



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 16TH JUNE 2016 AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors S. R. Colella, B. T. Cooper, R. L. Dent, M. Glass, P. M. McDonald, S. R. Peters, R. D. Smith, P.L. Thomas and M. Thompson

Parish Councillors: the Parish Councillors appointed to the Committee in 2016/17 remained to be confirmed on the date of publication.

(Members are asked to arrive in the Parkside Suite at 5.00pm for a training session prior to the start of the meeting).

AGENDA

1. Election of Chairman
2. Election of Vice-Chairman
3. Apologies for Absence and Named Substitutes
4. Declarations of interest and Whipping Arrangements
5. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 11th May 2016 (Pages 1 - 4)
6. Standards Regime - Monitoring Officers' Report (Pages 5 - 8)
7. Dispensation Report (Pages 9 - 16)
8. Standards - Parish Councils' Representatives' Reports (Oral Updates)
9. Grant Thornton - Progress Report (Pages 17 - 30)
10. Grant Thornton - Auditing Standards (Pages 31 - 60)

11. Quarter 4 (January to March 2016) Financial Savings Update (Pages 61 - 64)
12. Section 11/Action Plan - Progress Update Report (Pages 65 - 70)
13. Risk Management Group Monitoring Update (Pages 71 - 84)
14. Internal Audit Annual Report 2015-16 (Pages 85 - 98)
15. Risk Champion - Appointment
16. Audit, Standards and Governance Committee Work Programme (Pages 99 - 100)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

8th June 2016

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

11TH MAY 2016 AT 6.00 P.M.

PRESENT: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman),
M. Glass, C.A. Hotham, K.J. May, P. M. McDonald, S. R. Peters,
M. Thompson and S. A. Webb

Observers: Councillor G. Denaro

Officers: Mr. K. Dicks, Ms. J. Pickering, Ms. D. Poole and Ms. A. Scarce

65/15 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors S. R. Colella and H. J. Jones with Councillor C. Hotham and K. May attending as substitutes respectively.

Apologies were also received from the Service Manager of the Worcestershire Internal Audit Shared Service and Parish Councillor J. Ellis.

66/15 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest or any whipping arrangements.

67/15 **MINUTES**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 24th March 2016 were submitted.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 24th March 2016 be approved as a correct record.

68/15 **VALEUR CONSULTING**

The Chairman reminded the Board that this report was being considered following a request from a number of Members. Members were being asked to note its content and recommend any actions it felt necessary.

The Head of Transformation introduced the report and in so doing highlighted to Members the costs associated with the work undertaken by Valeur Consulting since 2014 together with details of how this work had been funded and how the costs were split between both Redditch

and Bromsgrove Councils. Information in respect of the waiver which had been put in place in respect of this contract and Members were reminded of the Council's Contracts Procedure rules and explained the special circumstances which had been taken into account in this case, together with the details of the benefit in maintaining the continuity with the existing work. The Head of Transformation went on to provide the Board with details of the work that Valeur had been carrying out in, in particular the intervention work with the Management Team and 4th tier managers and particular key areas supported. Strategic support and guidance to the Management Team had also been provided by Valeur Consulting in a number of areas and in respect of the development of the Corporate Plan and the Council's key priorities.

Following presentation of the report Officers responded to a number of questions raised by Members including:

- The use of staffing costs to cover the cost of the work of a consultant and vacant posts in general remaining vacant for some time. Issues around vacant posts had also been raised by the external auditors. Officers confirmed this had been flagged as a weakness and would be addressed in 2016/17.
- The waiver process was discussed - Members were keen for this process to be reviewed and for involvement of the Portfolio Holder to be considered in order to ensure that this process was used appropriately.
- Members were concerned about the level of work being carried out with 4th tier managers as it was felt that the analysis of data referred to was something which managers at this level should be capable of carrying out. Officers provided more detail and explained that the use of the data was completely different to how it had been used in the past.
- The Corporate Dashboard and how if used properly could contribute towards the design of better more efficient services. Officers explained how the aim was to move away from traditional performance indicators.
- The importance of accountability and providing value for money for residents.
- Clarity in respect of the breakdown of costs between the two Councils and how this had been agreed – Members suggested that this process may need to be further reviewed to ensure that Bromsgrove received best value from the arrangement.
- The provision of a clear breakdown of savings made. Officers concurred that this should have been provided prior to the meeting and agreed to send it to Members. It was noted that any saving made would also be reaped in future years.
- The savings made in respect of the implementation of the Place Teams and the work carried out by the Environmental Services team during the transformational work which had occurred and the new ways of working.

Agenda Item 5

Audit, Standards and Governance Committee
11th May 2016

- The significant underspend at the year end and whether this was due to “over estimates” and the inclusion of vacant posts. Officers confirmed that this had been questioned and was being addressed with the relevant Heads of Service managers.
- Ongoing work that was being carried out in order to make much needed savings during the current difficult financial position.
- The Connecting Families work which was being carried out by Valeur Consulting – it was clarified that Redditch were funding the Valeur Consulting costs however, the project as a whole was funded by Worcestershire County Council.
- The reduction in the Bromsgrove “share” of the Valeur Consulting costs and how teams are encouraged to look at how they are able to make savings themselves.
- Members were keen to ensure that where significant savings have been made, that the knowledge of those teams be used in other areas rather than consultants being used.
- Background information in respect of Valeur Consulting – officers gave examples of other Councils that Valeur Consulting had carried out work for, this included Norfolk and Stoke and they had also worked for a number of police and health authorities. It was also confirmed that it was one person who owned/worked for the consultancy.
- Members questioned whether Valeur would be able to attend a future meeting of the Committee if required. Officers were happy for this request to be made if appropriate. It was also confirmed that whilst they had a Council email address, they did not use any Council owned equipment and did not have a designated desk in either Council.
- Details of the number of days which would be covered by the fee that had been charged. Officers estimated that between 32-34 days work had been carried and that the invoices from Valeur Consulting were available as they were a matter public record.
- Whether comparisons had been made with other similar companies when Valeur Consulting had first been engaged by the Council to ensure that value for money was being achieved. Officers confirmed that this had been done and others had proved to be much more expensive.
- Officers confirmed that the procurement rules were currently being reviewed and updated and revised guidelines would be available for Members consideration in due course.
- The number of waivers currently in place – it was agreed that this information should be reported to the Committee on a regular basis to ensure all were monitored.
- It was noted that the waiver was only in respect of Bromsgrove and Members discussed details of the contract between the Council and Valeur Consulting and whether appropriate insurances were in place and verified by officers. Members questioned whether the contract was with one particular Council or whether it was actually with both, as Valeur Consulting was carrying out work on behalf of both Councils.

Agenda Item 5

Audit, Standards and Governance Committee
11th May 2016

The Board went on to discuss a number of recommendations which had been highlighted during its debate and how and where these would be considered and hopefully accepted and implemented.

RECOMMENDED that

- a) the monitoring process in respect of the breakdown of costs between Bromsgrove District and Redditch Borough Councils be reviewed;
- b) the Portfolio Holder for Finance, together with relevant Officers, be included in the process of setting any future waivers;
- c) a report is received by the Audit, Standards and Governance Committee from officers and the Portfolio Holder for Finance in respect of any waivers that have been agreed;
- d) officers ensure that public and professional indemnity insurance is in place for both consultants and contractors;
- e) Virements in respect of staffing budgets are no longer used;
- f) the Council consider other methods of savings within the Council before using consultants; and
- g) the background papers and Minutes of the meeting of the Audit, Standards and Governance Committee from 11th May 2016 are passed to the External Auditors for information.

RESOLVED that the Valeur Consulting Report be noted.

The meeting closed at 7.27 p.m.

Chairman

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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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 full meeting of the Committee on 24th March 2016.
- 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

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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 Regarding the ongoing complaint reported at the last meeting (complaint made by a member of the public against a parish councillor relating to an alleged failure by the parish councillor to declare another disclosable interest), this complaint has since been resolved locally.
- 3.4 There has also been an investigation into a Member to Member complaint alleging corruption. The reporting of this complaint did not follow the normal reporting process but was nevertheless investigated and has resulted in a recommendation that there be a review into the process for recording Gifts and Hospitality and the training that Members receive in this regard. Members may wish to consider adding this to their Work Programme or referring it to the Constitution Working Group for review.

Member training

- 3.5 Since the beginning of the new municipal year Planning Committee training has taken place. The training, which was delivered by Trevor Roberts Associates, was hosted by Redditch Borough Council and included Member attendees from Bromsgrove, Redditch and Stratford-on-Avon Councils. The training comprised two evening sessions on 'A Short Briefing on Planning for Councillors' and 'The Role of Councillors in Planning: Propriety and Good Practice'. The training set out the scope and context of the planning system, including the associated policy and legal frameworks, together with the different roles that councillors play in the planning process and the potential conflicts between these roles. The training was very well received with positive feedback from both Members and Officers.
- 3.6 Various additional training events will be taking place to introduce/refresh Members on the work of their committees.
- 3.7 General (non-mandatory) training for the Audit, Standards and Governance Committee will take place immediately prior to this evening's meeting. The training is aimed to support members of the Committee and any Members who may wish to sit as substitutes on the Committee. The training will outline the role of the Committee and what types of reports the Committee will consider from a Standards, Finance (s151 Officer) and Internal Audit perspective. Separate quasi-judicial training is required for the conduct of

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any standards hearings (none required since the introduction of the current standards regime in July 2012), which will be arranged as and when required.

- 3.8 Further training to assist Members in their roles as councillors are planned. These include sessions on:

- Child Sexual Exploitation – a North Worcestershire perspective (for members of the Licensing Committee);
- Safeguarding and prevent;
- Data protection; and
- Briefings on the Local Plan in preparation for consideration of the Inspector's report and proposed modifications.

Parish Representatives on the Committee

- 3.9 The membership of the Audit, Standards and Governance Committee includes two non-voting co-opted Bromsgrove Parish Councils' Representatives, who may not also be district councillors. A Deputy Parish Representative is also sought in the event they need to substitute for a Parish Representative. These appointments are effective to each Annual Meeting of the Bromsgrove Area Committee of the Worcestershire County Association of Local Councils (CALC) in June.
- 3.10 At the time of preparing this report the current Representatives were Parish Councillors Chris Scurrall of Belbroughton Parish Council and John Ellis of Stoke Parish Council. No Deputy Parish Representative had been appointed for 2015/16. The 2016/17 appointments are due to be reviewed by CALC at its Annual Meeting on 8th June 2016. As these roles are non-voting co-opted no separate appointments process is required by the District Council; the appointments made at CALC are automatic and are for noting only. Details of any new appointees determined by CALC on 8th June will be confirmed by Officers at the meeting.

Customer / Equalities and Diversity Implications

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

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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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LOCALISM ACT 2011 – STANDARDS REGIME – DISPENSATIONS

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
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	N/A

1. SUMMARY OF PROPOSALS

- 1.1 To consider the granting of a new Individual Member Dispensation as detailed at appendix 1 to the report, together with any additional required Individual Member Dispensations which may arise up to the point of the meeting and which, if applicable, will be detailed by Officers at the meeting; and
- 1.2 To note, for completeness, the position in relation to the previously approved change in Individual Member Dispensations for the Artrix Operating Trust (Bromsgrove Arts Centre Trust – charitable company), as also detailed at Appendix 1, together with the current status of the general dispensations previously granted by the Committee, as detailed under section 3 of the report.

2. RECOMMENDATIONS

The Committee is asked to **RESOLVE** that

- 1) the new Individual Member Dispensation for Councillor Mallett, as detailed at Appendix 1 to the report, together with any additional Individual Member Dispensations advised by Officers at the meeting, be granted under section 33 (2) of the Localism Act 2011 to allow those Member(s) to participate in and vote at Council and committee meetings in the individual circumstances detailed;
- 2) the update to the Individual Member Dispensations in relation to the Artrix Operating Trust (Bromsgrove Arts Centre Trust – charitable company), as agreed by full Council on 18th November 2015 and as detailed at Appendix 1 to the report, be noted;
- 3) the position, as detailed under section 3 of the report, in relation to the previously granted general dispensations for:
 - i) the setting of the Budget, Council Tax and Members' Allowances;

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- ii) allowing Members to address Council and committees in circumstances where a member of the public may elect to speak; and
- iii) the adoption of any new or updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District

be noted;

- 4) it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and
- 5) it be noted that all dispensations granted, unless amended by periodic reports such as this, remain valid until the first meeting of the Audit, Standards and Governance Committee after the District Council Elections in 2019.

3. KEY ISSUES

Financial Implications

- 3.1 None.

Legal Implications

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

Service / Operational Implications

- 3.5 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.
- 3.6 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted “only if, after having regard to all relevant circumstances” the Committee considers that one of those situations applies.

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- 3.7 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –
- “(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
 - (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
 - (c) considers that granting the dispensation is in the interests of persons living in the authority’s area,
 - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without them dispensation each member of the authority’s executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority’s executive, or
 - (e) considers that it is otherwise appropriate to grant a dispensation.”
- 3.8 The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee. In June 2015 this function transferred to the then newly established Audit, Standards and Governance Committee.
- 3.9 On 28th November 2012 (following the introduction of the new standards regime under the Localism Act 2011) the Standards Committee resolved to grant, subject to receipt of the required written request from Members, general dispensations for the setting of the Council Tax and Members’ Allowances, and also for Members’ speaking rights (i.e. those Members with a DPI who would otherwise be prevented from addressing Council and committees in circumstances where a member of the public may elect to speak).
- 3.10 On 10th October 2013 the Standards Committee granted an additional general dispensation for when Members considered the setting of the Budget.
- 3.11 On 9th January 2014 and 9th October 2014 the Standards Committee granted a number of Individual Member Dispensations based on memberships of certain outside bodies and/or their or their spouse’s/partner’s employment.
- 3.12 The dispensations referred to at paragraphs 3.9 to 3.11 were granted until the first meeting of the Standards/Audit, Standards and Governance Committee following the District Council elections in May 2015.

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- 3.13 On 16th July 2015, the Audit, Standards and Governance Committee re-granted all of the above dispensations, together with some revised Individual Member Dispensations and an additional dispensation allowing Members to participate and vote at Council and committee meetings when considering the adoption of any new or updated Non-Domestic Rates – Discretionary Rate Relief Policy Guidance affecting properties within the District.
- 3.14 Unless subsequently amended by reports such as this, all of the Individual Member Dispensations and general dispensations granted by the Committee on 16th July 2015 remain valid for a period of 4 years; until the first meeting of the Committee following the District Council elections in 2019.
- 3.15 As detailed in the Monitoring Officer's report to Committee on 10th December 2015, the County-wide Monitoring Officers' Group determined around that time that it was no longer necessary for Members to seek/be granted dispensations in relation to the Budget or Council Tax setting functions. As such, the general dispensations previously granted by the Committee in respect of those areas are no longer applicable. It should be noted however that under Section 106 of the Local Government Finance Act 1992 there is a caveat that any Member who is 2 months (or more) in arrears with their Council Tax payments cannot participate in any Council meeting concerning the budget. In the event that any Members are affected by the provisions of section 106, the statutory rule that they be barred from taking part in the budget decisions would prevail.
- 3.16 Members are asked to note that the County Monitoring Officers' Group has also agreed that general dispensations are no longer required for the consideration of Members' Allowances. As such, of the general dispensations previously granted by the Committee, only those dispensations relating to public speaking rights and Non-Domestic Rates – Discretionary Rate Relief Policy currently remain in force (until July 2019).
- 3.17 Having recently entered a new municipal year, Members have been asked to review their individual dispensations and to advise whether any changes are needed to these. At the time of preparing this report one Member had advised of a required change, details of which, together with a list of the existing Individual Member Dispensations which currently remain in force until 2019, are set out at Appendix 1 to this report.
- 3.18 Any further Independent Member Dispensation changes notified to the Monitoring Officer prior to the meeting will be updated by Officers at the meeting, together with details of any changes which might be required to Appendix 1 as a result of full Council's consideration of appointments to outside bodies on 9th June 2016.
- 3.19 It should be noted that any dispensations approved by the Committee only take effect on receipt of a written request from Members for a specific dispensation to be granted. As such, Members must ensure that they submit a written request for dispensation to the Monitoring whenever they are aware that any relevant

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business is due to be discussed/debated at meetings, in order for the required dispensation to be applied.

Customer / Equalities and Diversity Implications

3.20 None.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 - Draft table of Individual Member Dispensations.

6. BACKGROUND PAPERS

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

AUTHOR OF REPORT

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16th June 2016

Appendix 1 – Individual Member Dispensations (draft)

The following Individual Member Dispensations were granted by the Audit, Standards and Governance Committee on 16th July 2015. Those denoted in ***bold italics*** are the currently known required dispensation changes. Unless changed by reports such as this, the dispensations listed remain valid until the first meeting of the Committee following the local elections in 2019. Any additional changes notified by Members prior to the meeting will be updated by Officers at the meeting. The outside body dispensations are subject to any appointment changes agreed by full Council on 9th June 2016, details of which will also be confirmed by Officers at the meeting.

Member(s)	Relevant DPI	Reason for dispensation
Cllrs M Buxton, L Mallett and C Bloore	Officer for Unison or spouse/partner to officer for Unison	To allow participation in debates concerning employment / staffing issues in relation to the authority.
Cllrs M Buxton, J Griffiths, H Jones and S Webb	Amphlett Hall Management Committee	To allow participation in debates concerning the Amphlett Hall generally but not in relation to funding issues.
Cllrs C Allen-Jones, G Denaro, R Laight, K May, M Sherrey and C Taylor	The Artrix Holding Trust (Bromsgrove Arts Development Trust)	To allow participation in debates concerning the Artrix theatre generally but not in relation to funding issues.
Cllrs M Glass, J Griffiths, H Jones, R Smith and C Spencer <i>Dispensation now applicable to Cllrs J Griffiths and C Spencer only following change in appointee numbers in 2015</i>	The Artrix Operating Trust (Bromsgrove Arts Centre Trust – charitable company)	To allow participation in debates concerning the Artrix Theatre generally but not in relation to funding issues.

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Member(s)	Relevant DPI	Reason for dispensation
<p><i>Cllr L Mallett</i></p> <p><i>Previous dispensation – no longer required</i></p> <p><i>New dispensation requested</i></p>	<p><i>Employee of the British Heart Foundation</i></p> <p><i>Employee of CLIC Sargent</i></p>	<p><i>To allow participation in debates or decisions regarding health improvement or public health and well-being generally.</i></p> <p><i>To allow participation in discussions in respect of the impact of cancer on children and young people.</i></p>
Cllr B Cooper	Contract with the Sandwell & West Birmingham Hospitals NHS Trust	To allow participation in debates or decisions regarding health issues generally or matters involving the NHS, and to allow for performance of role as the Councils representative on the Health Overview and Scrutiny Committee of Worcestershire County Council.

Version date: 02.06.16 DP-J

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 16th JUNE 2016

GRANT THORNTON UPDATE – MAY 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 Grant Thornton progress on the Audit and 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. There are no concerns raised by the auditors in their initial work. In addition the appendix includes updates on Grant Thornton Publications in relation to issues that are relevant to Local Government at the current time.

- 3.4 These include

- Joint Venture Companies
- Audit Committee reviews
- Fighting Fraud

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- 3.5 Officers are continuing to work with the auditors 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 – May 2016 Grant Thornton Report

6. BACKGROUND PAPERS

7. KEY

N/a

AUTHOR OF REPORT

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

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Agenda Item 9



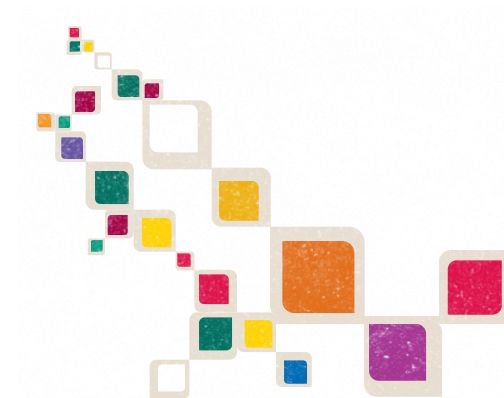
Introduction

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

Members of the Audit and Accounts 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 including:

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;
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 your Engagement Lead or Engagement Manager.



Progress at 25 May 2016



Progress against plan
On track

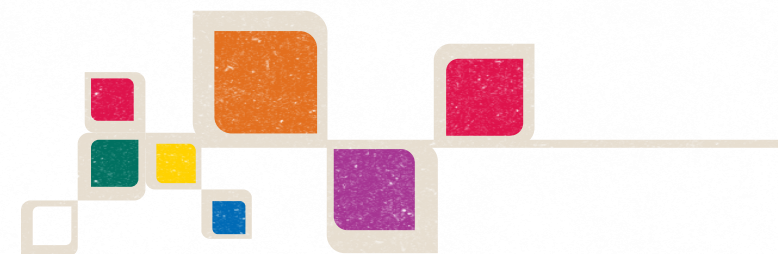
Opinion and VfM conclusion
Plan to give before deadline of
30 September 2016

Outputs delivered
Fee letter, Progress Reports, delivered
to plan

Page 21

2015/16 work	Completed	Comments
Fee Letter We issued the 'Planned fee letter for 2015/16 in April 2015.	April 2015	We have also recently issued the fee letter for 2016/17, with no change to the fee proposed. This is reported to this meeting of the Committee.
Accounts Audit Plan 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. We also inform you of any subsequent changes to our audit approach.	March 2016	This was presented to the Committee in March 2016. Our risk assessment is an on-going process and following further guidance we have identified a new significant risk, which is detailed on page 6.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	April 2016	We have completed our second interim visit which included early testing of payroll, operating expenditure, housing benefits expenditure and grant and other income. Our findings will be reported in September. As part of our formal communication between auditors and the council's Audit and Accounts Committee, as 'those charged with governance' we prepare a specific report which covers some important areas of the auditor risk assessment where we are required to make inquiries of management and the Audit Committee under auditing standards. This is included in Appendix 1.

Progress at 13 May 2016



2015/16 work	Completed	Comments
<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 	Planned for July - August	<p>We are planning to complete our audit by 31st August as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>To help the Council prepare appropriate evidence to support the financial statements, we have provided a schedule of the working papers that we expect and discussed the implications of emerging accounting matters with finance staff.</p>
<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 	Field work in March – July , formal conclusion reported by 30 September 2016	<p>We have set out the result of our risk assessment and the proposed focus of our work at pages 7 and 8.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>
<p>Other activities</p> <p>We provide a range of workshops, along with network events for members and publications to support the Council.</p>	<p>February 2016</p> <p>Ongoing</p>	<p>We have provided a local workshop covering changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.</p> <p>Further details of the publications that may be of interest to the Council are set out from page 11.</p>

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. As part of our on-going risk assessment processes we have identified a new significant risk

Significant risk	Description	Substantive audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to issue a conclusion on 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 National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015.

The Act and the NAO guidance state that auditors are only required to report by exception where they are not satisfied that NHS bodies have proper arrangements in place to secure value for money. However, we are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council.

The guidance identifies one single criterion for auditors to evaluate:

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.

This is supported by three sub-criteria as set out in the table to the right.

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- 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
- 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

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.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

Value for money

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
Financial Outturn We identified during 2014/15 that the outturn position resulted in a large increase in the general fund balances which was not planned when the budget was set. It is not clear from the Council's management processes how this had been achieved.	Reliable and timely financial reporting that supports the delivery of strategic priorities	Review the budget monitoring arrangements in place during 2015/16 and the final outturn position.
MTFS and budget setting We identified during the 2014/15 audit that the budget preparation processes could be strengthened and should be based on sound assumptions which enable an accurate forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions	Review the arrangements for the production MTFS and the annual budget. Review the progress the council has made in its costing of demand led services that will be used to inform decision making for 17/18 budget setting.
Corporate plan and monitoring of service performance The corporate plan was last updated in July 2013 and therefore may not address the current strategic priorities of the Council. There is also currently no performance management information routinely reported (other than around customer services which is reported to audit committee). It is not possible to assess the impact of service changes or savings on service quality or priorities as there is no reporting.	Understanding and using appropriate cost and performance information to support informed decision making and performance management Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions	Review the Councils arrangements for updating its Corporate plan and introducing a corporate dashboard of measures.

Publications



Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

Grant Thornton reports



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Knowing the Ropes – Audit Committee Effectiveness Review

We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

The detailed report is available here

<http://www.granthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

Grant Thornton reports



Agenda Item 9

Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 16th JUNE 2016

GRANT THORNTON – AUDITING STANDARDS 2015/16

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

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Auditing Standards report for 2015/16 from the Councils External Auditors Grant Thornton.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note the report and management responses.**

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications as a direct result of this report however robust internal financial control mechanisms as confirmed within this report reduce the costs associated with fraud and inaccurate accounting arrangements.

Legal Implications

- 3.2 Grant Thornton have a responsibility to ensure that robust systems are in place together with proactive communications with those charged with Governance.

Service / Operational Implications

- 3.3 External Auditors have a duty in planning and performing their audit of the financial statements to understand how Cabinet, supported by the Council's management, and the Audit Board meets its responsibilities in the following areas:

- Fraud
- Law and regulation
- Going concern
- Related parties
- Accounting for estimates

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 16th JUNE 2016

The report attached at Appendix 1 details the management response in relation to the controls that are in place within Bromsgrove District Council to ensure that arrangements are in place to support the financial and operational management of the organisation. There are no specific concerns that have been highlighted by the External Auditors other than the monitoring of the S11 recommendations from the 2014/15 closedown.

Customer / Equalities and Diversity Implications

- 3.4 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 Auditing Standards Report 2015/16

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

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Auditing Standards – Communication with the Audit, Standards and Governance Committee

Bromsgrove District Council

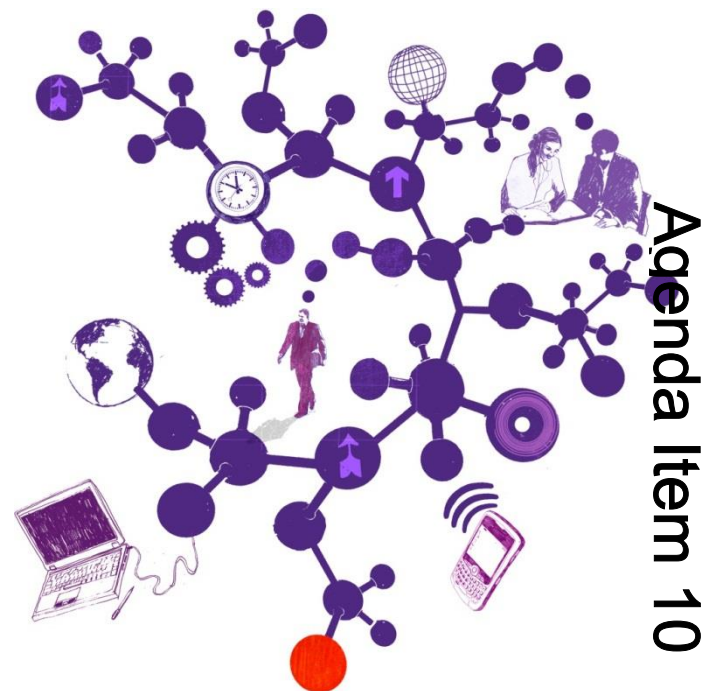
Audit year 2015/2016

May 2016

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Agenda Item 10

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.

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Introduction

The purpose of this report is to ensure there is effective two way communication between the Council's Audit, Governance and Standards Committee, who are "Those Charged with Governance" and the external auditor.

As your external auditors we have a responsibility under professional auditing standards to ensure there is effective communication with the Audit, Governance and Standards Committee. This means developing a good working relationship with members, while maintaining our independence and objectivity. If this relationship works well it helps us obtain information relevant to our audit and helps members to fulfil their financial reporting responsibilities. The overall outcome is to reduce the risk of material misstatement

In planning and performing our audit of the financial statements we need to understand how the Audit, Governance and Standards Committee, supported by the Council's management, meets its responsibilities in the following areas:

- Fraud
- Law and regulation
- Going concern
- Accounting for estimates
- Related Parties

This report summaries the respective responsibilities of the Audit, Governance and Standards Committee, officers and external audit in each of these area, as set out by International Standards on Auditing (UK and Ireland) (ISAs). Our primary responsibility is to consider the risk of material misstatement.

Each section of the report includes a series of question that management have responded to. We would like to ask the Audit, Governance and Standards Committee to consider these responses and confirm that it is satisfied with the arrangements.

Fraud Risk Assessment

The ISAs define fraud as:

"An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage."

[ISA (UK&I) 240, paragraph 11]

The primary responsibility to prevent and detect fraud is with the Audit, Governance and Standards Committee and the Council's management. To do this:

- Officers need to ensure there is a strong emphasis on fraud prevention and deterrence, with a commitment to honest and ethical behaviour
- Audit, Governance and Standards committee oversight needs to include the potential for the override of controls and inappropriate influence over the financial reporting process

Our overall responsibility is to ensure the Council's financial statements are free from material misstatement due to either fraud or error. We are required to maintain professional scepticism through the audit, which means considering the potential for the intentional manipulation of the financial statements.

Fraud Risk Assessment cont..

We are also required to carry out a fraud risk assessment to inform our audit approach. This includes considering the following:

- How management assess the risk of material misstatement in the financial statements due to fraud.
- Officers' response to assessed fraud risk, including any identified specific risks.
- Investigations into data matches identified through the National Fraud Initiative and subsequent outcomes.
- How officers communicate the process for assessing and responding to fraud risk to the Audit, Governance and Standards Committee.
- How officers communicates its views on ethical behaviour to the Audit, Governance and Standards Committee.
- How the Audit, Governance and Standards Committee exercises oversight of officers' fraud risk assessment and response processes and the internal controls to mitigate these risks.
- What knowledge the Audit, Governance and Standards Committee has of actual, alleged or suspected fraud.

Table 1 sets out how Officers have responded to our financial risk assessment

Table 1 Fraud Risk Assessment

Question	Management response
<div>1. What is officers' assessment of the risk of material misstatement in the financial statements due to fraud? Is this consistent with the feedback from your risk management processes?</div> <div>Page 39</div>	<p>Although there is an on-going risk of fraud being committed against the Council, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas and work on Council Tax and Housing Benefit fraud.</p> <p>There is on-going communication between external audit and responsible officers on emerging technical issues. Officers also attend technical updates. Financial monitoring reports also highlight areas of variance within the capital and revenue budgets and this assists management in identifying areas of material misstatement within the accounts.</p> <p>The Council is currently reviewing and updating its risk management processes and procedures.</p> <p>Management considers there is a low risk of material misstatement in the financial statements due to fraud.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<div>2</div> <div>Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2015? If so how does the Audit, Governance and Standards Committee respond to these?</div> <div>Page 40</div>	<div>There are some areas that are inherently at risk from fraud such as:</div> <div><ul style="list-style-type: none">▪ Council Tax▪ Benefit Fraud▪ Single person discount</div> <div>However, there is a dedicated benefits investigation team which investigates any fraud and have undertaken a number of successful reviews and prosecutions during 2015/16.</div> <div>The Audit, Standards and Governance Committee receives any adhoc fraud reports. With the changes to the provision of benefit fraud the adhoc reports will relate to other compliance issues from April 2016.</div> <div>There are no material instances of fraud that have been identified during the year.</div> <div>The Audit, Governance and Standards Committee would consider the fraud and the actions put forward by officers to ensure fraud is mitigated in the future.</div>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>3 Do you suspect fraud may be occurring, either within the Council or within specific departments ?</p> <ul style="list-style-type: none"> ▪ Have you identified any specific fraud risks? ▪ Do you have any concerns there are areas that are at risk of fraud? ▪ Are there particular locations within the Council where fraud is more likely to occur? 	<p>Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Authority.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However management does not consider these to be significant risks.</p>
<p>4 Are you satisfied that the overall control environment, including:</p> <ul style="list-style-type: none"> ▪ the process for reviewing the system of internal control; ▪ internal controls, including segregation of duties; <p>exist and work effectively?</p> <p>If not where are the risk areas? What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets?)</p>	<p>Yes – Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud.</p> <p>Sound systems of internal control with roles and responsibilities are defined in various places such as constitution.</p> <p>The role of internal audit, provides assurance that the Council's internal controls are in place. An annual report is produced and is available prior to the annual accounts being signed and approved.</p> <p>The regular monitoring of budgets and the allocation of financial professional support to budget holders provides control and mitigation against such overrides.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>5 How do you encourage, and communicate to, employees about your views on business practices and ethical behaviour? How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> What concerns are staff expected to report about fraud? 	<p>There is a Fraud Strategy and Whistleblowing procedure in place which explain the procedures to follow. The Fraud Strategy is currently being updated and will be ready during 2016/17.</p> <p>Employees are aware of the anti-fraud and corruption strategy, details are available on the website.</p>
<p>6 From a fraud and corruption perspective, what are considered to be high-risk posts:</p> <ul style="list-style-type: none"> How are the risks relating to these posts identified, assessed and managed? 	<p>There are not any significantly high-risk posts identified.</p>
<p>7 Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>2014/15 financial statements disclosure of related party transactions does not identify potential fraud risk. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>
<p>8 What arrangements are in place to report fraud issues to the Audit Governance and Standards Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>Internal Audit provide the Audit, Governance and Standards committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken. Any adhoc investigations are reported to the Audit, Governance and Standards committee.</p> <p>The Corporate risk register is reviewed by the Committee and the Member risk champion reports to the Committee at each meeting on updates from managers in relation to departmental registers.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
9 Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2015? If so, how does the Audit and Ethics Committees respond to these?	We are not aware of any whistleblowing reports. If there was such a report then members would consider the appropriate course of action.

Law and Regulation

Auditing standards require us to consider the impact that law, regulation and litigation may have on the Council's financial statements. The factors that may result in particular risks of material misstatement due to fraud or error are:

- The operational regulatory framework – this covers the legislation that governs the operations of the Council.
- The financial report framework – according to the requirement of International Financial Reporting Standards, the Code of Accounting for Local Authorities in England and relevant Directions.
- Taxation considerations – for example compliance with Value Added Tax and Income Tax regulations.
- Government policies that otherwise impact on the Council's business
- Other external factors; and
- Litigation and claims against the Council.

Where we become aware of information about a possible instance of noncompliance we need to gain an understanding of it to evaluate the possible effect on the financial statements.

The ISAs also require us to make enquiries of management and the Audit, Governance and Standards Committee about the arrangements in place to comply with law and regulation. To help with this, management have responded to the following questions.

Table 2 : Law and Regulation

Question	Management response
1 How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The Monitoring Officer will advise the Council's Management team and Councillors as appropriate. The reporting arrangements include sections for both financial and legal implications to ensure managers have considered compliance with laws and regulations. In addition staff have professional training and conduct in place to support compliance.
2 How is the Audit, Governance and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?	Assurance of complying with the Council's Constitution is provided through the Annual Governance Statement which is reported to Executive.
3 Have there been any instances of non-compliance with law and regulation since 1 April 2015 with any on-going impact on the 2015/16 financial statements	No
4 Is there any actual or potential litigation or claims that would affect the 2015/16 financial statements?	None
5 What arrangements does the Council have in place to identify, evaluate and account for litigation and claims?	The legal and finance team liaise on a regular basis to identify and evaluate any potential claims.
6 Have there been any reports from other regulatory bodies, such as HM Revenue and Customs which indicate non-compliance?	No

Going Concern

Going concern is a fundamental principle in the preparation of the financial statements. Under the going concern assumption, a council is viewed as continuing in operation for the foreseeable future with no necessity of liquidation or ceasing trading. Accordingly, the Council's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business. A key consideration of going concern is that the Council has the cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

We have discussed the going concern assumption with key Council officers and reviewed the Council's financial and operating performance. Following are key questions on the going concern assumptions which we would like the Audit, Governance and Standards Committee to consider.

Table 3 : Going Concern

Question	Management response
1 Has a report been received from management forming a view on going concern?	The Director of Finance and Corporate Resources (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.
2 Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan is based on delivering the key priorities of the Council and all income and expenditure is set on the basis of ensuring the purposes are met.
3 Are the implication of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The Financial Plan considered the government changes in terms of grants. The plan sets out the likely implications of the Governments Resources Review and other changes to local government finance including Business Rate reforms.
4 Have there been any significant issues raised with the Audit Governance and Standards committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control)	The recent S11 report identified areas of improvements within the Councils budgeting processes. A clear action plan is in place to ensure that future assumptions on estimates and monitoring reports are robust.
5 Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No

Table 3 : Going Concern cont...

Question	Management response
6 Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills	Yes
7 Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	Yes – regular financial monitoring reports to officers and members
8 Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern.	No – the S11 recommendations identified a number of financial issues that are being addressed by officers.
9 Are arrangements in place to report the going concern assessment to the Audit Committee? How has the Audit Governance and Standards Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	Regular financial monitoring is presented to the Committee. In addition it is proposed that the savings plans are monitored on a regular basis at the Audit, Governance and Standards Committee.

Accounting Estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard, we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an account estimate.

We need to be aware of all estimates that the Council are using as part of their accounts preparation; these are detailed in appendix 1.

The audit procedures we conduct on the accounting estimate will demonstrate that:

- The estimate is reasonable, and
- Estimates have been calculated consistently with other accounting estimates within the financial statements.

Table 4: Accounting Estimates

Question	Management response
1 Are management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant account estimates that require significant judgement?	No
2 Are management arrangements for the accounting estimates, as detailed in Appendix 1 reasonable?	Yes officers have reviewed the estimates and believe they are reasonable.
3 How is the Audit, Governance and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate?	The professional judgement of the s151 Officer is accepted by the Committee.

Related Parties

For local government bodies, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS 24: Related Party Disclosures. The Code identifies the following as related parties to local government bodies:

- entities that directly, or indirectly through one of more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates
- joint ventures in which the authority is a venturer;
- an entity that has an interest in the authority that gives it significant influence over the authority
- key officers and close member of the family of key officers
- post employment benefit plan (pension fund) for the benefit of employees of the Council, or of any entity that is related party of the Council

The Code notes that, in considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged from the viewpoint of both the Council and the related party.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Table 5: Related Parties

Question	Management response
1 Who are the Council's related parties?	<p>The Council discloses its related parties under the following headings:</p> <ol style="list-style-type: none">1. Government – Central Government has control influence over the Council as the Council needs to act in accordance with its statutory responsibilities.2. Pension Fund – this party is subject to common control by Central Government.3. Precepts & Levies – these parties are subject to common control by Central Government and thus might be empowered to transact on non-commercial terms. The Council is bound to pay the amount demanded from these parties through precept or levy.4. Assisted Organisations – the provision of financial assistance by the Council to such parties or voluntary organisations may give the Council influence on how the funds are to be administered and applied.5. Members and Officers – certain Members and Officers may have controlling influence or related interests with other of the Council's related party organisations, such that they may be in a position to significantly influence the policies of the Council

Table 5: Related Parties cont....

Question	Management response
<div>2</div> <div>What are the controls in place to identify, account for, and disclose, related party transactions and relationship?</div>	<div>A number of arrangements are in place for identifying the nature of a related party and reported value including:</div> <div><ul style="list-style-type: none">▪ Maintenance of a register of interests for Members a register for pecuniary interests in contracts for Officers and Senior Mangers requiring disclosure of related party transactions.▪ Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests.▪ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.▪ Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation.▪ Review of year end debtor and creditor positions in relation to the related parties identified.▪ Review of minutes of decision making meetings to identify any member declarations and therefore related parties.</div>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	The Council has a contract with Place Partnership Ltd to review its asset base, including undertaking annual valuations. (The Valuer is a RICS/CIB Member) and reviews are made in line with RICS guidance on the basis of 5 year valuations with interim reviews.	Capital Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.	Yes, the Place Partnership Ltd valuer, and officers there are RICs qualified.	Valuations are made in-line with RICS guidance – reliance on expert	No
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: <ul style="list-style-type: none"> • Buildings 50 years • Equipment/vehicles 5 years • Plant 12 years • Infrastructure 40 years 	Consistent asset lives applied to each asset category.	Yes, the Place Partnership Lts Valuer	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS or CIB Member.	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis	Consistent application of depreciation method across all assets	No	<p>The length of the life is determined at the point of acquisition or revaluation according to:</p> <ul style="list-style-type: none"> Assets acquired in the first half of a financial year are depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year. Assets that are not fully constructed are not depreciated until they are brought into use. 	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is an indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, here this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Place Partnership Ltd Valuer.	Valuations are made in-line with RICS guidance – reliance on expert	No
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their external treasury consultants.	Take advice from professionals	Yes.	Take advice from treasury management professionals	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Overhead allocation.	The Finance team apportion central support costs to services based on fixed bases as detailed in the 'Allocation Summary' spread sheet	All support service cost centres are allocated accordingly to the agreed 'Allocation Summary' spread sheet	No	Apportionment bases are reviewed each year to ensure they are equitable.	No
Provision for liabilities	Provisions are made where an event has taken place that give the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Council becomes aware of the obligation	No	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required. (or a lower settlement that anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursements will be received by the Council.	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	The finance team collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Procedures for identifying accruals are included in the closedown instructions.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Non Adjusting events – events after the balance sheet date	S151 officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect	Heads of Services notify the S151 Officer	This would be considered on individual circumstances	This would be considered on individual circumstances	N/A
Defined benefit pension amounts and disclosures	Non-teaching staff are members of the Local Government Pensions Scheme, administered by Worcestershire County Council	Rely on the calculations made by the actuary	The actuary of the pensions scheme	Reliance on the expertise of the actuaries of the pension scheme	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund Actuarial Gains/Losses	The actuarial gains and losses figures are calculated by the actuarial experts. These figures are based on making % adjustments to the closing values of assets/liabilities	For the LGPS the Authority responds to queries raised admitted bodies of the pension fund	The Authority are provided with an actuarial report.	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No

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APRIL – MARCH 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 – March 2016.

2. RECOMMENDATIONS

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

3. KEY ISSUES

- 3.1 This report provides a statement to show the savings for April – March 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 – March 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.

Legal Implications

- 3.6 None as a direct result of this report.

Service/Operational Implications

- 3.7 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 - MARCH 2015/16

APPENDIX 1

Strategic Purpose	2015/16 £'000	Budget April - March 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	-126	-124	2		Savings generated from the service review
Elections	-60	-60	-60	0		Income realised from the General Election
Parkside	-250	-250	-150	100		General Savings have been made by ensuring the current Council House expenditure is on essential items only. The overspend was fully funded by the reserve set aside for the move to Parkside
Enabling - HR, Legal & Democratic, Finance, IT , Business Transformation	-135	-135	-150	-15		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	-144	-150	-6		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	-6	-6	0		Change in delivery model has resulted in the savings being delivered
Dolphin Centre - general savings	-40	-40	-40	0		General Savings within the contract

REVENUE SAVINGS APRIL - MARCH 2015/16

APPENDIX 1

Strategic Purpose	2015/16 £'000	Budget April - March 2015/16 £'000	Actual April - Dec 2015/16 £'001	Variance 2015/16 £'000		Comments General / Service Redesign / Additional Income
HELP ME LIVE MY LIFE INDEPENDENTLY						
Service review	-20	-20	-18	2		Service review has resulted in savings being delivered
Community Transport - renegotiation of contract	-16	-16	-20	-4		The saving has been realised by a renegotiation of the contract payments with the service remaining the same
TOTAL	-797	-797	-718	79		

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AUDIT STANDARDS & GOVERNANCE COMMITTEE

16th June 2016

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

- 3.3 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.
- 3.4 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

16th June 2016

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

- 3.5 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 7th June 2016.
- 3.6 The working paper requirement were not received from Grant Thornton until 26th April, the team has therefore not been able to produce a template set of working papers ahead of the preparation of the Financial Statements.
- 3.7 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.
- 3.8 The Financial Statements as at 7th June 2016 are progressing in line with the timetable and are now substantially complete, it is anticipated that all the main statements and notes will be completed by 17th June 2016, to allow for quality checking before formal sign off on 30th June.
- 3.9 A risk log of all issues is held in Financial Services regarding the preparation of the financial statements, there are currently no open items.
- 3.10 Officers will continue to work with both Internal and External Audit to ensure the recommendations are implemented as reported.

Customer / Equalities and Diversity Implications

- 3.11 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

AUDIT STANDARDS & GOVERNANCE COMMITTEE

16th June 2016

Appendix 1 - S11 Action Plan

AUTHOR OF REPORT

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Tel: (01527) 587088

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Bromsgrove District Council

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:

Update as at 7th June 2016

Recommendation	Action	Owner	Deadline
1 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: -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	External support (via procurement tender) will be appointed.	Financial Services Manager	complete
	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.	Technical Accountant	complete
	An assessment of the level of external support required will be carried out and communicated to provider.	Financial Services Manager/Technical Accountant	complete
	Visits to be arranged for key closedown staff to observe processes at other local authorities, with the aim of sharing best practice.	Financial Services Manager and Technical Accountants	complete
	Training needs to be identified.	All Finance	complete
	Appropriate training to be provided which will include the mentoring of Technical Accountants and other key financial staff by external provider.	Financial Services Manager/Technical Accountant	complete
2 The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that: -the financial statements are compiled directly from the ledger -the entries in the accounts are supported by good quality working papers which are available at the start of the audit -the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources) - provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information; -the production of the financial statements is monitored through regular reporting to Directors and the Audit Board.	Full set of template working papers to be compiled.	Technical Accountants	work in progress
	Meeting with external auditors to be arranged, with the aim being to agree working paper templates.	Financial Services Manager	Received:26/04/16
	CIPFA Toolkit prior year figures to be populated as soon as available. Early training to be arranged with CIPFA consultant to ensure any errors are eliminated.	Technical Accountant	complete
	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.	Technical Accountant	complete
	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	Technical Accountants	complete
3 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.	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.	Senior Business Support Accounting Technicians	complete
	Budget-holders in discussions to determine potential changes to 2016/17 budget (on assessment of 2014/15 out-turn).	Business Support Accounting Technicians	complete
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 necessary, to address budget variances.	New Financial Planning module to be implemented, giving managers more control and flexibility of their budgets.		30/06/2016
	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.	Senior Business Support Accounting Technician Business Support Accounting Technicians and budget-holders	ongoing
	Compilation of Monitoring reports for Members.	Senior Business Support Accounting Technician	ongoing
	Large variances to budget to be addressed with Head of Service prior to Committee with details of cause and plans to mitigate any overspends	Exec Director of Finance	ongoing

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 16TH JUNE 2016

CORPORATE GOVERNANCE AND RISK

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering – Executive Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No

1. SUMMARY OF PROPOSALS

- 1.1 For Members to consider the draft Corporate Risk Register for 2016/17 and to update Members on the Annual Governance Statement for 2015/16.

2. RECOMMENDATIONS

2.1 The Committee is asked to asked to:

- 2.1.1 consider the draft register and propose any further risks to be included
- 2.1.2 note the updates on the Annual Governance Statement

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications in relation to the development of the register or the associated Governance updates.

Legal Implications

- 3.2 The Council operates within a number of statutory Governance regulations and the Corporate Risk Register demonstrates how the Council will address and mitigate risks associated with the delivery of the Councils Strategic Purposes. The Annual Governance Statement details the ways that the Council operates within both the statutory and general good governance framework.

Service / Operational Implications

Corporate Risk Register

- 3.3 The Corporate Risk Register has been developed by the management team to address issues that are of a strategic nature and are seen as areas that have potential to impact on the delivery of the Strategic Purposes. The register attached at Appendix 1 is the draft 2016/17 register to enable members to be aware of corporate risks within the Council and uses the Red/ Amber / Green Scoring Mechanism to assess the risk associated with the

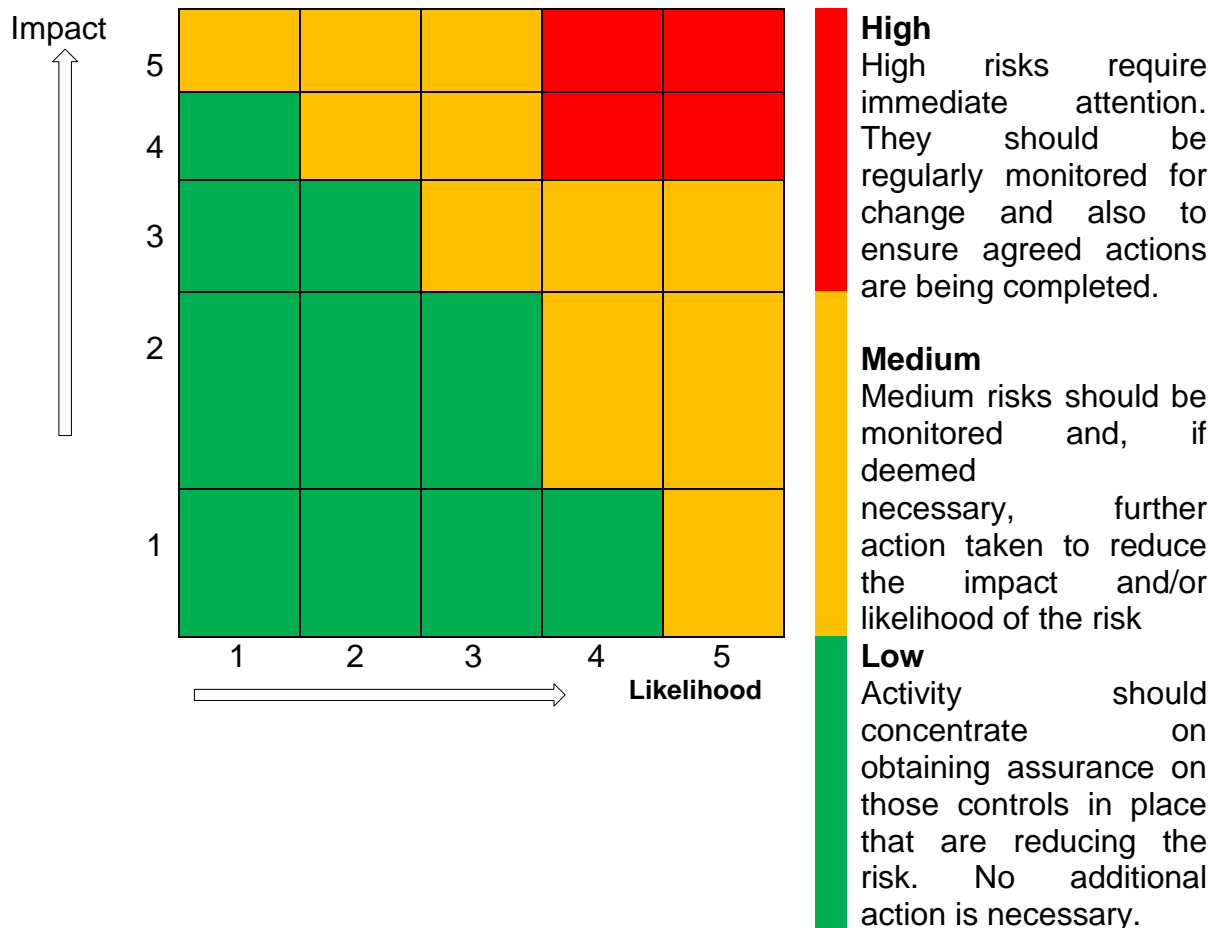
AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 16TH JUNE 2016

issue and details both the controls and mitigating actions that are in place to reduce the risk to the organisation.

- 3.4 The scoring mechanism is shown in the table below and the Impact Scoring Criteria is attached at Appendix 2:

Risk scoring matrix

The risk scoring matrix reflects the Councils' current appetite / tolerance to risk. This risk tolerance should be reviewed at least annually as part of the formal refresh of risk management. There are three risk classification (low, medium and high) and these are based on the impact and likelihood values that are given to each risk. The risk matrix below illustrates how risks are classified.



- 3.5 An additional risk has been included for 2016/17 in relation to the Financial Management arrangements. In addition there is a risk associated with non compliance with statutory requirements on health and safety which replaces the risk of fatalities within service provision. Management team are reviewing the register and Members are asked to consider the draft register and make any proposed changes or additions to be monitored on a 6 monthly basis by this Committee.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 16TH JUNE 2016

Annual Governance Statement

- 3.6 The compilation of an Annual Governance Statement is a statutory requirement. The Annual Governance Statement provides an open and honest self – assessment of the Authorities governance arrangements across all of its activities, with a clear statement of the actions being taken to address identified areas of concern.
- 3.7 The Authority has used the six principles that underpin effective governance which has been identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) to assess the adequacy of its governance arrangements. The return is completed and published annually as part of the Final Accounts.
- 3.8 Following a recent internal audit of the process around the Governance Statement it is proposed that the process becomes more inclusive for both managers and members and any actions from the Governance Statement are monitored as part of the S11 monitoring from 2016/17.
- 3.9 A recent assurance schedule has been sent to all Heads of Service to assess the current controls within their department and this will be reported to management team to identify any areas of concern to improve in 2016/17.

Customer / Equalities and Diversity Implications

- 3.10 By promoting good governance the Council ensures that all of its residents and communities have a consistent standard of service and opportunities.

4. RISK MANAGEMENT

- 4.1 The Corporate Risk Register provides a framework for risks to be addressed and mitigated in relation to the delivery of the Councils Strategic Purposes.

5. APPENDICES

Appendix 1 - Draft Corporate Risk Register 2016/17
Appendix 2 - Impact scoring criteria

6. BACKGROUND PAPERS

Departmental risk registers.

AUTHOR OF REPORT

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DRAFT CORPORATE RISK REGISTER –BROMSGROVE DISTRICT COUNCIL

APPENDIX 1

2016/17

Risk	Cause / Effect	Current Mitigations	Inherent Risk	Actions Needed	Residual Risk	Risk Owner	Links to Strategic Purposes
Non Compliance with Health and Safety Legislation	Cause: <ul style="list-style-type: none"> Consequence of Council action Negligence by Council Actions beyond Council control Effect: <ul style="list-style-type: none"> Reputation affected Legal action against Council Financial impact 	<ul style="list-style-type: none"> Standard Operating Procedures - SOP (H&S etc) Health and Safety Committee meets regularly Training for staff Health-checks First Aid / Defibrillation provision Safeguarding Policy and Procedures Risk Assements 	Impact – 4 Likelihood – 2 = 8	<ul style="list-style-type: none"> Continued updates to Health and Safety Committee Updated inspection policy being actioned 	Impact – 4 Likelihood – 1 = 4	Deb Poole	All
Snap / poorly informed decisions made on savings / cuts	Cause: <ul style="list-style-type: none"> Requirement for savings to balance budget Unanticipated cost pressures / demand on services Pressure from other partners Effect: <ul style="list-style-type: none"> Longer term improvement / 	<ul style="list-style-type: none"> Robust budget-setting process in place Good awareness of Transformation Programme 	Impact – 4 Likelihood – 3 = 12	<ul style="list-style-type: none"> Establish "whole-life" or "end to end" approach to assessment of savings proposals Develop/improve support for Leadership and decision-making roles of Members On line access for managers for budgets and actual spend being developed in 	Impact – 4 Likelihood -2 = 8	Jayne Pickering	All

2016/17

	innovation / efficiency is hindered <ul style="list-style-type: none"> Impact on organisation, staff and residents Impact on Transformation Programme 			2016/17 <ul style="list-style-type: none"> Performance Dashboard to be developed for members Data to drive and inform decision making based on evidence of community need 			
Financial constraints (from external sources reducing funding) have a negative impact on service delivery and/or quality	Cause: <ul style="list-style-type: none"> Reduced budget for staffing Reduced spend on maintenance Service cessation Effect: <ul style="list-style-type: none"> Reputation affected Quality of life of residents affected Financial impact 	<ul style="list-style-type: none"> Medium Term Financial Plan in place with assumptions on levels of cuts No unidentified savings in the finance plan Full review of reserves and balances 	Impact – 4 Likelihood – 4 = 16	<ul style="list-style-type: none"> Ensure updated with legislation and financial impact of changes Prepare 4 year financial plan Report to Members on proposals for efficiency plans Reporting regularly to members 	Impact – 4 Likelihood – 3 = 12	Jayne Pickering	All
Partners of the Councils fail to deliver on joint-working	Cause: <ul style="list-style-type: none"> Sovereignty issues / fear of losing control Pressures on partner organisation (financial or political) Resources available from 	<ul style="list-style-type: none"> Robust governance structures in place Funding mechanisms in place and legally enforceable Partnership Boards (LEP etc) 	Impact – 4 Likelihood -4 = 16	<ul style="list-style-type: none"> Ensure that key decision-makers are round the partnership table Undertake Partnership health-check for all partnership initiatives Connecting Families Consideration of Impact of Combined Authorities 	Impact – 4 Likelihood -3 = 12		Help me live my life independently Help me run a successful business Help me find somewhere to live in my locality

2016/17

	<p>partners</p> <ul style="list-style-type: none">• Lack of understanding / buy in <p>Effect:</p> <ul style="list-style-type: none">• Service improvement hindered• Reputation affected• Financial impact						
Business Continuity Plans fail to operate effectively in an incident.	<p>Cause:</p> <ul style="list-style-type: none">• Service plans not all in place, fit for purpose or validated.• Plans not implemented or embedded within the culture of the organisation. <p>Effect:</p> <ul style="list-style-type: none">• Damage to property / equipment• Service delivery affected• Councils' reputation harmed• Financial impact	<ul style="list-style-type: none">• Corporate Business Continuity Plan is in place• Some team plans in place• Work programme of training & exercising under development.	Impact -5 Likelihood – 4 =20	<ul style="list-style-type: none">• All services to undertake a Business Impact Analysis (BIA) following which update service business continuity plans. 3/9 in development• Refresh Corporate Business Continuity Plan following service BIA delivery.• Link Corporate Business Continuity Plan to Corporate Emergency plan.• Deliver work programme of training & exercising.• Risk assessments• Work Programmes (testing etc) to be developed	Impact -5 Likelihood -3 = 15	Sue Hanley	All

2016/17

IT systems and infrastructure has a major failure	Cause: <ul style="list-style-type: none"> • Systems bugs / errors • Failure in power supply • Storage of data/servers affected Effect: <ul style="list-style-type: none"> • Loss of key data • Service delivery affected • Councils' reputation harmed • Financial impact 	<ul style="list-style-type: none"> • Business Continuity Plans in place • Discrete and remote data storage in place • Back-up procedures in place and followed 	Impact – 3 Likelihood – 3 = 9	<ul style="list-style-type: none"> • Review current IT business continuity procedures • External validation of IT resilience 	Impact – 3 Likelihood – 2 = 6	Deb Poole	Enabling Services
Lack of robust financial accounting and monitoring arrangements	Cause: <ul style="list-style-type: none"> • Systems failures • Inexperienced staff • Lack of capacity / resources • Changes in legislation not addressed Effect: <ul style="list-style-type: none"> • Inaccurate accounts • Reputation harmed • Financial Decisions being made on 	<ul style="list-style-type: none"> • Action plan in place to monitor S11 recommendations • External support sourced to ensure specialist advice available • Training on system undertaken • Staff training undertaken • Key roles and responsibilities identified 	Impact – 3 Likelihood – 3 = 9	<ul style="list-style-type: none"> • Regular reporting to members • Continue professional development training • Review financial regulations • Implement on line access to financial system for managers 	Impact – 3 Likelihood – 2 = 6	Jayne Pickering	Enabling Services

2016/17

	inaccurate information						
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Impact scoring criteria

Impact value	Impact Areas	Impact Criteria
1. Negligible	Financial	<ul style="list-style-type: none"> Possible financial impact manageable within service budget i.e. less than £50,000 > 1% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> Incident – no lost time
	Service Delivery	<ul style="list-style-type: none"> Brief disruption, less than 1 day Impacts to non-vulnerable groups Affects a project
	Reputational	<ul style="list-style-type: none"> Minor adverse local publicity
2. Slight	Financial	<ul style="list-style-type: none"> Financial impact manageable within existing service budget but requiring service manager approval for virement or additional funds i.e. between £50,000 and £250,000 >2% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> Injury – no lost time
	Service Delivery	<ul style="list-style-type: none"> Loss of Service 1 to 2 days Impacts to non-vulnerable groups Affects 1 or a few services of the council
	Reputational	<ul style="list-style-type: none"> Negative local publicity
3. Moderate	Financial	<ul style="list-style-type: none"> Financial impact manageable within existing Directorate budget but requiring Director and Head of Finance approval for virement or additional funds i.e. between £250,000 and £500,000 >5% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> Injury, lost time, Short term sick absence
	Service Delivery	<ul style="list-style-type: none"> Loss of service 2 to 3 days Impacts to non-vulnerable groups Affects a single directorate
	Reputational	<ul style="list-style-type: none"> Negative sustained local publicity High proportion of negative customer complaints
4. Critical	Financial	<ul style="list-style-type: none"> Financial impact manageable within existing

		<p>Directorate budget but requiring Director and Head of Finance approval for virement or additional funds i.e. between £500,000 and £1,000,000</p> <ul style="list-style-type: none"> • >10% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> • Extensive, permanent/long term injury or long term sick
	Service Delivery	<ul style="list-style-type: none"> • Loss of service 3 to 5 days • Possible impact to small numbers of vulnerable people, definite impacts on property or non-vulnerable groups • Affects most directorates
	Reputational	<ul style="list-style-type: none"> • Negative national publicity
5. Catastrophic	Financial	<ul style="list-style-type: none"> • Financial impact not manageable within existing funds and requiring Member approval for virement or additional funds i.e. in excess of £1,000,000 • >15% of monthly budget
	Health & Safety	<ul style="list-style-type: none"> • Death or life threatening
	Service Delivery	<ul style="list-style-type: none"> • Loss of service for more than 5 days • Impacts on vulnerable groups • Affect the whole council
	Reputational	<ul style="list-style-type: none"> • Negative sustained national publicity, resignation or removal of CE, Director or elected member.

Likelihood scoring criteria

Likelihood value	Likelihood / Probability Criteria
1. Rare	<ul style="list-style-type: none"> • Has not happened in the past 5 years or more; or • Is not expected to happen in the next 5 years or more • Between 1% to 10% probability
2. Possible	<ul style="list-style-type: none"> • Has not happened in the past 1 to 5 years • Is not expected to happen in the next 1 to 5 years

	<ul style="list-style-type: none"> • Between 10% to 40% probability
3. Likely	<ul style="list-style-type: none"> • Has not happened in the past 6 months to 1 year • Is not expected to happen in the next 6 months to 1 year • Between 40% to 75% probability
4. Highly Likely	<ul style="list-style-type: none"> • Has happened in the past 1 month to 6 months • Is expected to happen in the next 1 month to 6 months • Between 75% to 95% probability
5. Almost Certain	<ul style="list-style-type: none"> • Has happened in the past 1 month; or • Is expected to happen in the next 1 month • More than 95% probability

Agenda Item 13

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 16th June 2016

2015/16 INTERNAL AUDIT ANNUAL REPORT

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 2015/16 Internal Audit Annual Report for the period 1st April 2015 to 31st March 2016 along with the Audit Opinion and Commentary.

2. RECOMMENDATION

2.1 **The Committee is asked to RESOLVE that the 2015/16 Internal Audit Annual Report is noted.**

3. KEY ISSUES

Financial Implications

3.1 None as a direct result of this report.

Legal Implications

3.2 The Council is required under Regulation 5 of 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 As reported in **Appendix 1** during 2015/2016 there were 245 chargeable audit days delivered in regard to the 250 budgeted. This equates to a delivery of 98% of the plan.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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- 3.4 **Appendix 2** provides a breakdown of the audits completed including the overall assurance as well as confirmation of follow up audits undertaken during the year
- 3.5 **Appendix 3** provides the 2015-16 audit opinion and commentary.
- 3.6 The Worcestershire Internal Audit Shared Service (WIASS) has achieved and delivered the 2015/2016 internal audit plan with minor revisions.
- 3.7 The Internal Audit Plan for 2015/2016 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) using a predefined scoring system and reported to the Committee on the 19th March 2015. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example data security and publications, communications and media and elections were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 3.8 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment and process re-engineering are taken into consideration within the annual plan.
- 3.9 The purpose of the 2015/16 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its corporate purposes by reviewing the high risk areas, systems and processes,
 - Audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to inform their opinion using the work completed by Internal Audit,
 - An opinion can be formed on the adequacy of the Authority's system of internal control, which feeds into the Annual Governance Statement which is presented with the statement of accounts.
- 3.10 2015/16 was a very demanding year for the Internal Audit team with the resignation of an Auditor in April followed by another in November, a Lead Auditor in September, and, two substantial investigations at Partner sites. WIASS has carefully managed its resource and worked

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with partners to deliver a full audit programme for Bromsgrove District Council for 2015/16.

Work of interest to the External Auditor

- 3.11 To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information. The result of the work that WIASS has performed on eight systems audits was of direct interest to External Audit. Audit reports are passed to the external auditor on request for their information.

External Work

- 3.12 The work to deliver the Hereford and Worcester Fire and Rescue Service (H&WFRS) internal audit contract was predominantly completed during 2015/16 with only management responses awaited in order to finalise three audits. H&WFRS have joined the shared service as a full partner from 1st April 2016. A smaller contract for Threadneedle House in Redditch was also delivered during 2015/16 but this has now ceased as the property has been sold.

Follow Up Audits

- 3.13 A summary of audit follow ups for the year is provided as part of Appendix 2. This area of work is undertaken to ensure that potential risks to the authority are mitigated. The outcome of this work is reported on an exceptions basis. There have been no exceptions reported to the Committee during 2015/16.

Quality Measures

- 3.14 Managers are asked to provide feedback in regard to systems audits that have taken place by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product – see Appendix 2.
- 3.15 To further assist the Committee with their assurance of the overall delivery Worcestershire Internal Audit Shared Service conform to the Public Sector Internal Audit Standards 2013.
- 3.16 Worcestershire Internal Audit Shared Service Internal Audit activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and unrestricted access to senior management and the Audit Committee.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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- 3.17 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. Staff work to a given methodology and have access to the internal audit manual and Charter which has been updated to reflect the requirements of the standards.
- 3.18 The Client Officer Group which is the management board for the Service and is made up of partner s151 Officers meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan as well as actively promoting the continuous improvement of the Service.
- 3.19 Risk Management and Performance Management Framework featured as part of the original audit programme for the year but it was decided to defer Risk Management until Q1 of 2016/17 and postpone the Performance Management Framework audit.
- 3.20 Heads of Service provide regular Risk Management updates before the Audit Committee for consideration along with verbal updates from the Financial Services Manager to provide assurance.
- 3.21 Work is continuing in respect of the NFI exercise. Appropriate action is being taken and work is progressing to identify any potential fraudulent activity for example overpayment for housing benefits, income support, etc. This is a biennial exercise. The last significant data extract was during 2014/15 and is currently being worked on. Identified savings from the previous exercise to date for Bromsgrove District Council was circa £19,400 with a small number of housing benefit cases provided by Bromsgrove matching to, for example, other organisations payrolls, undeclared student loan. A significant part of this balance was made up with very few cases.
- 3.22 We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

Anti-Fraud and Corruption Survey.

- 3.23 The anti fraud and corruption survey will be completed by Internal Audit and submitted to The European Institute for Combatting Corruption and Fraud (TEICCAF) at the end of August 2016 in respect of financial year 2015/16.

Customer / Equalities and Diversity Implications

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

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4. RISK MANAGEMENT

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

- Non-compliance with statutory requirements.

5. APPENDICES

- Appendix 1 ~ Delivery against plan 2015/16
Appendix 2 ~ Audits completed with assurance for 2015/16 and audit follow up work
Appendix 3 ~ Audit Opinion and Commentary

6. BACKGROUND PAPERS

None.

7. Key

N/a

AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2015/16 1st April 2015 to 31st March 2016

Audit Area	2015/16 DAYS USED	2015/16 PLANNED DAYS
Core Financial Systems (see note 1)	71	71
Corporate Audits (see note 3)	0	5
Other Systems Audits	138	138
TOTAL	209	214
Audit Management Meetings	15	15
Corporate Meetings / Reading	5	5
Annual Plans and Reports	8	8
Audit Committee support	8	8
Other chargeable (see note 2)	0	0
TOTAL	36	36
TOTAL	245	250

Note:

Days are rounded to the nearest whole.

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

Note 2: 'Other chargeable' days equate to times where there has been significant disruption to the ICT provision resulting in lost productivity.

Note 3: A net 5 days unused culminated in no impact on the overall audit coverage as this budget was ear marked for risk management which was deferred to Q1 of 2016/17 plan.

BROMSGROVE DISTRICT COUNCIL

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Key Performance Indicators (KPIs) for 01st April 2015 to 31st March 2016.

The success or otherwise of the Internal Audit Shared Service can be measured against some of the following key performance indicators for 2015/16 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Bromsgrove District Council.

	KPI	Trend requirement	2013/14 Year End Position	2014/15 Year End Position	2015/16 Year End Position	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	8	5	*4	Quarterly
2	No. of moderate or below assurances	Downward	8	7	7	Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	4 (5 issued: 4x Excellent & 1x Good)	4 (12 issued; 5 returns 4x Excellent & 1x Good)	0 (11 Issued; 2 returns 2x'good')	Quarterly
4	No. of audits achieved during the year	Per target	Target = 15 (minimum) Delivered 21	Target = 17 (minimum) Delivered 20	Target = 15 (minimum) Delivered 21 (including 9 in draft and 1 at clearance)	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	N/A	N/A	98%	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	N/A	N/A	81%	Quarterly

*The high priority recommendations were related to the following service areas:
Corporate Governance –Annual Governance Statement x1
Treasury Management x1
Consultancy and Agency x2

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Appendix 2

Audit Opinion Summary Analysis ~ Audits completed during financial year 2015/2016:

Audit Report / Title	Final Report issued	Assurance
Members Allowances	2 nd October 2015	Significant
Safeguarding	4 th February 2016	Significant
Allotments	4 th February 2016	Significant
Creditors	4 th April 2016 (D)	Significant
Council Tax	10 th March 2016 (D)	Significant
NNDR	10 th March 2016 (D)	Significant
Housing Benefit and Council Tax Support	21 st March 2016	Significant
Main Ledger	31 st March 2016 (D)	Significant
Private Sector Housing - Step-up Private Tenancy Scheme	15 th September 2015	Moderate
Treasury Management	4 th December 2015	Moderate
Corporate Governance – Annual Governance Statement	22 nd February 2016	Moderate
ICT:		
System Administration	10 th March 2016 (D)	Moderate
Website Security	3 rd February 2016 (D)	Moderate
Debtors	29 th April 2016	Moderate
Consultancy and Agency	5 th February 2016 (D)	Limited
Account Reconciliations	31 st March 2016	Critical Review
CCTV	31 st March 2016	Critical Review
S106 Planning Obligations	8 th April 2016	Critical Review
Regulatory Services	12 th April 2016 (D)	Critical Review
Environmental	11 th May 2016 (D)	Critical Review
Payroll	Working towards clearance	TBC
Note: (D) denotes audit is currently in draft but unlikely the assurance level will change.		

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Follow Up Audits:		
Audit Area	Date of Follow Up	Position
ICT 2013/14	October 2015, & February 2016	2 remained in progress Oct 15. All implemented
Depot and Stores 2013/14	June 2015	All Implemented
Equality and Diversity 2014/15	November 2015	2 remain in progress ~ First half of 2016 workshops to be undertaken to satisfy these.
Data Security and Publication 2014/15	November 2015	All implemented
Disabled Facilities Grant & HIA 2014/15	November 2015	All implemented
Asset Management 2014/15	October 2015	All implemented
Waste Management 2014/15	June 2015	All implemented
All core financial audits		

Summary of 2015/16 Audits Assurance Levels from 21 audits.

Number of Audits	Assurance	Overall % (rounded)
0	Full	0
8	Significant	38%
6	Moderate	28%
1	Limited	5%
0	No	0%
1	To be confirmed	5%
5	Critical Friend	24%

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report via a feedback questionnaire. Sometimes this is reported back verbally rather than in the written form. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2015/16 financial year has been received indicating that:

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- the auditee was happy with the process and format of the audits. This continues to be further developed.
- recommendations made would help to support and give assurance on recently implemented changes.
- anecdotal evidence indicates a high satisfaction rate with the audit product from the data received.

Comments received included:

- “Not as scary as I thought it was going to be. People hear the word audit and go into a complete panic but I have to say it was a lot less scary than I had imagined”.
- “The review was carried out with a casual approach and not the perceived authoritarian approach that had been expected” (which was a good).
- “Clarifying the scope of the review and who would need to be seen. Taking a practical and pragmatic approach” (which was a good thing).
- “I appreciated the understanding shown to us and the payroll team and the willingness to check some processes associated with this review, where we wanted to take the opportunity to have an independent view of what we were doing”.
- “The recommendations in the review will support me trying to improve and change the service, especially in discussions with councillors”.

Of 11 questionnaires issued 2 were returned both which were marked as ‘good’.

Overall Conclusions:

- The 2015/16 Internal Audit Plan as agreed by the Audit Committee on the 19th March 2015 along with any subsequent revisions has been delivered.
- 90% of the audits undertaken for 2015/16 which have received an assurance allocated returned an assurance of ‘moderate’ or above. This figure is inclusive of the critical friend audits i.e. ‘N/A’ but does not include the ‘TBC’ review.
- Clients are satisfied with the audit process and service from the data received.
- Independent assurance has been brought before the Committee for consideration in respect of the finalised audits throughout 2015/16 and there have been no exceptions to report in regard to follow up audit work.
- To assist the Committee to draw further assurance from the work that Internal Audit undertakes clear reference is contained in the final audit report to identify whether a direct link exists to corporate priorities and the risk register entry in connection with the audited service provision. This

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information has been, and will continue to be, reported to the Committee as part of the summary reporting in 2016/17.

- On-going dialogue will be maintained with the s151 Officer and the Client Officer Group. The Client Officer Group for the Internal Audit Shared Service comprises all the partners' s151 Officers whom actively encourage the on-going development of the service.

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APPENDIX 3

Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Bromsgrove District Council (the Council) for the Year Ended 31st March 2016

1. Audit Opinion

- 1.1 The internal audit of Bromsgrove District Council's systems and operations during 2015/16 was conducted in accordance with the Internal Audit Annual plan which was presented to the Audit Committee on 19th March 2015 and any subsequent revision.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City Council, for 5 district councils. The shared service operates in accordance with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards 2013.
- 1.3 The Internal Audit Plan for 2015/16 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' other corporate systems for example governance and
 - a number of operational systems, for example environmental, s106's Planning Obligations and Private Sector Housing - Step-up Private Tenancy Scheme were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 1.4 The 2015/16 internal audit plan was delivered in full providing sufficient coverage for the s151 and Internal Audit Service Manager to form an overall opinion.
- 1.5 In relation to the twenty one reviews that have been undertaken, eleven audits have been finalised and ten are nearing completion at clearance meeting or draft report stage. Risk management was re-launched during 2012/13 with a Corporate Risk Register being formulated and training being provided. Further work is required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Group. An area which returned an assurance level of

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'limited' was Consultancy and Agency. All areas where assurance was 'limited' or below will be addressed by management and have a clearly defined action plan in place in order to address the weaknesses and issues identified. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer from the relevant Service Manager.

- 1.6 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. For all services no areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team. Worcester Regulatory Services are introducing a new charging protocol for partners which will be determined by utilising a time recording module in their current system. This brings with it a certain risk but ongoing trials are seeing a vast improvement in captured data and appear to be moving forward in a positive way.
- 1.7 One key area of risk during the year was the late delivery of the finalised accounts for the previous year and the implications this had with a Section 11 being imposed by External Audit. However, the accounts were signed off and there has been a determination by the Finance team to ensure that this is not repeated. Regular reports have been taken before the Internal Audit Committee appraising it of progress made in regard to the 2015/16 final account process and progress that has been made in regard to the Section 11 notice.
- 1.8 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of continuing significant transformation and change. Where a 'limited' assurance has been reported this has been in connection with the work undertaken in regard to the procurement of Consultants and Agency workers and an action plan will be implemented.

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- 1.9 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved and revised plan, the Worcestershire Internal Audit Shared Service Manager has concluded that the internal control arrangements during 2015/16 managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate purposes have been met.

Andy Bromage

Worcestershire Internal Audit Shared Services Manager

June 2016

WORK PROGRAMME 2016/17

16th June 2016

- Election of Chairman and Vice Chairman
- Monitoring Officer's Report
- Dispensations Report
- Parish Councils' Representatives Report
- Grant Thornton Auditing Standards Report
- Grant Thornton Progress Report / Action Plan Update
- Internal Audit Annual Report and DRAFT Audit Opinion 2015/2016
- Quarter 4 (January to March 2016) Financial Savings Update
- Section 11/Action Plan - Progress Update 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 Audit Findings Report
- Statement of Accounting Policies
- Statement of Accounts 2015/2016 (pre-audit)
- Quarter 1 (April to June 2016) Financial Savings Update
- Section 11 Progress Update Report
- Internal Audit 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 Savings Update
- 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 Savings Update
- Internal Audit Monitoring Report
- Internal Audit Plan 2016/2017
- Benefits Investigations Monitoring Update Report
- Audit, Standards & Governance Work Programme 2016/2017