificates or invoices for the work completed to the end of 2015/16 in time to meet the deadlines so that appropriate costs can be charged to the 2015/16 financial year.

If you have any queries on the capital closedown process please contact your designated accountant in the first instance, **Zoe Martin(BDC) or Kayleigh Sterland-Smith(RBC)**.

Only goods and services received and work completed on or before 31st March 2016 can and MUST be charged to 2015/16. Goods or services received after that date will be charged to the new financial year 2016/17 irrespective of budget provision, order date or payment date.

The majority of year-end commitments (orders/invoices outstanding) will be derived from the Creditors System. Any legitimate expenditure items not identified through Creditors should be notified to your Finance Team for inclusion.

PAYMENTS IN ADVANCE

Any items of expenditure already paid for and included in the 2015/16 accounts for which goods or services will be received after 1st April 2016 need to be processed as a payment in advance to ensure the cost is removed from 2015/16 and charged to the 2016/17 (new) financial year.

Financial services in conjunction with budget holders have already identified some of the major payments in advance that span financial years. However, your assistance is needed to ensure all material expenditure is allocated to the correct financial year as this is an area identified for improvement in previous audit letters for example: it is typical for many annual maintenance/support/licence/subscription charges to be paid in February/March for the forthcoming financial year. Please provide details of any such items to your accountant by **Thursday 31st March 2016.**

PETTY CASH

Guidance will be issued under separate cover to those officers with petty cash responsibilities. Certificates confirming amounts held by imprest holders will need to be returned to Financial Services by no later than **1st April 2016.**

GOVERNMENT PURCHASING CARDS (GPC)

Please use the first characters of the description field to indicate in which year the goods or services were/will be received i.e. on or before 31st March 2016 use 2015/16; 1st April 2016 onwards use 2016/17. Please follow this instruction for both March and April statements.

All GPC card-holders should have transactions up to 31st March coded by 12pm on **Friday 1st April 2016.** Users are reminded that transactions can be coded almost immediately after expenditure is incurred so it is not necessary to wait until this date. Proactive coding is always encouraged.

REVENUE DEBTORS

All bills relating to the 2015/16 accounts should be entered on the Cedar Debtors system **by 1pm on Thursday 31st March 2016.** Any credit note requests must be submitted to Financial Services **by 1pm on Thursday 31st March 2016.** The Debtors System will be unavailable for input after 1pm on 31st March 2016 and before 1pm on Friday 1st April 2016.

Please provide details of any old year items not actually billed by 1pm on 31st March 2016 to your accountant **by Friday 1st April 2016** for the income to be credited (accrued) to financial year 2015/16. Amounts should be **exclusive** of VAT. You are requested to keep details of any such outstanding debtor information submitted. A bill for those accrued items will then need to be raised in financial year 2016/17 in the normal manner and it is important to use the same financial code(s) as provided to your accountant for the accrual transaction.

Please liaise with your accountant if you have raised debtor invoices in 2015/16 for services that relate to both 2015/16 and 2016/17. Depending on the amounts involved it will be necessary to complete a "Receipts in advance" transaction to correctly apportion income to the correct financial year(s).

If possible, bills relating wholly to 2016/17 should not be entered on the Debtors System during March 2016.

CASH/OTHER INCOME (Cashiers/Customer Service Centre)

There may be occasions where the Councils receive income without raising a debtor invoice.

All income needs to be allocated to the correct financial year. If you receive income before 31st March 2016 for services you will provide in the new financial year (2016/17), please inform your accountant so this can be treated as a **Receipt in Advance**.

If you provide a service before 31st March 2016 but receive the income in the new financial year please inform your accountant about the income due. This will be processed as an Outstanding Debtor to ensure the appropriate income is credited to 2015/16 accounts.

It may help to identify any adjustments required for such income if throughout March and April 2016 you can advise the cashier(s) whether income relates to the old (2015/16) or the new (2016/17) financial year.

These details should be signed by an authorised signatory and forwarded to your accountant by **Friday 1st April 2016**. If you have any queries concerning how to treat any income please speak to your designated accountant.

GRANT INCOME

The Council has to follow strict guidelines in the way it accounts for grant income. It is imperative therefore that financial services have on file a copy of any accompanying paperwork that shows clearly the presence of any terms or conditions attached to the way the grant may be utilised. If you have not already done so please forward copies of grant paperwork to your accountant.

STOCK CERTIFICATES, PETTY CASH AND CASH FLOAT CERTIFICATES

All stock holdings, petty cash and cash float balances have to be certified as at 31st March 2016.

The following stock certificates are required for RBC:

- Franking Machines (CAOS)
- Depot Stores
- Depot Fuel
- Print Room Stocks
- Bar and Resaleable equipment (Palace Theatre & Sports Centres)
- Forge Mill Museum

The following stock certificates are required for BDC:

- Franking Machine & other
- Depot Stores
- Depot Fuel
- Lifeline
- WRS

Procedures regarding stock valuation certificates will be sent separately to relevant officers. **Please ensure that a stock take is scheduled to take place on or very close to 31st March 2016.**

Responsible officers will also be required to complete petty cash and cash float certificates as appropriate. Again these will be sent separately. All stock, petty cash and cash float certificates/details will need to be returned by no later than **1st April 2016.**

LEASES

Financial Services will require confirmation of all leases and lease obligations. Changes in legislation mean that we need to review any/all agreements that might indicate we are acting as either lessor or lessee.

A schedule will be distributed in the latter part of March 2016 which shows the current information held. Please check/amend/add to the schedule as appropriate and return a signed copy to Financial Services no later than **Friday 1st April 2016.** Please provide details for any additions as follows:-

1. Company Name
2. Item being leased
3. Start and end dates of the Contract
4. Contract reference number
5. Payment frequency
6. Amount payable at each payment date

Please ensure that you include details of any new lease obligations i.e. contracts that we have committed to even if the contract start date is after 31st March 2016.

If you are aware of any agreements in operation that you feel might constitute a lease, please provide sufficient detail so financial services can ensure a determination is made.

SUPPORT SERVICE RECHARGES

Designated accountants will discuss any requirements individually with budget managers.

ANY OTHER TRANSACTIONS/MATERIAL ITEMS/PROVISIONS

If you are aware of any other transactions or events that you feel may have an impact on the 2015/16 accounts (e.g. asset disposals, pending tribunals) please

Speak to your designated accountant, **Zoe Martin (BDC)** or **Kayleigh Sterland-Smith (RBC) Ext 3172**.

EVENTS AFTER 31st MARCH 2016

Events may occur between the Balance Sheet Date (31st March 2016) and the date the accounts are authorised for issue which might have a bearing upon the financial results of the past year.

Such events would include discovery of errors or fraud meaning figures in the accounts are wrong; a fire or other event adversely affecting the value of an asset; information materially affecting a debtor or creditor figure included in the accounts.

Should you become aware of any such event, please speak to Financial Services.

GENERAL

In order to ensure that information held in our accounts is correct, finance officers are able to input accruals journals at year-end in the absence of actual data. A limit of £500 has been set to maximise staff resource – if the total transaction is below that figure, no action will be taken. It is therefore of prime importance that officers are kept informed in a timely manner of items mentioned above.

I would be grateful for your assistance in the prompt closure of the 2015/16 accounts. If there are any problems or queries do not hesitate to contact your accountant in Financial Services who will be able to help you.

Jayne Pickering,
Executive Director Finance & Resources.

Please contact your usual Finance Officer if you need advice on Year-end:-

Financial Services Manager: **Sam Morgan – Ext 3790**

BDC

Zoe Martin - Ext 1643

RBC

Kayleigh Sterland-Smith - Ext 3172

Joint BDC & RBC

Kate Goldey	Ext 1208
Ian Spratt	Ext 3184
Tracy Bushell	Ext 1621
Bev Docherty	Ext 3003
Julie Hawkes	Ext 3856
Lisa Petford	Ext 3006

Relevant Actions for Services

Main Deadlines	RBC	BDC
	BY LATEST	BY LATEST
Orders/commitments (inc Capital)	31/03/16	31/03/16
RBC & BDC Eproc orders	31/03/16	31/03/16
Invoices to be processed by the Income Team sent in	29/03/16	29/03/16
Petty Cash reimbursements up to 31 March 2016	29/03/16	29/03/16
Stock Certificates/Petty Cash/Cash Floats Certificates returned to Financial Services	01/04/16	01/04/16
Cash paid in (cashiers/CSC)	01/04/16	01/04/16
Confirmation of/Changes to Lease Schedules – return info to Financial Services	01/04/16	01/04/16
GPC transactions coded	01/04/16	01/04/16
Final date for details of outstanding Debtor accruals/reserves to Financial Services	01/04/16	01/04/16
Final date for details of Receipts in Advance to Financial Services	01/04/16	01/04/16
Final date for details of Payments in Advance to Financial Services	01/04/16	01/04/16
Final date for details of Revenue and Capital Outstanding Creditor accruals/reserves to financial services	01/04/16	01/04/16
Near actual outturn Revenue/Capital including statutory entries for review by Financial Services Manager	15/04/16	15/04/16

Type	Issue	Detail/Implications	Mitigation
System	Aged Debt on AR system differences	Reconciliation issues due to debts not yet due on ledger but not age debt	Financial Services Manager looking at designing report to show these entries separately to enable balancing
System	Purchase Ledger not balances	Issue due to error on system/Imbalance at year end/Creditors mistated	This has now been resolved and balanced 8/3/16
System	Ledger imbalance - historical issue	Minimal - further explanation of Audit Reports may be required.	Technical Accountant looking at with Software Supplier
Reconciliations	Stores system does not reconcile to ledger	Imbalance due to Stores report not balancing with General Ledger/inaccurate inventory on Balance Sheet	Weekly Reconciliation taking place and work to resolve issue
Reconciliations	HB Overpayments have not been posted nor reconciled	Year end data inaccurate and need to reopen accounts	Information requested from Systems Admin team
Other	Working paper requiremntns not received from Grant Thornton	unable to deliver quality Working Papers	Working with Grant Thornton to ensure correct information provided

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AUDIT, STANDARDS & GOVERNANCE COMMITTEE

24th March 2016

TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016-17 TO 2018-19

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	
Relevant Head of Service	Jayne Pickering
Wards Affected	All
Ward Councillor Consulted	None specific
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 Members are asked to approve the strategy statement for treasury management and investments in order to comply with the Local Government Act 2003.

2. RECOMMENDATIONS

- 2.1 The Committee is asked to **RECOMMEND** to Full Council:
- 2.1.1 the Strategy and Prudential Indicators shown at Appendix 1.
 - 2.1.2 the Authorised Limit for borrowing at £15 million, should borrowing be required.
 - 2.1.3 the maximum level of investment to be held within each organisation (i.e. bank or building society) as detailed at £2.5 million, subject to market conditions.
 - 2.1.4 the updated Treasury Management Policy shown at Appendix 2.

3. KEY ISSUES

Financial Implications

- 3.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code require local authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

24th March 2016

financial year. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.

3.2 CIPFA has defined Treasury Management as:

“the management of the organisation’s investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.3 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices and include:

- Liquidity Risk (Adequate cash resources)
- Market or Interest Rate Risk Fluctuations in the value of investments).
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risks (Impact of debt maturing in future years).
- Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)

3.4 In addition, the Local Government Act 2003 requires the Council to 'have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable'.

3.5 The revised CLG guidance issued in November 2011 makes it clear that investment priorities should be security and liquidity, rather than yield and that authorities should not rely just on credit ratings, but consider other information on risk.

3.6 The guidance requires investment strategies to comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending needs.

3.7 In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, the Council adopts the Treasury Management Framework and Policy recommended by CIPFA.

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24th March 2016

Legal Implications

- 3.8 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

Service/Operational Issues

- 3.9 None as a direct result of this report.

Customer/ Equalities and Diversity

- 3.10 None as a direct result of this report.

4. RISK MANAGEMENT

- 4.1 Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment. Controls in place to mitigate these risks are as follows:

- Regular monitoring of the status of the organisations we invest with
- Daily monitoring by internal officers of banking arrangements and cash flow implications.

5. APPENDICES

Appendix 1 - Treasury Management Strategy Statement and Investment Strategy 2016/17

Appendix 2 – Treasury Management Policy Statement

AUTHOR OF REPORT

Name: Kayleigh Sterland-Smith

Email: Kayleigh.sterland-smith@bromsgroveandredditch.gov.uk

**AUDIT, STANDARDS & GOVERNANCE
COMMITTEE**24th March 2016Appendix 1**Treasury Management Strategy Statement
And
Investment Strategy
2016/17****1. Introduction**

- 1.1 On 17th March 2010, the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year. A copy of the Council's Treasury Management Policy Statement is in Appendix 2.
- 1.2 The purpose of this TMSS is, therefore, to approve:
- Treasury Management Strategy for 2016/17
 - Annual Investment Strategy for 2016/17
 - Prudential Indicators for 2016/17, 2017/18 and 2018/19
 - MRP Statement.
- 1.3 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.
- 1.4 The Council has surplus operational cash balances and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.
- 1.5 All treasury activity must comply with relevant statute, guidance and accounting standards.

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

24th March 2016

2. Background - Local Context

The Council currently has £8m in short-term investments. Details of investments are shown in further detail at **Appendix B**.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding minimum working capital of £2m.

The Council is currently debt free. However as existing capital receipts are used to finance capital expenditure and reserves are used to finance the revenue budget, there is a continued diminution of these resources. It is anticipated that the Council would need to borrow to fund capital expenditure (leisure centre, the Council's share of Parkside). The forecast borrowing requirement is shown in the balance sheet analysis in Table 1 below.

2.1 **Table 1: Balance Sheet Summary and Forecast**

	31.3.2015 Actual £m	31.3.16 Estimate £m	31.3.17 Estimate £'000	31.3.18 Estimate £'000	31.3.19 Estimate £'000
General Fund CFR	3.48	12.98	17.05	18.07	15.43
Total Capital Financing Requirement	3.48	12.98	17.05	18.07	15.43
Less existing external borrowing**	0	0	-1.81	-8.25	-9.66
Internal borrowing					
Less: Usable reserves	-7.31	-6.99	-6.28	-5.97	-5.97
Less: Working capital	-2.50	-4.18	-2.52	-2.44	-3.48
Investments (or new borrowings)	6.33	-1.81	-6.44	-1.41	3.68

** Note: anticipated borrowing is shown in the last row of the table.

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24th March 2016

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that an Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2016/17.

3. Interest Rate Forecast

- 3.1 The economic and interest rate forecast provided by the Council's treasury management advisor is attached. Arlingclose projects the first 0.25% increase in bank base rate in third quarter of 2016 rising by 0.5% a year thereafter, finally settling between 2 and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

The Council will reappraise its strategies from time to time in response to evolving economic, political and financial events.

4. Borrowing Strategy

- 4.1 The Council has always been debt free and has not entered into any long-term borrowing arrangements due to the level of significant capital receipts. However, the Medium Term Financial Plan estimates that the ongoing utilisation of existing capital receipts will result in them having reduced to a level that will necessitate having to borrow to fund part of the current capital programme and future capital expenditure.
- 4.2 The balance sheet forecast in table 1 shows that the Council is likely to have a likely borrowing requirement of £10m over the next three financial years. The Council may therefore borrow in 2015/16 to pre-fund future years' requirements, providing this does not exceed the Authorised Limit for borrowing of £15 million.

Objectives: The Council's chief objective when borrowing money will be to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective. The following issues will be considered prior to undertaking any external borrowing:

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

24th March 2016

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source and flexibility.

The Public Works Loan Board (PWLB) and its successor body will most likely be the lender of choice given the relative straightforwardness and flexibility of such borrowing, but the Council will also investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates but without compromising flexibility.

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below in Table 2)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Worcestershire County Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities, for example operating and finance leases, hire purchase.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy will address the key issue of **affordability** without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council will be able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.

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The Council's treasury advisor, Arlingclose Ltd, will assist the Council with this 'cost of carry' and breakeven analysis and will also advise on the timing of any long-term borrowing.

Short-term and variable rate loans are subject to the limit to the net exposure to variable interest rates in the treasury management indicators in section 10 below.

5. **Investment Objectives Strategy**

Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Strategy: The Council's surplus cash is currently invested in call accounts or term deposits with banks and building societies which, by their nature, are unsecured. Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes, where practicable, during 2016/17.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and the European Union. Australia and Switzerland are well advanced with their own plans. Meanwhile, changes which took place to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with the Council making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain stubbornly low.

The Council will also consider investment of surplus monies in pooled Money Market Funds which provide much greater diversification of credit risk as well as high liquidity (same-day access to the investment).

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Over the past 24 months, invested funds have ranged between £5 million and £16.5 million; but as capital receipts and reserves continue to be utilised the core investments balances (i.e. not including day-to-day operational surpluses) are expected to be much lower over the forthcoming years.

The Council may invest its surplus funds with any of the counterparties defined in Table 2 below, subject to the time and cash limits (per counterparty) shown below.

Table 2: Approved Investment Counterparties

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a
AAA	£2.5m 5 years	£3m 20 years	£3m 50 years	£2m 5 years
AA+	£2.5m 5 years	£3m 10 years	£3m 25 years	£2m 5 years
AA	£2.5m 4 years	£3m 5 years	£3m 15 years	£2m 5 years
AA-	£2.5m 3 years	£3m 4 years	£3m 10 years	£2m 3 years
A+	£2.5m 2 years	£3m 3 years	£2m 5 years	£2m 2 years
A	£2.5m 13 months	£3m 2 years	£2m 5 years	£2m 2 years
A-	£2.5m 6 months	£3m 13 months	£2m 5 years	£2m 2 years
BBB+	£1.5m 100 days	£2m 6 months	£1m 2 years	£1m 1 year
BBB	£1.5m next day only	£1m 3 months	n/a	n/a
None	£1.5m 6 months	n/a	£3m 25 years	£500k 1 year
Pooled Funds	£2.5m per fund			

Investments in the categories outlined above are:

Banks Unsecured: call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These

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investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the bank/building society is failing or likely to fail.

Banks Secured: covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are exempt from bail-in and are secured on the financial institution's assets, which limits the potential losses in the unlikely event of insolvency.

Government: Investments with local authorities or guaranteed by national governments, investments with multilateral development banks. These are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Risk Assessment and Credit Ratings:

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. If necessary, surplus monies will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:

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- the UK Government,
- a UK local authority, parish council or community council, or
- a body or investment scheme of “high credit quality”.

The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For Money Market Funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. Such investments will be limited to those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. The Council will limit non-specified investments to £2.5 million in total.

Council’s Banker – The Council’s current accounts are held with HSBC Bank plc. The lowest long-term credit rating (as at 05/02/2016) for HSBC Bank plc is ‘AA-’ (reference Table 2). Should the bank’s credit rating be downgraded to BBB or BBB-, the Council may continue to deposit surplus cash with HSBC Bank plc providing that investment can be withdrawn on the next working day.

Table 3: Portfolio Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£3m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£3m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker’s nominee account	£5m per broker
Foreign countries	£5m per country
Unsecured investments with Building Societies	£3m in total
Money Market Funds	£7.5m in total

6. Policy on the use of Financial Derivatives

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Local authorities have previously made use of financial derivatives embedded into loans and investments to reduce interest rate risk and to increase income or reduce costs. Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (such as swaps, forwards, futures and options). These will only be used where they can be clearly demonstrated to reduce the overall level of risk exposed to the Council.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria and their value will count against the counterparty credit limit.

7. Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

As the Council does not have long-term debt the limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed rate or variable rate basis. Whether new loans are borrowed at fixed or variable rates will ultimately depend on the rates available at the time of borrowing, expectations of future interest rate movements and the management of the associated risks.

Fixed rate investments and borrowings are described as those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

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Maturity Structure of Fixed Rate Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper
Under 12 months	0%	100%
12 months and within 24 months	0%	100%
24 months and within 5 years	0%	100%
5 years and within 10 years	0%	100%
10 years and above	0%	100%

Note: the Council does not have fixed rate long-term borrowing; the limits above have been set to provide flexibility to borrow in the most appropriate maturity band(s) when such borrowing is undertaken.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£2m	£1.5m	£1m

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments will be assigned a score based on their perceived risk.

	Target
Portfolio average credit score	6, which is equivalent to a credit rating of 'A'

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

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	Target
Total cash available within 3 months	£3m

8. Annual Minimum Revenue Provision Statement 2016/17 (MRP)

- 8.1 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.
- 8.2 The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 8.3 The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.
- 8.4 The Council's Capital Financing Requirement is positive and relates to unsupported capital expenditure. MRP will be determined by charging the expenditure over the expected useful life of the relevant assets as the principal annuity with an annual interest rate of 4% starting in the year after the asset becomes operational. The annuity method recognises the time value of money, resulting in less charge in early years, rising as time goes on.

MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

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- 8.5 Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.
- 8.6 Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.

Based on the Council's estimate of its Capital Financing Requirement on 31st March 2016, the budget for MRP has been set as follows:

	31.03.2016 Estimated CFR £'000	17/18 Estimated MRP £'000
Supported capital expenditure before 01.04.2008	0	0
Unsupported capital expenditure from 01.04.2008	12,980	394

9. Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

- 9.1 The Executive Director of Finance and Resources will report to Full Council on treasury management activity / performance and Performance Indicators as follows:
- Quarterly against the Strategy approved for the year.
 - The Council will produce an outturn report on its treasury activity no later than 30th September after the financial year end.
 - Full Council will be responsible for the scrutiny of treasury management activity and practices.

10. Other Items

- 10.1 CIPFA's Code of Practice requires the Executive Director of Finance and Resources to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully

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their roles and responsibilities. Responsibility for scrutiny of the Treasury Management function will rest with the Council. The Executive Director of Finance and Resources will ensure that adequate training is provided for all relevant Members during the financial year.

- 10.2 The Council has appointed Arlingclose Limited as treasury management advisers; receiving specific advice on investment, debt and capital finance issues.

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Prudential Indicators 2016/17 – 2018/19

1 Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objectives of the Prudential Code are to ensure that the capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the Budget report.

Capital Expenditure and Financing	2015/16 Revised £000s	2016/17 Estimate £000s	2017/18 Estimate £000s	2018/19 Estimate £000s
General Fund	11,935	6,193	1,373	1,261
Total Expenditure	11,935	6,193	1,373	1,261
Financing and Funding				
Capital Receipts	(8,312)	(4,100)	(550)	0
Government Grants	(387)	(323)	(323)	(323)
Reserves	(694)	(250)	(250)	(738)
Section 106	(584)	(200)	(200)	(200)
Revenue	(148)	0	0	0
Total Financing				
Unsupported Borrowing	(1,810)	(1,320)	(50)	0
Total Financing and Funding	(11,935)	(6,193)	(1,373)	(1,261)

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2. Capital Financing Requirement:

2.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

Capital Financing Requirement	31.03.16 Estimate £'000	31.03.17 Estimate £'000	31.03.18 Estimate £'000	31.03.19 Estimate £'000
General Fund	12,980	17,050	18,070	15,430
Total CFR	12,980	17,050	18,070	15,430

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.16 Estimate £000s	31.03.17 Estimate £000s	31.03.18 Estimate £000s	31.03.19 Estimate £000s
Borrowing	1,810	8,250	9,660	9,660
Finance leases	0	0	0	0
Total Debt	1,810	8,250	9,660	9,660

Total debt is expected to remain below the CFR during the forecast period.

3. Actual External Debt:

3.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

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Actual External Debt as at 31/03/2015	£'000
Borrowing	nil
Other Long-term Liabilities	-
Total	nil

4. Authorised Limit and Operational Boundary for External Debt

4.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

4.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

4.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

4.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Borrowing	15,000	15,000	15,000	15,000
Other Long-term Liabilities	0	0	0	0
Total	15,000	15,000	15,000	15,000

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4.5 The Operational Boundary links directly to the Council’s estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

4.6 The Executive Director of Finance and Corporate Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of Full Council.

Operational Boundary for External Debt	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Borrowing	14,000	14,000	14,000	14,000
Other Long-term Liabilities	0	0	0	0
Total	14,000	14,000	14,000	14,000

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2015/16 Revised %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	0.25	2.91	6.39	6.81

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the proposed capital programme.

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Incremental Impact of Capital Investment Decisions	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
General Fund - increase in annual band D Council Tax	5.00	4.08	4.17

Adoption of the CIPFA Code of Practice: The indicator below demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 17 th March 2010.

The Council has incorporated the changes from the revised 2011 CIPFA Code of Practice into its treasury policies, procedures and practices.

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Appendix 2

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

- 1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.
- 1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- 1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Full Council and for the execution and administration of treasury management decisions to Executive Director of Finance and Resources, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 1.5 The Council is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

- 2.1 The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks

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associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”
- 2.4 The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk.
- 2.5 The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council’s investments followed by the yield earned on investments remain important but are secondary considerations.

APRIL – DECEMBER FINANCIAL SAVINGS MONITORING REPORT 2015/16

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

To report to the Committee the monitoring of the savings for 2015/16. This report includes the delivery of savings and additional income for the period April 2014 – December 2015.

2. RECOMMENDATIONS

- 2.1 That the Board note the final financial position for savings as presented in the report for the period April - December 2015/16.

3. KEY ISSUES

- 3.1 This report provides a statement to show the savings for April – December 2015/16 for each strategic purpose and the delivery of the saving for the financial year. This report is separate to the main financial monitoring report that is presented to Cabinet and Overview and Scrutiny as it focuses on the delivery of savings rather than the overall financial position of the Council. In addition this report monitors only those savings that were identified as part of the budget process and does not present the overall position of other general savings and underspends to budget.
- 3.2 The External Auditors, Grant Thornton, have recommended that the delivery of savings be monitored more closely to ensure that the Council is meeting savings in the way that was expected when the budget was set. This monitoring is recommended to be undertaken by this Committee and the statement attached at Appendix 1 details the savings to be achieved and the current financial position of each area.

- 3.3 As members may be aware during the budget process, heads of service propose savings that are to be delivered during future financial years. The budget allocation is then reduced to reflect the proposed saving and officers meet on a monthly basis to ensure that all estimated reductions to budget are being delivered.
- 3.4 Appendix 1 shows that for April – December 2015/16 savings to budgets have been delivered. A number of the projections were based on reductions in cost following service reviews and due to the timing of the restructures a number of savings have been realised from vacant posts and other service savings to ensure the level of cost reduction is still achieved.
- 3.5 It is proposed that this report is revised for 2016/17 to show all savings delivered during the quarter. This will ensure that members have a full financial position of the delivery of savings identified as part of the budget process, together with all general underspends and savings during the financial year.

3.6 **Legal Implications**

None as a direct result of this report.

3.7 **Service/Operational Implications**

Timely and accurate financial monitoring ensures that services can be delivered as agreed within the financial budgets of the Council

4. **Customer / Equalities and Diversity Implications**

None, as a direct result of this report.

5. **RISK MANAGEMENT**

Effective financial management is included in the Corporate Risk Register.

6. **APPENDICES**

Appendix 1 – Saving monitoring 2015/16

7. **BACKGROUND PAPERS**

Available from Financial Services

AUTHOR OF REPORT

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REVENUE SAVINGS APRIL - DECEMBER 2015/16

APPENDIX 1

Strategic Purpose	2015/16 £'000	Budget April - Dec 2015/16 £'000	Actual April - Dec 2015/16 £'001	Variance 2015/16 £'000	Comments General / Service Redesign / Additional Income
Enabling					
Customer Acces & Financial Support - Service review - Fraud / Customer Services & General Savings	-126	-95	-95	-1	Savings generated from the service review
Elections	-60	-45	-45	0	Income realised from the General Election
Parkside	-250	-188	-112	76	General Savings have been made by ensuring the current Council House expenditure is on essential items only. It is anticipated that the overall overspend of £130k will be partially offset by the current reserve of £110k to reduce the impact of the shortfall to £20k
Enabling - HR, Legal & Democratic, Finance, IT , Business Transformation	-135	-101	-115	-14	Service review and holding vacant posts to ensure redeployment opportunities are available
Keep my Place, Safe and Looking Good					
Environmental Services - Redesign of service delivery " Place "	-144	-108	-112	-4	Savings are all expected to be delivered as part of the new way of working across a "place" rather than in distinct functional service areas
Provide Good Things for me to See, Do and Visit					
Sports Development Partnership - changes to delivery model	-6	-5	-5	-1	Change in delivery model has resulted in the savings being delivered
Dolphin Centre - general savings	-40	-30	-30	0	General Savings within the contract

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Agenda Item 13

REVENUE SAVINGS APRIL - DECEMBER 2015/16

APPENDIX 1

Strategic Purpose	2015/16 £'000	Budget April - Dec 2015/16 £'000	Actual April - Dec 2015/16 £'000	Variance 2015/16 £'000	Comments General / Service Redesign / Additional Income
HELP ME LIVE MY LIFE INDEPENDENTLY					
Service review	-20	-15	-18	-3	Service review has resulted in savings being delivered
Community Transport - renegotiation of contract	-16	-12	-15	-3	The saving has been realised by a renegotiation of the contract payments with the service remaining the same
TOTAL	-797	-598	-547	51	

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Agenda Item 13

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th MARCH 2016

THE 2016/17 INTERNAL AUDIT PLAN REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the Bromsgrove District Council Internal Audit Operational Plan for 2016/17
- the performance indicators for the Worcestershire Internal Audit Shared Service for 2016/17

2. RECOMMENDATIONS

2.1 **The Committee is asked to approve the Audit Plan**

2.2 **The Committee is asked to approve the Performance Indicators.**

3. KEY ISSUES

Financial Implications

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

Legal Implications

3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th MARCH 2016

of its system of internal control in accordance with the proper practices in relation to internal control”.

To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

Service / Operational Implications

Internal Audit Aims and Objectives

3.3 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:

- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
- undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
- advise upon the control and risk implications of new systems or other organisation changes e.g. transformation.

Formulation of Annual Plan

The Internal Audit Plan for 2016/17, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has considered the corporate strategic purpose, risk priorities per discussions with the s151 Officer and Corporate Management Team (CMT), and, the results of an independent risk assessment by Internal Audit using the audit universe.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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By bringing a provisional plan of work before the Audit, Standards and Governance Committee in December 2015 which had been formulated with the aim to ensure Bromsgrove District Council meets its strategic purposes it allowed Members to have a positive input into the audit work programme for 2016/17 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer before approving it. As with all plans it may be subject to review and update as the year progresses in consultation with the s151 Officer. To give an indication as to when the audit work will take place the quarters have been identified, however, these may be subject to review and change as the year progresses.

Resource Allocation

The Internal Audit Plan for 2016/17 has been based upon a resource allocation of 230 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 230 day allocation is based on transactional type system audits and has been reduced from the 250 days delivery during 2015/16; a saving of 20 days.

Due to the changing internal environment, ongoing transformation and more linked up and shared service working between Bromsgrove and Redditch the plan has been organised in a smarter way in order to exploit the efficiencies that this type of working provides. Although the audit areas will have an allocation of audit days after discussion at CMT on the 25th November 2015 the audits will be more cross cutting than before and will encompass the different service perspectives that the Services need to deliver (e.g. Customer Services impacts on the majority of service areas so the audit will reflect this). All or part of the budgeted days will be used on a flexible basis depending on the risk exposure the end result being better corporate coverage and ownership of the audit outcomes.

The Internal Audit Plan for 2016/17 is set out at Appendix 1.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2016/17 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared

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Service and will be reported to the Shared Service's Client Officer Group (which comprises the s151 officers from partner organisations), and, to the Audit, Standards and Governance Committee on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of performance indicators which have been developed for the service. These have been agreed with the council's s151 officer and are included at Appendix 2.

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

4. RISK MANAGEMENT

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

failure to complete the planned programme of audit work within the financial year;
and,

the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix 1 ~ Outline Internal Audit Plan 2016/17

Appendix 2 ~ Performance indicators 2016/17

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th MARCH 2016

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th MARCH 2016

APPENDIX 1

INTERNAL AUDIT PLAN FOR BROMSGROVE DISTRICT COUNCIL 2016/17

Audit Area	*Source (max 45)	Planned days 2015/ 16	Planned days 2016/ 17	Difference = + or -	Agreed 1/4 for delivery
A – CHARGEABLE AND PRODUCTIVE					
Core Financial Systems					
Benefits	Risk assessment score 36	15	15	0	Q3
NDR	Risk assessment score 34	12	12	0	Q3
Council Tax	Risk assessment score 33	12	12	0	Q3
Cash, General Ledger, Budget Control & Bank Reconciliations	Risk assessment score 32	10	10	0	Q3
Treasury Management	Risk assessment score 28	7	7	0	Q3
Creditors	Risk assessment score 28	8	8	0	Q3
Debtors	Risk assessment score 28	7	7	0	Q3
Asset Management	Risk assessment score 24	0	0	0	Q3
Sub Total		71	71	0	
#Corporate					
Risk Management	Risk assessment score 28	5	5	0	Q1
Sub Total		5	5	0	
Other Systems Audits					
Human resources	Risk assessment score 31	0	10	10	Q1
Parkside	Risk assessment score 29	0	9	9	Q2
Customer Services	Risk assessment score 31	0	9	9	Q4

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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Bereavement Services	Risk assessment score 28	0	8	8	Q2
Insurance	Risk assessment score 31	0	5	5	Q4
Worcestershire Regulatory Services	Risk assessment score 27	14	14	0	Q4
Planning & Regeneration		10		-10	
Housing	Risk assessment score 26	7	10	3	Q1
Community Services		14		-14	
Environmental		14		-14	
Leisure & Culture		14		-14	
Legal Equalities and Democratic		12			
ICT	Risk assessment score 32	10	8		Q4
Sub Total		95	73	-22	
				0	
Completion of Prior Year's work	N/A	8	8	0	
Statement of Internal Control	N/A	3	3	0	
Follow Up on recommendations	N/A	10	10	0	
Fraud and Special Investigations	N/A	11	12	1	
Advisory / Consultancy / Contingency	N/A	11	12	1	
Sub Total		43	45	2	
TOTAL PRODUCTIVE (A ONLY)		214	194	-20	
B – CHARGEABLE AND NON-PRODUCTIVE					
Audit Management Meetings	N/A	15	15		
Corporate Meetings / Reading	N/A	5	5		
Annual Plans and Reports	N/A	8	8		
Audit Committee support	N/A	8	8		
TOTAL CHARGEABLE AND NON-PRODUCTIVE (B)		36	36	0	
TOTAL CHARGEABLE (A + B)		250	230	-20	

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Explanatory Notes:

* Risk assessment scores are indicators derived from an internal audit assessment based on local knowledge and risk assessment using various factors including materiality, impact of failure, system risk, resource risk, fraud risk and external risk.

A number of corporate audit budgets have been reallocated to service areas so that the audit budgets can be used more flexibly and include elements including transformation, health and safety and shared service working.

Customer access and support will be considered overall as part of the service audits.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th MARCH 2016

PERFORMANCE INDICATORS 2016/17

APPENDIX 2

The success or otherwise of the Internal Audit Shared Service will be measured against the following performance indicators for 2016/17.

	PI	Trend requirement	2015/16 Year End position	2016/17	Frequency of Reporting
1	No. of customers who assess the service as 'excellent'	Upward	XX	XX	Quarterly
2	No. of audits achieved during the year	Per target	Target = 15 (minimum) Delivered =	Target = 14 (minimum) Delivered =	Quarterly
3	Percentage of plan delivered	100% of the agreed annual plan	XX %	XX %	Quarterly
4	Service Productivity	Positive direction year on year (Annual target 74%)	XX %	XX %	Quarterly

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th MARCH 2016

THE INTERNAL AUDIT MONITORING REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the monitoring report of internal audit work and performance for 2015/16.

2. RECOMMENDATIONS

2.1 **The Committee is asked to RESOLVE that the report be noted.**

3. KEY ISSUES

Financial Implications

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

Legal Implications

3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Service / Operational Implications

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

3.4 This section of the report provides commentary on Internal Audit’s performance for the period 01st April 2015 to 29th February 2016 against the performance indicators agreed for the service.

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AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (10th December 2015):

2015/16 AUDITS COMPLETED AS AT 29th FEBRUARY 2016

Safeguarding

The review found there was generally a sound system of internal control in place but testing identified isolated weaknesses in the application of controls in a small number of areas.

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

- Overall management and embedding of legislation for the protection of vulnerable children and adults, including suitable policies and procedures that are readily available to staff;
- The nomination of suitable individuals for managing safeguarding cases within both authorities;
- Appropriate and proactive training sessions provided for essential staff who engage with vulnerable people;
- Engaging with other local organisations to ensure a robust safeguarding process across both districts and county.

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

- The monitoring of full completion of training courses by all necessary staff, and, the challenging of responsible managers to ensure full completion by necessary staff.
- The implementation of a policy which identifies good practice for the routine and periodic vetting of staff that engage with vulnerable people.

Audit Type: Full System Audit

Final Report Issued: 4th February 2016

Assurance: Significant

Allotments

The review found there was generally a sound system of internal control in place with the following areas working well;

- Good contingency arrangements were in place to cover the absence of the Parks and Green Space Development & Allotments Assistant
- Allotments are well publicised on the web site

Testing identified isolated weaknesses in the design of controls and / or inconsistent application of controls in a small number of areas where controls could be strengthened including:

- Some records were not accurately maintained ;
 - One allotment holder was invoiced for two plots when the COLONY system indicated that this should be three although further

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investigation confirmed that the third plot is for access purposes only and needs to be decommissioned.

- One allotment holder has not been invoiced for financial year 2015/16 due to the fact that a concession applied in 2014/15 had not been removed
- Tenancy agreements could not always be found

It is accepted that records need to be updated and as part of this process the Service has been advised that it would be good practice to reconcile the number of plots taking account of those; occupied, decommissioned and vacant.

Audit Type: Full System Audit

Final Report Issued: 4th February 2016

Assurance: Significant

Corporate Governance ~ Annual Governance Statement

The review found some of the expected controls were not in place and not operating effectively therefore assurance can only be given over the effectiveness of controls within some areas of the system.

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

- The CIPFA guidance has been observed when producing the Annual Governance Statement;
- The Authority has published annually the Annual Governance Statement as part of the Final Accounts and complies with the statutory requirements; and
- The Annual Governance Statement document has explicitly highlighted how it demonstrates its commitment to achieve good governance against each core principle;

Testing identified the following areas of the process where controls could be strengthened:

- The Section 151 Officer is predominantly responsible for the production of the Annual Governance Statement, however, this does not promote awareness of the shared responsibility of the governance framework.
- Some terminology used in the Annual Governance Statement is out of date.
- There is the potential for a lack of Member engagement; and
- Governance issues identified are not being included in an action plan and the progress against each issue is not being monitored.

Audit Type: Limited Scope Audit

Final Report Issued: 22nd February 2016

Assurance: Moderate

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Date: 24th MARCH 2016

Treasury Management

The review found some of the expected controls were not in place and not operating effectively, therefore, assurance can only be given over the effectiveness of controls within some areas of the system.

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

- Investments are being completed in line with the agreed Treasury Management Strategy.
- Interest is being received on a timely basis.
- All monies not immediately required are invested prudently
- All investments are being electronically authorised correctly.

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

- The reconciliation process would benefit from independent review.
- The contract for the Treasury Management advisors needs to be reviewed to ensure it is inline with Bromsgrove District Council and EU procurement rules.
- The audit trail for all transactions was not always complete.

Audit Type: Full System Audit

Final Report Issued: 4th December 2015

Assurance: Moderate

Summary of Assurance Levels:

Audit	Assurance Level
2015/2016	
Safeguarding	Significant
Allotments	Significant
Corporate Governance ~ Annual Governance Statement	Moderate
Treasury Management	Moderate

2015/16 AUDITS ONGOING AS AT 29th February 2016.

Audits that were continuing as at the 29th February 2016 but at draft report stage included:

- s106's
- Leisure Consumables, Equipment and Goods for Resale
- Community Services; CCTV
- Website Security
- Consultancy and Agency

Reviews that were on going but well advanced as at the 29th February 2016 included:

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- Mapping of Interfaces to the Ledger
- Council Tax
- NNDR
- Benefits
- System Administration
- Performance Management Framework

Reviews that were on going at the 29th February 2016 included:

- Environmental
- Cash, Ledger and Bank Reconciliation
- Creditors
- Debtors
- Worcestershire Regulatory Services

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

3.4 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at 29th February 2016 a total of 201 days had been delivered against a target of 250 days for 2015/16.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit Board (now the Audit, Standards and Governance Committee) on the 19th March 2015 for 2015/16 and include two additional indicators.

Appendix 3 shows a summary of the 'high' and 'medium' priority recommendations for those audits that have been completed and final reports issued.

Appendix 4 provides the Committee with an analysis of audit report 'Follow Ups' that have been undertaken to monitor audit recommendation implementation progress by management.

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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 review
- 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.
- Investigations

There has been on going work undertaken in regard to the National Fraud Initiative. This year is the 2 yearly cycle of data extract and uploading to the Audit Commission to enable matches to be reported. The 2014/15 data extract has been completed and uploaded the results of which have been received and are now being investigated. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to the investigative exercise. The single person discount and electoral registration upload was coordinated and the upload was completed in December 2015.

WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.

WIASS recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council’s operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

WIASS confirms it acts independently in its role and provision of internal audit.

Monitoring

- 3.6 To ensure the delivery of the 2015/16 plan there is 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 Service Manager remains confident his team will be able to provide the required coverage for the year over the authority’s core financial systems, as well as over other systems which have been deemed to be ‘high’ and ‘medium’ risk.

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Customer / Equalities and Diversity Implications

3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

- failure to complete the planned programme of audit work for the financial year; and,
- the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix	1 ~ Internal Audit Plan delivery 2015/16
Appendix	2 ~ Key performance indicators 2015/16
Appendix	3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports
Appendix	4 ~ Follow up summary

6. BACKGROUND PAPERS

Individual internal audit reports held by Internal Audit.

7. KEY

N/a

AUTHOR OF REPORT

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th MARCH 2016

APPENDIX 1

Delivery against Internal Audit Plan for 2015/16 1st April 2015 to 29th February 2016

Audit Area	DAYS USED TO 29/02/2016	FORECAST ED DAYS TO END OF Q4 ~ 31 st March 2016	2015/16 PLANNED DAYS
Core Financial Systems (see note 1)	62	71	71
Corporate Audits (see note 4)	0	5	5
Other Systems Audits (see note 2)	111	138	138
TOTAL	173	214	214
Audit Management Meetings	15	15	15
Corporate Meetings / Reading	4	5	5
Annual Plans and Reports	5	8	8
Audit Committee support	4	8	8
Other chargeable (see note 3)	0	0	0
TOTAL	28	36	36
TOTAL	201	250	250

Notes:

Note 1: Core Financial Systems are audited predominantly in quarter 3 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts.

Note 2: Full number of budgeted days may not be used due to small 'call off' budgets, e.g. consultancy, investigations, not being fully utilised due to fluctuation in demand.

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

Note 4: 'Corporate audits' included a limited scope audit for Risk Management. At the behest of the s151 Office this audit area has been deferred to the 2016/17 audit provision.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th MARCH 2016

APPENDIX 2

KEY PERFORMANCE INDICATORS 2015/16

Key Performance Indicators (KPIs) for 01st April 2015 to 29th February 2016.

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2015/16 i.e. KPI 3 to 6. Other key performance indicators link to overall governance requirements of Bromsgrove District Council.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Year End Position	2014/15 Year End position	2015/16 position as at 29 th February 2016	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	8	12	7	2	Quarterly
2	No. of moderate or below assurances	Downward	3	8	7	3	Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	2	4 (5 issued: 4x Excellent & 1x Good)	4 (12 issued: 5 returns 4x excellent, 1x good)	0 (6 Issued: 2 returns 2x'good')	Quarterly
4	No. of audits achieved during the year	Per target	Target = 21 Delivered = 21	Target = 15 (minimum) Delivered = 19	Target = 17 (minimum) Delivered = 20	Target = 15 (minimum) Delivered = 6 (with 5x draft reports)	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	N/A	N/A	N/A	80%	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	N/A	N/A	N/A	73%	Quarterly

WIASS operates within and conforms to the Public Sector Internal Audit Standards 2013.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

Definition of Audit Opinion Levels of Assurance

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Definition of Priority of Recommendations

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

'High' & 'Medium' Priority Recommendations Summary for finalised audits.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Safeguarding					
Assurance: Significant					
1	Medium	<p><u>Training Course Monitoring</u> The Human Resources team are monitoring the completion of a training exercise concerning a presentation on safeguarding for Bromsgrove District Council originally issued in November 2014. Returns were required from Service Managers identifying when the training presentation was viewed.</p> <p>Being a joint venture at the time of the audit, of the 792 staff members required to view the presentation, confirmation for 574 staff had not yet been received.</p> <p>In addition, with regards to an e-learning course originally issued in November 2014, completion is required for 236 identified staff members. At the time of the audit work, 90 had not completed this training.</p>	<p>Lack of current training and knowledge by staff which could result in incorrect procedure being followed, resulting in vulnerable people not being given the correct and necessary help, leading to reputational damage for the authority.</p>	<p>Human Resources and Community Services staff to issue reminders to Services Managers regarding completion of the e-learning training exercise, and also to confirm the review by staff of the safeguarding presentation.</p> <p>Failure to achieve full compliance of these training programmes to be raised with relevant Head of Service.</p>	<p>Management Response: Agreed. Reminders will be issued to Service Managers.</p> <p>Responsible Manager: Human Resources Manager</p> <p>Implementation date: April 2016</p>
2	Medium	<p><u>Staff Vetting</u> Staff vetting is only conducted on new starters, once the need for</p>	<p>Current staff may</p>	<p>The vetting process to be reviewed, to</p>	<p>Management Response:</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		such vetting has been assessed and determined in accordance with DBS requirements. There is no process or corporate policy for periodic DBS reviews to ensure on-going staff suitability with further periodic checks.	have undisclosed convictions which may put vulnerable individuals at risk, leading to potential reputational damage.	require that all staff which regularly engage with vulnerable people are asked in periodic status meetings if there have been any changes in DBS status.	Agreed. Vetting process to be reviewed. Responsible Manager: Human Resources Manager Implementation date: January 2016
Audit: Allotments					
Assurance: Significant					
1	Medium	<p><u>Maintenance of Records</u> The COLONY system shows:</p> <ul style="list-style-type: none"> Plots (5, 6 & 7) on the Stonebridge site allocated to one individual, but an invoice has been raised for two plots. Further enquiries confirm that plot 7 provides access only to other plots and should be decommissioned Plot 24 on the Stoke Road site had a concession applied for 2014/15 but an invoice should be raised during 2015/16. No invoice was raised <p>In four cases of the sample tested (20%) no tenancy agreements could be found.</p>	Incomplete/inaccurate records leading in incorrect invoicing, loss of income and potential reputational damage	<p>Records must be accurately and consistently maintained to ensure correct invoicing, maximum occupation rates and income, effective management control and provide an audit trail.</p> <p>Every effort should be made to ensure tenancy agreements are signed, returned and filed.</p> <p>It may also be appropriate to display tenancy terms and conditions on the web site.</p>	<p>Management Response Records will be corrected and every effort will be made to maintain accuracy in the future.</p> <p>Although tenancy terms & conditions are displayed on the web site they could be more prominently displayed.</p> <p>Responsible Manager: Cultural Services Manager</p> <p>Implementation date: 31 March 2016</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Corporate Governance ~ Annual Governance Statement					
Assurance: Moderate					
1	High	<p><u>Governance issues are not included in an action plan.</u> Although governance issues are being identified within the Annual Governance Statement these issues are not being compiled into an action plan that is regularly monitored. External audit noted issues highlighted in 2014 had not been completed the following year.</p>	Reputational risk and possible qualification report from External Audit.	<p>The Governance issues identified within the Annual Governance Statement to be entered into an action plan that clearly identifies deadline dates and allocated responsibility.</p> <p>Outcomes to be shown against each action to measure success in the future</p> <p>The action plan to be presented to the Audit Committees at least half year to monitor progress.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: April 2016</p>
2	Medium	<p><u>Responsibility for compilation of the Annual Governance Statement</u> The Annual Governance Statement is currently written predominantly by the Section 151 Officer.</p>	Lack of ownership and awareness of Governance responsibilities	<p>To improve the co-ordination of the document and the all around governance programme greater input from the various Heads of Service would make the document more rounded and a shared effort.</p> <p>The process of completing the Annual Governance Statement could start with the Heads of Services reporting their governance arrangements initially under each core principal rather than the Section 151 officer requesting updates.</p>	<p>Responsible Manager: Financial Services Manager / Technical Accountant</p> <p>Implementation date: April 2016</p>
3	Medium	<p><u>Formally review of the Annual Governance Statement</u> A review of the 2014/15 Annual Governance Statements Identified a number of anomalies including out of date information and inconsistent terminology.</p>	Reputational damage if the Annual Governance Statement provides users with inaccurate information.	The ownership of the Annual Governance Statement is a shared responsibility. Feedback to the Section 151 Officer could be accompanied by a signed statement by each Head of Service to confirm they have reviewed the document and agree to the statements prior to them being included in the final Annual Governance Statement.	<p>Responsible Manager: Executive Director – Finance and Resources and S151 Officer</p> <p>Implementation date: June 2016</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
4	Medium	<p><u>Circulation of the Annual Governance Statement</u> Members are provided with the opportunity of reviewing the Annual Governance Statement only once prior to the Final Accounts being approved.</p>	Potential for lack of member engagement.	Increase the number of times the Annual Governance Statement is reported to members to facilitate greater engagement. Increased circulation could also serve a useful purpose as a monitoring tool noting progress with the outstanding recommendations.	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: March 2016</p>
Audit: Treasury Management					
Assurance: Moderate					
1	High	<p><u>Third Party Advisors</u> The contract has been rolled over from 2007 with fees increasing annually.</p>	<p>The council may not be getting value for money from the contract if the contract has not gone out to competitive tender since 2007 and not been subject to market place forces.</p> <p>The council may be at reputational risk and potential risk of financial loss if found to be in breach of procurement best practice and over the EU threshold.</p>	Finance to work with procurement to ensure that future procurement of this service is inline with EU regulations.	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: On going</p> <p>We are currently working with Procurement, obtaining prices through the SBO contract.</p>
2	Medium	<p><u>Formal Regular Reconciliation</u> When reconciliations do occur, which tend to be on a monthly basis, they are undertaken by the Treasury Management Officer (TMO) but are not independently</p>	Financial loss and reputational damage to the Council if regular reconciliations are not being	<p>Monthly reconciliations to continue to take place.</p> <p>On a quarterly basis an independent reviewer to review the reconciliations; this to</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: On going</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		reviewed.	performed and signed off appropriately.	be evidenced in a password protected cell on the reconciliation spread-sheet with the name of the reviewer and date of the review.	Agreed. The TMO is best equipped to carry out reconciliation. Reconciliations are to be reviewed quarterly by the Technical Accountant, signed and dated. Any issues for concern will be pursued.
end					

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 4

Follow Up

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action taken against those audits and whether further follow up is planned. Commentary is provided on those audits that have already been followed up and audits in the process of being followed up to the end of February 2016. Exceptions will be reported to the Committee.

For some audits undertaken each year follow-ups may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the overall work load so to minimise resource impact on the service area.

Follow up in connection with the core financials is undertaken as part of the routine audits that are performed during quarters 3 and 4.

Follow Up Assurance:

In summary:

- 2013/14 audit recommendations have been predominantly implemented with final checks against the one remaining review;
- the majority 2014/15 recommendations have been implemented with those remaining monitored and current progress reported for information;
- 2015/16 recommendations will be followed up commencing March 2016.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up or outcome</u>	<u>2nd</u>
					High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed
2013-14 Audits						
ICT	2 nd September 2014	Head of Business Transformation and Organisational Development and ICT Transformation Manager	Limited	1 'high' and 5 'medium' priority recommendations to follow-up in regard to starters, leavers and user accounts, procedures, inventory management, contracts and disposals.	Followed up in March 2015. 3 recommendations have been implemented (authorisation of new users, clearing of inactive accounts, disposal of equipment), 1 recommendation has been superseded by changes to processes (disposal contracts). 2 medium recommendations are part implemented/ on-going (procedure documents, inventory reviews).	The follow up in October 2015 found that the 2 remaining 'medium' priority recommendations in relation to procedure documents and inventory reviews were in progress. The risk to the Council has been reduced and both recommendations should be implemented by January 2016 therefore a further follow up will take place in February 2016 as part of the 2015/16 review. Review remains ongoing.
2014-15 Audits						
Equality and Diversity	28 th August 2014	Corporate Senior Management Team	Moderate	1 'high' and 2 'medium' priority recommendations made in relation to training, policy and terms of reference.	Followed up March 15- Policy Manager have confirmed that all recommendations are currently outstanding and not fully implemented but are in progress.	Currently in progress

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					Given the impending completion date it would not be appropriate to follow the recommendations up until July 2015.	
Data, Security and Publication	9th September 2014	Head of Transformation and Organisation Development/Executive Director (Finance and Resources)	Moderate	1 "medium" priority recommendation re local government transparency code	Currently in progress	
DFGs and HIAs	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendations re the need to ensure documents are stored correctly	Followed up in September 2015. Implementation of the 1 medium recommendation is still in progress, whereby an electronic HIA filing system has been integrated, and paper files are being transferred to a single location for managing more effectively, completion expected end of October 2015 as part of the move to the new Parkside office. Further follow up being organised.	
Budget Setting	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and a progress feedback will be sought in line with agreed implementation dates.	Being picked up as part of the 2015/16 review currently taking place.	
ICT	16th July 2015	Head of Transformation and Organisational Development, ICT Transformation Manager, ICT Operations Manager	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Being followed up as part of the 2015/16 review currently taking place.	
Worcester Regulatory Services	24 th August 2015	WRS Management	Limited	Two high and one medium priority recommendations; reconciliation, payments and performance. Action plan agreed.	Being followed up as part of the 2015/16 review due to be undertaken in March 2016.	
2015-16 Audits						
Private Sector Housing - Step-up Private Tenancy Scheme	15th September 2015	Head of Community Services, Strategic Housing Manager and Housing Strategy and Enabling Team Leader.	Moderate	2 "medium" priority recommendations were made in relation to Rent Guarantee Bond and Debt Recovery.	Mar-16	

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Agenda Item 15

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Members Allowances	2nd October 2015	Head of Legal Equalities and Democratic Services and Democratic Services Manager	Significant	2 "medium" priority recommendations were made in relation to Broadband/Data Allowances and Change control process for Members Data	Apr-16	
end						

WORK PROGRAMME 2015/16

24th March 2016

- Annual Review of Operation of the Audit, Standards & Governance Committee
- Monitoring Officer's Report
- Parish Councils' Representatives Reports
- Section 11 Progress Report
- Grant Thornton Certification Work Report 2014/2015
- Grant Thornton Audit Plan 2015/16
- Grant Thornton Progress Report/Action Plan Update
- Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19
- Benefits Fraud Quarter 3 Monitoring Report
- Quarter 3 (April to December 2015) Financial Monitoring Report
- Risk Management Champion Verbal update
- Internal Audit Monitoring Report
- Internal Audit Plan 2016/2017
- Audit, Standards & Governance Work Programme 2015/2016

WORK PROGRAMME 2016/17

16th June 2016

- Election of Chairman and Vice Chairman
- Monitoring Officer's Report
- Parish Councils' Representatives Report
- Grant Thornton Audit Fee Report
- Grant Thornton Progress Report / Action Plan Update
- Annual Governance Statement 2015/2016
- Internal Audit Annual Report and DRAFT Audit Opinion 2015/2016
- Quarter 4 (January to March 2016) Financial Monitoring Report
- Corporate Risk Register
- Risk Management Champion – Annual Appointment
- Audit, Standards & Governance Work Programme 2016/2017

15th September 2016

- Monitoring Officers' Report
- Parish Councils' Representatives Report
- Grant Thornton Progress Report
- Statement of Accounting Policies
- Statement of Accounts 2015/2016 (pre-audit)
- Quarter 1 (April to June 2016) Financial Monitoring Report
- Internal Audit Monitoring Report
- Benefits Fraud Monitoring Report
- Audit, Standards & Governance Work Programme 2016/2017

8th December 2016

- Monitoring Officers' Report
- Parish Councils' Representatives Report
- Grant Thornton Annual Audit Letter
- Grant Thornton Progress Report / Action Plan Update
- Quarter 2 (June to September 2016) Financial Monitoring Report
- Internal Audit Monitoring Report
- Draft Internal Audit Plan 2015/2016 – (to include Internal Audit 3 year plan)
- Risk Management Champion Verbal Update
- Audit, Standards & Governance Work Programme 2016/2017

30th March 2017

- Annual Review of Operation of the Audit, Standards & Governance Committee
- Monitoring Officer's Report
- Parish Councils' Representatives Reports
- Grant Thornton Certification Work Report 2015/2016
- Grant Thornton Audit Plan March 2017
- Grant Thornton Progress Report
- Treasury Management Strategy Statement and Investment Strategy 2017/18 to 2019/20
- Quarter 3 (September to December 2016) Financial Monitoring Report
- Internal Audit Monitoring Report
- Internal Audit Plan 2016/2017
- Benefits Investigations Monitoring Update Report
- Audit, Standards & Governance Work Programme 2016/2017