



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 15TH SEPTEMBER 2016 AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors S. R. Colella (Vice-Chairman), B. T. Cooper, R. L. Dent, J. M. L. A. Griffiths, P. M. McDonald, S. R. Peters, C. J. Spencer, P.L. Thomas and M. Thompson

Parish Councillors: Councillor C. Scurrall

AGENDA

1. Election of Chairman
2. Apologies for Absence and Named Substitutes
3. Declarations of interest and Whipping Arrangements
4. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 16th June 2016 (Pages 1 - 12)
5. Standards Regime - Monitoring Officers' Report (Pages 13 - 16)
6. Grant Thornton - Audit Findings Report 2015/16 (Appendix to follow) (Pages 17 - 18)
7. Statement of Accounts 2015/16 (post audit) (Appendix to follow) (Pages 19 - 22)
8. Quarter 1 (April to June 2016) Financial Savings Update (Pages 23 - 26)
9. Section 11 Progress Update Report (Pages 27 - 30)
10. Internal Audit Monitoring Report (Pages 31 - 58)
11. Risk Champion - Verbal Update Report (Councillor Phil Thomas)

12. Audit, Standards and Governance Committee Work Programme (Pages 59 - 60)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

6th September 2016

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

16TH JUNE 2016 AT 6.00 P.M.

PRESENT: Councillors R. D. Smith (Chairman), B. T. Cooper, R. L. Dent,
P. M. McDonald, C. J. Spencer, P.L. Thomas and M. Thompson

Observers: Councillor G. Denaro

Invitees: Richard D Percival, (Associate Director, Grant Thornton)

Officers: Ms. J. Pickering, Mrs. C. Felton, Mr. A. Bromage, Ms. S. Morgan
and Ms. J. Bayley

1/16 ELECTION OF CHAIRMAN

At the start of the meeting Officers advised that Councillor M. Glass had incorrectly been recorded as a member of the Committee on the front cover of the agenda when in fact Councillor C. Spencer should have been noted in the membership. Members were also asked to note that following publication of the agenda CALC had appointed one Parish Council representative to serve on the Committee; Parish Councillor C. Scurrall.

A nomination for the position of Chairman was received in respect of Councillor R. D. Smith.

RESOLVED that Councillor R. D. Smith be nominated Chairman of the Committee for the ensuing municipal year.

2/16 ELECTION OF VICE-CHAIRMAN

A nomination for the position of Vice Chairman was received in respect of Councillor S. R. Colella.

RESOLVED that Councillor S. R. Colella be elected as Vice Chairman of the Committee for the ensuing municipal year.

3/16 APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors S. R. Colella and S. R. Peters.

4/16 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest or any whipping arrangements.

5/16 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 11TH MAY 2016**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 11th May 2016 were submitted.

The Chairman advised that the minutes had been considered at a meeting of Cabinet in June 2016. All of the Committee's recommendations, as detailed in the minutes, had been approved.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 11th May 2016 be approved as a correct record.

6/16 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Head of Legal, Equalities and Democratic Services presented the Monitoring Officer's report. Members were advised that the complaint that had been made against a Parish Councillor, previously reported to the Committee in March 2016, had been resolved with the complainant's consent. The Monitoring Officer had also been asked to investigate a Member to Member complaint in respect of the process for recording gifts and hospitality. This had been discussed at a recent meeting of the Constitution Review Working Group and Members had agreed that Officers should investigate arrangements for recording gifts and hospitality at other local authorities with a view to simplifying the current scheme.

A series of Member training sessions had taken place since the beginning of the municipal year. Officers were working with the Member Development Steering Group to ensure that future training continued to meet the needs of Members.

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

- The extent to which Members should have to declare gifts of relatively minor value such as a cup of tea.
- The amount of information that could be provided for the Committee's consideration about individual complaints.
- The support that had previously been provided by the Council for particular religious celebrations.
- The potential for religious groups to apply for funding for community events from the Equality and Diversity Forum.

At the end of these discussions the Committee

RESOLVED that the report be noted.

7/16

DISPENSATION REPORT

The Head of Legal, Equalities and Democratic Services presented the Dispensations report for Members' consideration. The Committee was informed that Members could apply for a dispensation when they had a pecuniary interest in a matter or where their spouse might have such an interest. Members were advised that following the publication of the agenda there had been one amendment to the dispensations that had been requested in respect of Amphlett Hall Management Committee; Councillor R. Laight had replaced Councillor H. Jones.

Following questions from Members of the Committee Officers clarified that where Members had requested dispensations to allow their participation in debates concerning employment issues this was because either they or their spouse was an Officer working for Unison. Elected Councillors who were members of a union but who were not employed by a union were not considered to need to apply for a dispensation to participate in discussions about staffing matters.

RESOLVED

- (1) That the new Individual Member Dispensation for Councillor Mallett, as detailed at Appendix 1 to the report, together with the dispensation applying to Councillor R. Laight on the Amphlett Hall Management Committee, 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) That 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) To note 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;
 - 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;

- (4) That 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) That 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.

8/16

STANDARDS - PARISH COUNCILS' REPRESENTATIVES' REPORTS **(ORAL UPDATES)**

Officers confirmed that when tendering his apologies Parish Councillor C. Scurrall had advised that he had no matters to report for the consideration of the Committee.

The purpose of the oral update from the Parish Councils' representatives on the Committee was subsequently discussed in some detail. Officers explained that following legislative changes Parish Councils no longer had any voting rights on local authority Standards Committees. However, the local Council remained responsible for handling complaints that were made against Parish Councillors. To ensure that standards issues were managed in an inclusive and transparent manner a decision had been taken to involve Parish Councillors as co-opted members of the Council's Audit, Standards and Governance Committee.

Two Parish Councillors could be appointed to the Committee and were invited to report on any standards matters that might arise from a Parish Council perspective. However, the Committee was advised that the Parish Councillors would rarely have anything to report at the meetings. In this context the Committee agreed that the oral updates from the Parish Councils' representatives should be removed as a standing item from the agenda. Instead, the Committee agreed that the Parish Councils' representatives should be invited to request in advance that an item be added to the agenda for a particular meeting as and when any issues arose.

The process for appointing Parish Council representatives to the Committee was also considered. Members were advised that Parish Council appointments were made by CALC. There was general agreement amongst Members that, due to the important role of the Committee in the local democratic process, it would be preferable for the Parish Councillors who served on the Committee to be elected rather than co-opted onto a Parish Council. However, it was acknowledged that this would ultimately be determined by CALC.

RESOLVED that

- (1) the Parish Councils' Representatives' oral update report should be removed as a standing item from the agenda of meetings of the Audit, Standards and Governance Committee; and
- (2) in future the Parish Representative be invited to contact the Democratic Services Team in the event that they had any items to report to the Committee.

9/16

GRANT THORNTON - PROGRESS REPORT

Representatives from Grant Thornton presented a progress report on the subject of external audit work undertaken since the meeting of the Committee in March 2016. During the presentation of this report the following matters were highlighted for Members' consideration:

- The Council was progressing well with preparation of the accounts and appeared to be on track to submit these prior to deadline.
- The work of Grant Thornton had been reviewed by an external regulator, in accordance with standard practice, and a number of points had been raised to enhance processes.
- This had included a recommendation that the Council's pension fund liabilities should be recognised as a significant risk. This was due to the scale of the liability and was not specific to the Council.
- The process that external auditors needed to follow when issuing their value for money opinion had changed. As part of this change Grant Thornton would need to identify significant risks associated with value for money which would be separate to corporate risks.
- The value for money opinion would focus on the Council's financial outturn, the budget setting process and Medium Term Financial Plan, corporate planning and the monitoring of services.
- Three reports, concerning joint ventures, the role of Audit Committees and fighting fraud and corruption locally, had been produced by Grant Thornton and CIPFA and were highlighted as being of potential interest to the Committee.

Following the presentation of the report Members briefly discussed the identification of the Council's pension fund liabilities as a risk. The Committee was advised that whilst Grant Thornton's regulator's had felt that this should be classified as a corporate risk this did not mean that the extent of the liabilities had changed or that significant additional work would be required.

RESOLVED that the updates detailed in the Grant Thornton progress report be noted.

10/16

GRANT THORNTON - AUDITING STANDARDS

Representatives of Grant Thornton also updated the Committee on auditing standards and the process for communication with the Council's Audit, Standards and Governance Committee. Members were advised that the external auditors needed to be satisfied that the Council's Cabinet, senior management and Audit Committee were meeting responsibilities in respect of; fraud, law and regulation, going concerns, related parties and accounting for estimates.

During consideration of this item Members discussed the process for advertising the accounts to the public and how the external auditors responded to complaints from the public about the accounts. In the first instance Members were advised that Grant Thornton would direct members of the public to the Council, particularly if they had not yet discussed this matter further with Officers. The external auditors would also consider whether the complaint was vexatious before determining whether to proceed with investigating the matter further. When considering public feedback in respect of the accounts the external auditors would ensure that they took into account all objections before issuing an opinion. However, the external auditors could only take into account material matters. Any investigation in response to a complaint would be regarded as a challenge process and would be subject to an additional charge to the Council from the external auditors.

RESOLVED that the Grant Thornton Auditing Standards report and management responses be noted.

11/16

QUARTER 4 (JANUARY TO MARCH 2016) FINANCIAL SAVINGS UPDATE

The Executive Director of Finance and Corporate Resources presented the April – March Financial Savings Monitoring Report 2015/16. During the presentation of this report she raised a number of matters for Members' consideration:

- The need for a robust system to be in place to track the Council's progress with achieving proposed savings had been identified by the Council's external auditors.
- The report did not yet pick up on additional savings that had been achieved, though it was anticipated that monitoring update reports for 2016/17 would cover this.
- The 2016/17 editions of the report would also include information about capital savings.
- Members were advised that the majority of proposed savings had been achieved.
- The exception to this was Parkside. The Council had aimed to achieve £200,000 of savings but had in fact achieved £100,000. It had been possible to cover the additional costs using the reserves that had been set aside for the move to Parkside.

Once the presentation had been delivered the Committee discussed the following points in further detail:

- The contribution that had been made by staff redundancies to achieve savings in Enabling Services. Officers agreed to obtain further information in respect of this matter for Members' consideration.
- The potential for the costs of staff redundancies to be addressed in future editions of the reports.
- The savings that had been achieved in respect of the strategic purpose 'Keep my place safe and looking good' and whether these had been achieved at the expense of value for money in terms of service delivery at the start of 2016/17. Particular reference was made to a lack of grass cutting in the parks and complaints that had been made to Members by residents and dog owners clearing up pet faeces in the long grass.
- The length of grass on the verges in the district and the high number of complaints that had been received by Members on this subject. Members were advised that the issues detailed in these two bullet points would be raised with relevant lead Officers.
- The savings that had been achieved through the renegotiation of the community transport contract and the cause of the reduction in costs. The Committee was advised that further information would be requested from relevant Officers on this subject.

Following further discussion it was

RESOLVED that the final financial position for savings as presented in the report for the period April – March 2015/16 be noted.

12/16

SECTION 11/ACTION PLAN - PROGRESS UPDATE REPORT

The Financial Services Manager presented an update on the progress that had been achieved in respect of the Section 11 recommendations as detailed in the action plan. During the presentation of this report she raised a number of key points for Members' consideration:

- The Council was progressing well with the preparation of the accounts.
- A draft set of accounts had been submitted for the consideration of the Executive Director of Finance and Corporate Resources in order to assess quality.
- Officers were in the process of producing template working papers for the accounts, though it had not yet been possible to finalise these.
- No risks had been identified in respect of the accounts.
- Officers had been holding regular meetings with the external auditors to ensure that appropriate paperwork and information was provided in a timely manner.

Following the presentation of this report the Committee

RESOLVED that the Section 11 update and Action Plan be noted.

13/16

RISK MANAGEMENT GROUP MONITORING UPDATE

The Executive Director of Finance and Corporate Resources presented the draft Corporate Risk Register for 2016/17 and the draft Annual Governance Statement for 2015/16. Whilst presenting these documents the following points were highlighted for Members' consideration:

- A red, amber and green (RAG) rating system was used to assess each risk and the extent to which proposed mitigation would help to reduce that risk.
- Officers were aiming to ensure that the Corporate Risk Register would be a working document and items could be added or removed from this document in response to changing circumstances.
- The register focused on corporate risks. Departmental risks were recorded on a service by service basis and were the focus of the Committee's Risk Champion.
- The risk recorded in respect of non-compliance with health and safety legislation had previously focused only on the potential for a fatality in service. This had been updated to take into account other issues such as injuries at work.
- The risk arising from poor decisions being made quickly in order to achieve savings was also considered. In future managers would be provided with direct access to figures for budgets in their remits rather than having to rely on monthly update reports.
- The risk of financial constraints arising due to external factors was difficult to influence. Ideally financial data needed to be reported as quickly as possible for Members' consideration.
- There was a further risk that partners would fail to deliver on joint working commitments due to budget constraints.
- Members were advised that the reference in the register to combined authorities would be removed following recent discussions at Council.
- In the long-term it was hoped that the reference to the business continuity plans could be removed from the register, though there remained a lot of work to do to address this issue.
- Financial accounting and monitoring arrangements had been included as a corporate rather than a departmental risk due to the implications arising from the Section 11 recommendations.

At the end of the presentation Members noted that it was important to avoid treating risks as business as usual and there needed to be constructive action to address these risks. The Committee proceeded to propose the following points in respect of the Corporate Risk Register:

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- The date by which proposed mitigation action was due to be completed for each of the risks should be noted on the register.
- The mitigations recorded for the IT systems and infrastructure should be reviewed. Members commented that the proposed review of business continuity procedures was not an action that would necessarily resolve any problems with those systems.
- Similarly Members suggested that the actions listed in respect of financial accounting would not necessarily act to mitigate that risk. For that reason Members requested that the mitigations listed for this risk be reviewed.
- The Committee noted that the proposed mitigations were all designed to prevent the risk from happening. Members suggested that actions to minimise the impact of that risk if it became reality should also be recorded amongst the mitigations.

RESOLVED that

- (1) Subject to including the points detailed in the preamble above in future editions of the register, the contents of the draft Corporate Risk Register be noted; and
- (2) The updates on the Annual Governance Statement be noted.

14/16

INTERNAL AUDIT ANNUAL REPORT 2015-16

The Services Manager for Worcestershire Internal Audit Shared Service presented the Internal Audit Annual Report 2015/16. Whilst presenting the report Members were invited to consider a number of points:

- The report highlighted the work that had been undertaken by the Internal Audit team during the year, any follow up action that had been completed and the outcomes from this work.
- The Internal Audit team was due to reflect back on anti-fraud and corruption action in 2015/16 and to report to the European Institute for Combating Corruption and Fraud (TEICCAF). This would not take place until August 2016 at the earliest.
- The dates allocated to corporate audits had not yet been used following agreement with senior managers to postpone this work until the first quarter of 2016/17.
- Many of the audits that had been undertaken in the previous 12 month period had moved on since the publication of the report. All had been finalised and the assurance had been confirmed where this had been recorded in the report.
- A number of previous audits had been revisited during the year. In many cases the recommendations had been fully implemented though a number were being actioned on an on-going basis.
- In total 90 per cent of the service areas that had been audited had received an audit allocation of moderate or above which was acceptable.

- A limited assurance had been identified in respect of the procurement of consultants and agency workers and an action plan had been devised to address this.

Following presentation of the report Members discussed some key matters in detail:

- The meaning of the term “critical review”. Officers clarified that this referred to the auditing of services that were subject to service transformation where it was felt that an internal review would offer a helpful critical friend challenge.
- The Internal Audit team’s performance in respect of its key performance indicators (KPIs).
- The feedback received from other teams in respect of the Internal Audit process. Members were advised that all services that had been the subject of an internal audit were sent a questionnaire once the process was completed. However, only two completed questionnaires had been returned in this period so it was difficult to assess outcomes from this data.

At the end of these discussions the Committee

RESOLVED that the 2015/16 Internal Audit Report be noted.

15/16

RISK CHAMPION - APPOINTMENT

Members thanked Councillor M. Thompson for his hard work as Risk Champion in 2015/16. The Chairman explained that, whilst there should be a designated Risk Champion, he was keen for all Members of the Committee to be mindful of risks that might potentially impact on the local authority and to keep abreast of action that was being undertaken to mitigate these risks.

A nomination was received on behalf of Councillor P. L. Thomas to serve as Risk Champion on behalf of the Audit, Standards and Governance Committee in 2016/17.

RESOLVED that Councillor P. L. Thomas be appointed Risk Champion in 2016/17.

16/16

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members considered the content of the Audit, Standards and Governance Committee’s Work Programme. The Committee was advised that the external auditor’s audit fee letter for 2016/17 would be presented for Members’ consideration at the following meeting. Members were asked to contact the Democratic Services Officers if there were any further items that were not detailed on the Work Programme and which they felt might be suitable for further consideration at a future meeting of the Committee.

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At the end of the meeting all those present united in paying their respects to Jo Cox, MP for Batley and Spen, by observing a minute's silence.

The meeting closed at 7.30 p.m.

Chairman

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

15th September 2016

MONITORING OFFICER'S REPORT

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

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Standards and Governance Committee since the last meeting of the Committee on 16th June 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 with any relevant standards matters.
- 1.3 Any further updates arising after publication of this report, including any standards issues raised by the Parish Councils' Representative(s), will be reported on orally by Officers/the Parish Representative(s) at the meeting.

2. RECOMMENDATION

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

15th September 2016

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

Service / Operational Implications

Member Complaints

- 3.3 At the time of drafting this report one Member to Member (both district councillors) complaint had been received since the last meeting of the Committee. The complaint is in its early stages with the Monitoring Officer.

Member training

- 3.5 As reported to the last meeting of the Committee, training sessions have been held both for committee-specific topics (licensing and this committee) and about other topics of general interest to councillors. These latter topics include child sexual exploitation – a North Worcestershire perspective; safeguarding and prevent, data protection and briefings on the local plan. Future training events include finance – for all Members as the Council goes into the budget preparation period – and personal health and safety for councillors.
- 3.6 A county-wide Governance training event to be run by Grant Thornton, the Council's external auditors, is being hosted by Redditch Borough Council on 11th October 2016. The training is aimed at all Members and will look at what Governance means in practice, together with principles/examples of both good and poor governance. This will provide Members with an opportunity to discuss governance issues with other Members across the county in a non-political environment. The session will end with an overview of audit committees and Members' roles thereon.

Parish Representatives on the Committee and Parish Representative Updates

- 3.7 Further to Parish Councillor Scurrill's appointment as a non-voting co-opted member of the Committee, as detailed at the last meeting, the vacant Parish Representative position on the Committee will be considered at the next meeting of the Bromsgrove Area Committee of the Worcestershire County Association of Local Councils (CALC) on 14th September 2016. Officers have made CALC representatives aware of Members' preference for the parish councillors who serve on the Committee to be elected rather than co-opted onto a parish council, with it being acknowledged that this would ultimately be determined by CALC.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

15th September 2016

- 3.8 In relation to the further discussion which took place in June (Minute No. 8/16 refers) regarding the Parish Councils' Representatives' oral update reports, should the Parish Representatives contact Officers with any such matters then it is anticipated that relevant details will be included in the Monitoring Officer's (MO's) report, as Officers normally include details of any parish council matters that they wish to bring to Members' attention in this report.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

- Risk of challenge to Council decisions; and
- Risk of complaints about elected Members.

5. APPENDICES

None.

6. BACKGROUND PAPERS

Chapter 7 of the Localism Act 2011.

AUTHOR OF REPORT

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GRANT THORNTON AUDIT FINDINGS REPORT 2014/15

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

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Grant Thornton Audit Findings Report in relation to the final accounts 2015/16.

2. RECOMMENDATIONS

- 2.1 **That the Committee considers and notes the Audit Findings Report 2015/16 as attached at Appendix 1.**
- 2.2 **That the Committee recommend to Council the approval of the draft letter of representation as included at Appendix 2.**

3. KEY ISSUES

Financial Implications

- 3.1 The cost associated with the External Audit is funded from approved budgets. There are no additional charges for the 2015/16 Audit work.

Legal Implications

- 3.2 The Council has a statutory responsibility to comply with financial regulations. Included within the report is a recommendation to the Council under section 11(3) of the Audit Commission Act 1998. As can be seen within the Appendix, the recommendations relating to the final accounts have all been delivered to the satisfaction of Grant Thornton. There are two further recommendations that relate to the ongoing monitoring arrangements and these are being addressed by officers.

Service / Operational Implications

- 3.3 The report attached at Appendix 1 presents the Audit Findings Report in relation to the audit of the 2015/16 Statement of Accounts. Members are aware that there were a number of issues relating to completion and quality of the previous year accounts and a number of actions were put in place to ensure that deadlines were met and significant improvements were made to the working papers and reconciliations.

- 3.4 The accounts were submitted to the Auditors by the deadline of 30th June. As included in the Appendix there have been improvements to the working papers and the information and responses to the Auditors have been timely and clear. There are no material issues or misstatements that have been identified by the Auditors. There are a number of recommendations including tracking of journal transfers and improvements to the process of invoicing and recharging of shared service costs. The recognition of the improvements made during 2015/16 demonstrate the work that the finance team have undertaken to ensure that the issues raised last year were addressed.
- 3.5 Whilst minor areas of work are continuing it is anticipated that an unqualified opinion will be given on the accounts.
- 3.6 In relation to the Value for Money judgement, having taken into account the financial pressures facing the Council over the next 4 years, a qualified opinion has been given. Officers will work with the Auditors to assess the Efficiency Plan and the ongoing delivery of savings and budget projections to support the recommendations in relation to Value for Money.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

- 4.1 The recommendations from the External Auditors will be picked up within the financial services risk arrangements

5. APPENDICES

Appendix 1 – Grant Thornton Audit Findings Letter 2015/16

AUTHOR OF REPORT

Name: Jayne Pickering
E Mail: j.pickering@bromsgrove&redditch.gov.uk
Tel: 01527-881207

STATEMENT OF ACCOUNTS 2015/16

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

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the Statement of Accounts 2015/16 and to recommend to Council their approval.

2. RECOMMENDATIONS

- 2.1 That Cabinet considers the Statement of Accounts 2015/16 and recommends the approval of the accounts to Council.

3. KEY ISSUES

Financial Implications

- 3.1 None other than those included in this report.

Legal Implications

- 3.2 The Accounts and Audit Regulations 2011 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

- 3.3 The Statement of Accounts were approved by the Executive Director of Finance and Resources by 30th June 2016 and submitted to the External Auditors Grant Thornton on the same day.
- 3.4 The Financial Statements have been audited by Grant Thornton and the improvements to the accounts, working papers and quality of information available during the audit have been reported. This is a significant improvement on the closedown on 2014/15 accounts. The Grant Thornton audit opinion is included as an agenda item to this meeting.
- 3.5 Included within the Statement of Accounts there are a number of core financial statements that provide a summary of the financial position of the Council. These are:

3.6.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. This schedule shows the revenue balances for 2015/16 have decreased to £4.159m by £115k and earmarked reserves have increased to £3.258m.

3.6.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

3.6.3 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become

available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

3.6.4 The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

3.7 The Supplementary Financial Statements:

3.7.1 The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes). It is a statutory requirement for billing authorities to maintain this account.

3.8 Financial Summary

3.8.1 General Fund Revenue Account

At its meeting on 25th February 2015 Bromsgrove District Council set a net revenue budget of £11.643m (including planned transfers to earmarked reserves). Band D equivalent Council Tax was set at £200.24, a 0% increase on the previous year.

The General Fund Revenue Balance decreased by £115k compared to a budgeted use of balances of £275k. This has enabled the Council to increase general fund balances to £4.274m. Additionally the Council has set aside resources to fund future expected payments in a number of areas including costs associated with the implementation of

replacement vehicles and transformation costs. Details of individual earmarked reserves can be found in the notes to these financial statements

3.8.2 Capital Expenditure

Capital expenditure amounted to £5.4m against a planned budget of £13.7million. The main areas of expenditure were in, Environmental Services replacement of fleet vehicles and plant (£1.03m), Community Services with Grants to RSL's (£35k); and Disabled Facilities Grants & Discretionary Home Repairs (£461k); Leisure and Culture recreation areas for the new leisure centre (£2.87m); IT hardware and software (£130k).

A number of capital schemes will continue in 2015/16 which includes works on the Parkside redevelopment (due to complete Autumn 2015) and the redevelopment of the replacement Dolphin Centre (to commence early 2016).

Due to a review within Environmental Services there has been a delay in the Procurement of Vehicles which has meant a delay to the Fleet Replacement Programme. It was also anticipated that works would start on the new Leisure Centre but these are not due to commence until 2015/16. Both of these delays have resulted in the delay of the capital programme.

Customer / Equalities and Diversity Implications

3.9 None as a direct result of this report.

4. RISK MANAGEMENT

4.1 The risks associated with the effective and timely delivery of the Statement of Accounts are to be developed further to ensure that a robust plan is in place to address the concerns raised during this Audit.

5. APPENDICES

Appendix 1 – Bromsgrove District Council Statement of Accounts
2015/16

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
E Mail: j.pickering@bromsgroveandredditch.gov.uk
Tel: 01527-881400

APRIL – JUNE FINANCIAL SAVINGS MONITORING REPORT 2016/17

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 2016/17. This report includes the delivery of savings and additional income for the period April 2016 – June 2016.

2. RECOMMENDATIONS

- 2.1 That the Board note the final financial position for savings as presented in the report for the period April 2016 – June 2016.

3. KEY ISSUES

- 3.1 This report provides a statement to show the savings for April 2016 – June 2016 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. For 2016/17 this report also presents other savings and additional income that have been generated across the Council.
- 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 2016 – June 2016 savings to budgets have been delivered. In addition further savings / additional income are shown that were not included in the original budget projections.

3.5 **Legal Implications**

None as a direct result of this report.

3.6 **Service/Operational Implications**

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

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

None, as a direct result of this report.

5. **RISK MANAGEMENT**

Effective financial management is included in the Corporate Risk Register.

6. **APPENDICES**

Appendix 1 – Saving monitoring 2016/17

7. **BACKGROUND PAPERS**

Available from Financial Services

AUTHOR OF REPORT

Name: Jayne Pickering – Executive Director Finance and Resources
Email: j.pickering@bromsgroveandredditch.gov.uk
Tel: (01527) 881400

Agenda Item 8

SAVINGS & ADDITIONAL INCOME - 2016/17-2018/19

Department	Description of saving	2016-17 £'000	Comments
Corporate - Printing	Savings achieved from change in printing contract	-4	Following a full review of all budget requirements a number of expenditure allocations have been reduced. The base budget has been reduced and the savings are being delivered
BDC Reg Client	Savings realised due to efficiencies within the service	-35	Due to the service efficiencies the client cost has reduced with no impact on service delivery. The savings are being achieved
Environmental Services	Additional savings generated from service review	-31	Additional savings generated from moving to a "place" operating model. The savings are being delivered through a reduction in associated staffing costs following the review.
Community services	Various - see spread sheet	-112	Following a full review of all budget requirements a number of expenditure allocations have been reduced. The base budget has been reduced and the savings are being delivered. In addition the lifeline service has generated a further £38k income from services being delivered.
Leisure and cultural services	Vacant post Business Dev	-13	vacant post (shared service) business development given up as saving. The base budget has been reduced and the savings are being delivered.
Business Transformation	Policy savings	-2	Following a full review of all budget requirements a number of expenditure allocations have been reduced
Planning and Regeneration	Town centre	-38	Following a full review of all budget requirements a number of expenditure allocations have been reduced
Planning and Regeneration	Strategic Planning	-3	Following a full review of all budget requirements a number of expenditure allocations have been reduced
Planning and Regeneration	Development Control	-10	Following a full review of all budget requirements a number of expenditure allocations have been reduced
Planning and Regeneration	Development Control	-50	Increased income due to increases in planning application income. In addition a further £130k has been secured via planning applications that have recently been received.
Business Transformation	Training budget	-5	Following a full review of all budget requirements a number of expenditure allocations have been reduced
Leisure and cultural services	Sports Development to achieve savings	-10	Following a full review of all budget requirements a number of expenditure allocations have been reduced
Environmental Services	Various savings in supplies & services due to restructure of the service	-12	Following a full review of all budget requirements a number of expenditure allocations have been reduced
Legal, Equalities and Democratic Services	Members allowances	-44	Reduction in Members Basic Allowance due to numbers reducing 39-31
Legal, Equalities and Democratic Services	Democratic salary savings	-15	Vacant posts in Democratic Services offered as savings
Legal, Equalities and Democratic Services	Dem Services	-5	Following a full review of all budget requirements a number of expenditure allocations have been reduced to include releasing vacant hours
Customer Access and Financial Support	Reduction in Rent	-10	Reduction in Rent to Wychavon for Dolphin Centre
Finance & Resources	Reduction in apprentice cost	-2	Reduction in cost of apprentice post in Finance
TOTAL		-401	

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AUDIT STANDARDS & GOVERNANCE COMMITTEE

15th September 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 report

3. KEY ISSUES

Financial Implications

3.1 There are no specific implications to this report.

Legal Implications

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

Service/Operational Implications

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

3.5 There were however a number of concerns raised by Grant Thornton in relation to financial accounting and budget monitoring that require addressing for 2015/16 closedown and financial management of budgets for 2016/17.

AUDIT STANDARDS & GOVERNANCE COMMITTEE

15th September 2016

- 3.6 The Council has now successfully completed all the recommendations relating to the close down of the final accounts, the 2016/17 Statement of Accounts were signed off by the statutory deadline of the 30th June, these have now been audited and these are ready for this committee to recommend to full Council.
- 3.7 There are two further recommendations relating to financial management of budgets which are ongoing and detailed in appendix 1.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

- 4.1 As part of all audit work, 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 APPENDIX

- 5.1 Appendix 1 S11 Action Plan

AUTHOR OF REPORT

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

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 6th September 2016

Recommendation	Action	Owner	Deadline
<p>3</p> <p>The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates.</p>	<p>Robust arrangements for budget preparation were put in place during the 2016/17 budget setting process and this work is being continued during the 2017/18 budget process.</p>	<p>Senior Business Support Accounting Technicians</p> <p>Business Support Accounting Technicians</p>	<p>complete</p> <p>complete</p>
<p>4 The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end out-turn and action to be taken, where necessary, to address budget variances.</p>	<p>New Financial Planning module to be implemented, giving managers more control and flexibility of their budgets.</p> <p>Quarterly monitoring statements are sent out to budget-holders within 5 working days of period end. Projections and explanations are required within a week of draft Committee reporting.</p> <p>Compilation of Monitoring reports for Members.</p> <p>Large variances to budget to be addressed with Head of Service prior to Committee with details of cause and plans to mitigate any overspends</p>	<p>Senior Business Support Accounting Technician</p> <p>Business Support Accounting Technicians and budget-holders</p> <p>Senior Business Support Accounting Technician</p> <p>Exec Director of Finance</p>	<p>30/06/2016</p> <p>ongoing</p> <p>ongoing</p> <p>ongoing</p>

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15th SEPTEMBER 2016

THE INTERNAL AUDIT MONITORING REPORT OF THE HEAD OF THE INTERNAL AUDIT SHARED SERVICE ~ WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

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

1. SUMMARY OF PROPOSALS

1.1 To present:

- the monitoring report of internal audit work and performance for 2016/17 and residual 2015/16 summary reviews.

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

3.4 This section of the report provides commentary on Internal Audit’s performance for the period 01st April 2016 to 31st July 2016 against the performance indicators agreed for the service.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (24th March 2016):

2016/17 AUDITS ONGOING AS AT 31st JULY 2016

Audits completed to draft report stage included:

- Housing - Statutory Duties
- Human Resources Training & Development

Audits that were continuing as at the 31st July 2016 included:

- Risk Management
- Bereavement Services
- Debtors
- Treasury Management
- Customer Services
- Insurance
- Freedom of Information requests

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

2015/16 AUDITS SUMMARY UPDATES AS AT 31st JULY 2016

s106's

The 'critical review' identified a number of challenges for improving the system for agreeing and managing the financial contributions from planning obligations, with the aim of making the process more efficient and robust. These challenges have been discussed with responsible officers, and action plans are required from management to address the risks including committee reporting, policy and procedure, waste services contribution, project contribution areas, financial spreadsheets, income management, and land charges records.

Some actions have already been taken to address the effectiveness of the process, including an initial review between planning system records on the Uniform system, financial information held on the S.106 reserve on the General Ledger and information held by the Finance team on their spreadsheet. There is some disparity between the manner that records are held and maintained and an observed need to normalise processes to ensure effective support of community projects will develop as a result of this process.

Type of audit: Critical Review

Assurance: N/a

Report issued: 8th April 2016

Community Services; CCTV

The 'critical review' found there was a well established CCTV function for Bromsgrove District Council as provided by Redditch Borough Council. The CCTV service is working

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towards achieving compliance with BS 7958:2015 Closed Circuit Television (CCTV) – Management and operation, and has undertaken an assessment to determine the authority's current level of compliance. Although controls over data retention and usage are strong, some challenges were made concerning the controls around the extraction of data files from the CCTV system, and these have been discussed with management to determine a suitable solution.

The equipment for the CCTV network is maintained by a third party that is obliged to ensure the timely correction of defects to ensure on going functionality of the system. Defects are regularly monitored and a full record of issues is recorded on the main system.

The use of grant funding within the Community Safety team is monitored in conjunction with the North Worcestershire Community Safety Partnership and the Police & Crime Commissioner where appropriate, providing regular updates on actions taken. No issues have been found concerning the use of grant funding within this area, and the action plan for on going work in this area is regularly monitored. The implementation of Anti-Social Behaviour legislation within Bromsgrove District Council is managed by the Community Safety Team, who are intending to promote the legislative requirements within the authority so that staff fully understand their role within this legislation.

Type of audit: Critical Review

Assurance: N/a

Report issued: 31st March 2016

Mapping of Interfaces to the Ledger

The 'critical review' identified the following areas where controls could be strengthened:

- There were no procedural notes in place for the reconciliations being undertaken across the authority, which could enable another officer to undertake the role in the event of absence of key staff.
- There were no system flow-charts available to identify how processes work, and how systems interact.
- The majority of reconciliations were not being monitored by a second officer to ensure these are completed fully and accurately, and in a timely periodic manner.
- There is no centralised process for monitoring the system reconciliations. It is understood that actions have been taken by the Finance team to address the monitoring arrangements, including the project assignment of an officer to identify a process going forwards for monitoring the current situation, and determine issues that would impact on the final accounts process.
- There are on-going issues concerning the monitoring and reconciliation of income relating to Worcestershire Regulatory Service activities, whereby there is no centralised control to ensure the financial information held by the shared service accurately represents the actual transactions taking place within each partner authority. This was being picked up as part of the Regulatory Services audit work, and addressed by the partner authorities concerned.

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- Backing documentation to evidence reconciliation work needs to be stored in a more suitable format for all reconciliations, to enable remote monitoring of the completed work thus helping to ensure the integrity of the feeder system information in instances where the process is manually controlled or subject to potential unauthorised access and amendment.

Type of audit: Critical Review
Assurance: N/a
Report issued: 31st March 2016

Environmental ~ Income Streams

The 'critical review' focused on income streams generated through activities with external providers (third parties). An effective income stream process is essential in identifying, charging and monitoring external revenue as a result of the services provided by the Authority. In an ever changing budget landscape the Authority must maximise its operations where possible to ensure that work carried out is providing value for money and services are economical, efficient and effective. It is imperative that where money is due to the Service it is being invoiced appropriately and any lack of payment is followed up through the debt chasing process.

The review was conducted as a critical review to support Environmental Services and provide an overview of the current process. The review gathered evidence during discussions held with key Officers within Environmental Services who have responsibility for specific activities that generate income streams. These discussions outlined the existing arrangements and the information was analysed to support and challenge the income streams process and where appropriate proposed changes to the current process. Challenges raised covered areas included coding, budgeting, documented procedures, quoting arrangements, business support and the potential to increase revenue.

Type of audit: Critical Review
Assurance: N/a
Report issued: 28th July 2016

Worcestershire Regulatory Services

The 'Critical Review' concentrated on the implementation of a time recording system within Worcestershire Regulatory Services as a basis for the charging of fees for its Services. The review appraised, gathered evidence, and analysed data to support and challenge the Time Recording system. This included the review of the existing arrangements and proposed enhancements in areas including system specification, policies, coding structures, fee earnings, performance measurement, data base accuracy and dog patrol.

Type of audit: Critical Review
Assurance: N/a
Report issued: 6th June 2016

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Council Tax

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

- The process for timely billing and reconciling properties on an annual basis;
- Processes for monitoring service performance
- The process for applying discounts and exemptions on accounts
- The process for managing credit balances

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

- Ensuring that suitable recovery action has taken place for accounts in arrears;
- Ensuring that there are periodic reviews of discounts/ exemptions, and documenting actions taken
- Ensuring that the process for recording and monitoring new builds is fully documented, and, covers the process of obtaining information from third parties.

Type of audit: Full System

Assurance: Significant

Report issued: 13th June 2016

NNDR

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

- Timely annual billing of properties in the district
- The correct application of reliefs and exemptions
- Controls over outstanding credit balances
- The monitoring of service performance

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

- Ensuring that there is sufficient evidence to support actions taken in regards to the application of reliefs and refunds
- The processes in place for ensuring consistent and timely recovery of outstanding charges.

Type of audit: Full System

Assurance: Significant

Report issued: 13th June 2016

Benefits

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

- Processing and monitoring of all new benefit claims and event changes
- Classification and recovery of overpayments
- Processing of discretionary housing payments

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- Subsidy monitoring

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

- Staff training is required to ensure that 'Academy' system features are used correctly and claim processing times are not inadvertently inflated
- Consistent completion of backdated award schedules to confirm that good cause was demonstrated
- Retention of all write off records in Information@Work.

Type of audit: Full System

Assurance: Significant

Report issued: 21st March 2016

Creditors

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

- Access to the system is restricted and users are only able to view elements within the system related to their role and responsibilities
- The system workflow for procuring goods and services has been set up in such a manner that ensures separation of duties
- The system has the capability to record a full audit trail to easily identify the transactional timeframe during the ordering process
- The auto matching facility works efficiently providing the details of the order and invoice match (price and quantity)

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

- Orders are not always raised prior to the receipt of invoices
- Receipting of goods received is not always timely.

Type of audit: Full System

Assurance: Significant

Report issued: 8th June 2016

Debtors

The review found generally a sound system of internal control in place and the following areas of the system working well:

- The raising of invoices is controlled and access only available to designated employees
- Accounts are cleared in a timely manner and suspense items are reviewed on a daily basis
- All previous and current balances were brought forward accurately

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

- A review of fees and charges identified slight discrepancies as part of the sample tested.

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- Credit note request forms are not always retained by the Debtors Team.
- Review of the access rights

In addition there are some areas which management are aware of and are in the process of taking steps to finalise including:

- Formalising the processes and procedures that will be operated in the future; this project has commenced and remains in progress.
- Staff Changes; the team has undergone some staff changes and a restructure will be carried out during 2016/17.
- There are some historic balances remaining on the suspense accounts. The balances remaining are not material due to work that has been undertaken to clear these accounts.
- Debt collection procedures have not yet been fully implemented.

Type of audit: Full System

Assurance: Moderate

Report issued: 29th April 2016

Cash, Ledger and Bank Reconciliation

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

- Access to the system is restricted and users are only able to view elements within the system that are job related
- The system workflow for processing journals has been set up in such a manner to ensure a separation of duties is in existence and access is only available to members of the Finance Service
- The system has the capability to record a full audit trail to easily identify the reasoning for all journal transactions
- The VAT returns are submitted accurately and in a timely manner
- The Finance Service has provided officers with training and details are available to all staff on the intranet regarding the correct codes to use to prevent the likelihood of miscoding occurring
- The system is regularly and securely backed up

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

- Updating of financial regulations
- Reconciliation processes need to be controlled centrally to ensure timely completion
- Post review of actions taken to gauge their success

Further work is being undertaken by management in the following areas:

- The updating of the Financial Regulations; this project has commenced but remains in progress.
- An internal audit critical review on the reconciliation processes. As at 10th February 2016 following the completed reconciliation processes review it was agreed that the frequency and completeness of reconciliations will require centralised monitoring to ensure these are kept to a satisfactory standard, and to take timely action on any issues identified.

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Type of audit: Full System
 Assurance: Significant
 Report issued: 8th June 2016

Consultancy and Agency

The review found inconsistent application of controls in some of the areas reviewed, however, the following areas of the system were working well:

- The Matrix contact when used is protecting the Council from contractual risk
- Consultancy appointments that are procured using the councils procurement procedures are transparent

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

- Procurement of Agency staff outside of the matrix contact is not monitored adequately or in a structured format
- Procurement rules are not always followed when securing external support
- There are not always clear justification as to the use of agency staff
- Non Matrix agency staff do not have uniform contracts that protect the interests of the Council

Type of audit: Full System
 Assurance: Limited
 Report issued: 13th June 2016

Audit understands that a number of actions are being implemented following recommendations from this Committee in relation to external consultancy and officers are working with managers to improve procurement awareness to ensure that the Internal Audit recommendations are implemented.

Three audits are progressing through the final clearance stages include System Administration, Website Security and Payroll and will be reported in summary form when finalised.

Summary of Assurance Levels:

Audit	Assurance Level
2015/2016	
Council Tax	Significant
NNDR	Significant
Housing Benefits and Council Tax Support	Significant
Creditors	Significant
Debtors	Significant
Cash, Ledger and Bank Reconciliation	Significant

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Consultancy and Agency	Limited
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Worcestershire Regulatory Services, s106's, Community Services CCTV, Mapping Interfaces to the Ledger and Environmental Services Income Streams were completed as 'critical review' audits and Performance Management Framework was deferred due to changing environment in regard to the dash board and overall performance monitoring.

3.4 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at 31st July 2016 a total of 61 days had been delivered against a target of 230 days for 2016/17.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 24th March 2016 for 2016/17.

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

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

3.5 OTHER KEY AUDIT WORK

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

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

There has been on going work undertaken in regard to the National Fraud Initiative. This year is the 2 yearly cycle of data extraction and uploading to enable matches to be

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reported. The initiative is over seen by the Cabinet Office. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to the investigative exercise in Bromsgrove District Council.

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

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

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

Monitoring

- 3.6 To ensure the delivery of the 2016/17 plan there is close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Head of Internal Audit Shared Service remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' and 'medium' risk.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

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

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

5. APPENDICES

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15th SEPTEMBER 2016

6. BACKGROUND PAPERS

Individual internal audit reports held by Internal Audit.

7. KEY

N/a

AUTHOR OF REPORT

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15th SEPTEMBER 2016

APPENDIX 1

Delivery against Internal Audit Plan for 2016/17 1st April 2016 to 31st July 2016

Audit Area	2016/17 Total Planned Days	Forecasted days to the 30 th September 2016	Days Used to the 31 st July 2016
Core Financial Systems (see note 1)	71	10	2
Corporate Audits	5	5	3
Other Systems Audits (see note 2)	118	82	43
TOTAL	194	97	48
Audit Management Meetings	15	8	7
Corporate Meetings / Reading	5	3	3
Annual Plans and Reports	8	4	2
Audit Committee support	8	4	1
Other chargeable (see note 3)	0	0	0
TOTAL	36	19	13
TOTAL	230	126	61

Notes:

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

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

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15th SEPTEMBER 2016

APPENDIX 2

KEY PERFORMANCE INDICATORS 2016/17

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

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

	PI	Trend requirement	2015/16 Year End position	2016/17 (to 31st July 2016)	Frequency of Reporting
1	No. of customers who assess the service as 'excellent'	Upward	2 (2x 'good')	No returns to date	Quarterly
2	No. of audits achieved during the year	Per target	Target = 15 (minimum) Delivered = 21	Target = 14 (minimum) Delivered = 2 Draft reports	Quarterly
3	Percentage of plan delivered	100% of the agreed annual plan	98%	26%	Quarterly
4	Service Productivity	Positive direction year on year (Annual target 74%)	81%	*56%	Quarterly

*Service productivity is down due to the arrival of three new auditors in the first quarter. This will increase as the year progresses and they settle in.

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

Definition of Audit Opinion Levels of Assurance

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

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Definition of Priority of Recommendations

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

‘High’ & ‘Medium’ Priority Recommendations Summary for finalised audits.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Council Tax					
Assurance: Significant					
1	Medium	<p><u>New Properties</u></p> <p>The process for ensuring all new developments are notified to the Valuation Office in a timely manner and updated on the Revenues system for Council Tax is not documented.</p> <p>There is also no formal process in place for requesting information from private firms responsible for monitoring new developments, to confirm completion of new properties and to ensure these newly completed properties have been recognised on the Revenues systems for timely and accurate charging. At present, periodic confirmation is only received by the North Worcestershire Building Control team.</p>	<p>Delayed information exchange resulting in cash flow delays brought about by untimely billing and back billing potentially leading to reputation damage.</p>	<p>The procedure for updating and reviewing new housing developments to be documented by the Revenues Team to ensure consistent management of the process.</p> <p>To consider implementing a process whereby information is regularly requested from third parties regarding new property developments which are not controlled by the North Worcestershire Building Control Team.</p>	<p>Management Response: Agreed. To review in line with the implementation of a new joint Revenues system.</p> <p>Agreed. To review in line with the implementation of a new joint Revenues system.</p> <p>New properties will be created as skeleton properties within the Civica system and monitored on rolling review.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date: December 2016</p>
2	Medium	<p><u>Discount/ Exemption Reviews</u></p> <p>From a random sample of 30 discounts/ exemptions reviewed during the audit, 2 had not been subject to recent and timely review.</p> <p>There is no formal review program for routinely assessing entitlement to reliefs and exemptions although this is currently being developed, likely implementation during 2016/17.</p>	<p>Failure to charge properties the correct rate, resulting in cash flow implications or reputational damage</p>	<p>To implement a program of review, to ensure all types of discount/ exemption are periodically checked to confirm entitlement.</p>	<p>Management Response: Timetable for reviews of discounts and exemptions to be set in place ensuring all discounts, exemptions are taken through review over recommended periods.</p> <p>Reviews will consist of postal, e-reviews, desktop verification of entitlement and visit to property as appropriate.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date:</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	Medium	<p><u>Recovery of Arrears</u></p> <p>Further action has not been taken in a timely manner on 8 of a 30 case sample of arrears, either by means of additional recovery actions or to be considered for write-off. For example 4 cases were returned from the bailiffs in 2013, and 1 other case was returned to the authority in 2004 due to an inability to reclaim the monies, but there is no information present that identifies further action has been taken.</p>	<p>Failure to recover monies due in a timely manner, potentially resulting in financial loss, incorrect financial statements and reputational damage.</p>	<p>To review all outstanding cases, and to decide appropriate actions based on the information evidence held, e.g. additional recovery action or consideration for formal write-off if the monies cannot be reasonably recovered and all avenues of enquiry have been tried. Justification of action taken to be clearly recorded against the account.</p>	<p>June 2016</p> <p>Management Response: Agreed. Staff to be reminded to record all actions taken.</p> <p>Implementation of quality check module for revenues allows targeted review of actions taken and errors or absence of sufficient information is referred back to team for correction.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date: June 2016</p>
Audit: NNDR					
Assurance: Significant					
1	Medium	<p><u>Reliefs/ Refunds – Evidence Documentation</u></p> <p>From a sample of 15 reliefs and exemptions, 2 did not have sufficient documentation to either evidence application for the reduction, or show evidence of a recent review to re-confirm the eligibility of these reductions which have been auto-renewed in subsequent years.</p> <p>Of a sample of 24 randomly selected refunds, evidence for 2 was not on file to identify why the refunds had been given, or that they had been requested by the customer.</p>	<p>Failure to effectively evidence reductions to rate bills or refunded payments, resulting in reputational damage should they be challenged, or financial loss if incorrectly assigned.</p>	<p>Staff to be reminded to include documented evidence of all decision making processes in regard to reliefs and refunds.</p> <p>Reviews of reliefs/ exemptions should be undertaken periodically to ensure eligibility and timely intervention should there no longer be eligibility.</p>	<p>Management Response: Agreed. Staff to be reminded to record all actions taken.</p> <p>Implementation of quality check module for revenues allows targeted review of actions taken and errors or absence of sufficient information is referred back to team for correction.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date: June 2016</p>
2	Medium	<p><u>Recovery</u></p> <p>Of a sample of 20 randomly selected accounts in arrears, there are issues regarding 5 of these, including lack of sufficient evidence on file to identify sufficient recovery action is taking</p>	<p>Failure to effectively recover monies owed to the authority, resulting in financial loss and reputational damage to</p>	<p>Long-term debts to be reviewed to ensure appropriate recovery action has been undertaken. Consideration to be given for writing off long-term outstanding debts with clear justification notes attached to the account to show all avenues have</p>	<p>Management Response: Implementation of quality check module for revenues allows targeted review of actions taken and errors or absence of sufficient information is referred back to team for correction.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		place. In addition, there is currently no formal performance review of actions taken by the bailiff company responsible for collecting the authority's debts, to ensure actions have been taken in accordance with the contract, and whether the Council has since obtained any further information that would assist a continued review by the bailiff.	the authority.	been tried. Accounts returned from bailiffs to be formally reviewed to determine if bailiff performance has been in line with contract requirements, and whether any further action can be taken.	Responsible Manager: Revenues Service Manager Implementation date: December 2016
3	Medium	<u>New Properties</u> The process for ensuring all new developments are notified to the Valuation Office in a timely manner and updated on the Revenues system for NNDR is not documented. There is also no formal process in place for requesting information from private firms responsible for monitoring new developments, to confirm completion of new properties and to ensure these newly completed properties have been recognised on the Revenues systems for timely and accurate charging. At present, periodic confirmation is only received by the North Worcestershire Building Control team.	Delayed information exchange resulting in cash flow delays brought about by untimely billing and back billing potentially leading to reputation damage.	The procedure for updating and reviewing new housing developments to be documented by the Revenues Team to ensure consistent management of the process. To consider implementing a process whereby information is regularly requested from third parties regarding new property developments which are not controlled by the North Worcestershire Building Control Team.	Management Response: Agreed. To review in line with the implementation of a new joint Revenues system. New properties will be created as skeleton properties within the Civica system and monitored on rolling review. Responsible Manager: Revenues Service Manager Implementation date: December 2016
Audit: Housing Benefit and Council Tax Support					
Assurance: Significant					
1	Medium	<u>Processing Times</u> Sample testing on 'change of events' identified claims that were displaying exceptionally long processing times e.g. 226 days. Further examination confirmed that this claim together with a further 6 cases in the sample of 30 was a result	Incorrect processing times being reported leading to potential reputational damage and the potential to make management decisions on flawed	Staff need to be correctly advised/trained to ensure that system features are correctly used and processing times are reliable for performance measurement. Small sample testing to be considered to ensure that any corrective action becomes embedded and statistics can be relied on.	Management Response: Officers were not indicating on the system that the action was a reconsideration, therefore increasing the end to end times. Communication has been sent to all officers along with the guidance and will be discussed at the next team meeting. Responsible Manager:

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		of staff incorrectly using ACADEMY features, consequently, processing times were being inflated.	data.		Assistant Financial & Support Services Manager Implementation date: Completed
2	Medium	Overpayment Write Offs Overpayment write offs did not contain sufficient retained supporting information in Information@Work (i.e. write off request schedules) to confirm the request and the authorisation. Whilst supporting records are located in other.	Unauthorised write offs may take place leading to financial loss/loss of management trail	Full supporting evidence must be retained on Information@Work to confirm the write off requests and to maintain an effective management trail to provide justification of action if/when challenged and to show a consistent approach is followed	Management Response: Instructions and guidance issued, new procedure in place. Responsible Manager: Assistant Financial & Support Services Manager Implementation date: 31 st March 2016
3	Medium	Back Dated Decisions Back dated Award decision schedules were not completed in two cases which represented 20% of the sample.	Management trail not maintained leading to inconsistent approach in making awards which could lead to challenge and reputational damage.	The Back dated Award decision schedule must be completed to confirm 'good cause' is demonstrated and a consistent approach is applied.	Management Response: Instructions and guidance issued, new procedure in place Responsible Manager: Assistant Financial & Support Services Manager Implementation date: 31 st March 2016
Audit: Creditors					
Assurance: Significant					
1	Medium	Budgetary control A sample of 30 paid invoices were selected and vouched to purchase orders. Testing identified that in 6 cases out of the 30 (20%) the orders has been raised after the invoice had been received.	Financial loss as there is the potential for budgets to be overspent if goods ordered have not been committed on the finance system against the appropriate budget.	The Creditors Payments Team to continue to return invoices to suppliers that do not state a purchase order number on them. If there are allowable exceptions to the rules these need to be formally agreed and placed on the Orb. Services to be reminded of the importance of raising orders prior to the ordering of goods/services and the Creditors Payments Team to work with those services that continue to not conform on a one to one basis. This will mitigate the risk of any likelihood of budgets being exceeded.	Responsible Manager: Financial Services Manager The team are currently undergoing a complete review of the system to include an assessment of the functionality of the system. This may result in changes to the recommendations which will be discussed with internal audit. Implementation date: July 2016

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
2	Medium	<p><u>Goods receipting</u></p> <p>The Efin system does not allow the invoice to be paid unless it has been matched to the order and the goods have been receipted.</p> <p>A sample of 30 paid invoices found that in 11 transactions the Goods Received Note was dated later than the invoice date. In 5 of these transactions the result was late payment of the invoice.</p>	Loss of efficiency savings if resources are being used in one area that could be adding value in another.	To investigate the parameters of the system to see if non -receipting of goods via the Goods Received Note workflow emails could be escalated to another officer if no action is taken within a set timeframe.	<p>Responsible Manager:</p> <p>Payments Officer / Financial Services Manager</p> <p>The team are currently undergoing a complete review of the system to include an assessment of the functionality of the system. This may result in changes to the recommendations which will be discussed with internal audit.</p> <p>Implementation date:</p> <p>July 2016</p>
Audit: Debtors					
Assurance: Significant					
1	Medium	<p><u>Credit Notes</u></p> <p>Testing of 10 credit notes found that 9 of the credit notes reviewed did not have an accompanying credit note request form or email to support and justify why a credit note was requested.</p>	Potential financial loss if credit notes are raised to write off a valid debt, and, the potential to understate the true debt figure.	<p>If possible within the system parameters the Credit Note request to be attached to the relevant Debtors file on the system.</p> <p>As a minimum the request to be retained in a manual or electronic file to ensure that a full audit trail is maintained.</p> <p>Access rights in relation to the raising of credit notes to be reviewed to ensure that they are appropriate.</p> <p>Consistent procedures to be applied by all those with access to raise credit notes.</p>	<p>Responsible Manager:</p> <p>Income Team Leader</p> <p>Implementation date:</p> <p>Procedure to be agreed and relevant staff training on process by 31.7.16</p>
Audit: Cash, Ledger and Bank Reconciliation					
Assurance:					
1	Medium	<p><u>Corrections of Miscodings</u></p> <p>Although the finance team has provided information to managers to reduce the number of coding errors there is currently no monitoring to see if this has added value and that the</p>	Financial costs and lack of efficiencies if the resource invested has not resulted in a reduction of coding	Benchmarking of coding errors pre and post the initiatives undertaken by the Finance Section to be used to evaluate if the invested resource time has resulted in future savings and has added value.	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>An ideal time to compare the number of</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		number of errors has reduced.	errors.		journals processed would be August – October after final accounts). A calculation of the number of journals in this period in 2015 will be compared with the same period in 2016 to identify any reductions in numbers of journals. December 2016
Audit: Consultancy and Agency					
Assurance: Limited					
1	High	<u>MATRIX</u> The Council has a framework agreement with 'MATRIX' an organisation that is used for the provision of agency staff. With recruitment of agency staff also taking place outside of the "neutral vendor" arrangement with MATRIX there is no one system that currently captures all Council commitments on Agency staff.	Failure to realise the overall scale of the expenditure across the Council , the extent of the Council's dependency on Agency staff and the value for money of staffing services via temporary contracts, particularly in relation to Council financial constraints.	To review the current contract with 'Matrix' to ensure that the Council is receiving the service in line with the original agreement. That any use of agency staff outside of the 'matrix' contract is fully justified prior to the appointment taking place.	Responsible Manager: Human Resources and Development Manager Contract with Matrix is up for renewal in December 2016 Implementation date: October 2016
2	High	<u>Procurement Procedures</u> The Council's Contract Procedure Rules do not make it clear that they apply to the recruitment of temporary staff (Agency and Consultancy) therefore some recruitment has been outside of these rules. For those Agency staff hired outside of the Matrix framework agreement no formal contracts have been entered into.	Failure to procure competitively or secure appropriate terms of business resulting in financial loss to the Council Also, the potential of litigation in regard to breaching EU thresholds resulting in financial penalty and reputation damage.	Procurement procedures to be updated to specifically include the recruitment of Agency and Consultancy staff. All Officers to be made aware of the necessity to comply with the procedures and the potential implications if they do not	Work has already begun in relation to the procurement of a particular type of consultant support. A framework contract is currently being put together for specialist areas of work that consultants have been used for. Training with the procurement manager continues and the procurement rules are currently being updated. Responsible Manager: Financial Services Manager Implementation date: July 2016
3	Medium	<u>Post transformation review of</u>			One of the services areas that has undergone

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p><u>Agency/consultancy reliance</u></p> <p>There has been significant staff and establishment planning at Service level to define new structures and staffing complements and to build staffing resilience.</p> <p>These Plans provide a current baseline and justification for the staff required to run each service going forward.</p> <p>Outcomes/deliverables have not been set to monitor the required reduction in agency staff/contractors post implementation.</p>	<p>Loss of service with inability to meet client demands. Poor value for money in having to continue to employ Agency staff.</p>	<p>Outcomes/deliverables to be set for the reduction in the use of Agency staff/Contractors. These outcomes to be monitored to ensure that once the new structure has been implemented there is a reduction in the reliance on/ costs of agency staff to ensure that the Council is realising its savings.</p> <p>Going forward there needs to be clear justification for any prolonged use of Agency staff/contractors.</p>	<p>transformation has ended all long term Agency contracts and is now working with Agencies to hire the right quality of staff or is recruiting on short term contracts. Use of consultants will be reported to management team on a quarterly basis.</p> <p>Responsible Manager: Executive Director – Finance and Resources</p> <p>Implementation date: July 2016</p>
4	Medium	<p><u>Obtaining evidence of professional indemnity insurance</u></p> <p>For those agency staff that are employed outside of the Matrix framework agreement there is no standard form of contract to ensure that the Council is indemnified against loss.</p>	<p>The Council would be financially liable if a claim was made.</p>	<p>For those instances where agreement has been obtained not to use 'Matrix' for the provision of agency staff then a standard contract is to be used to ensure the Council is fully covered against claims and loss resulting from the work of the contractor.</p>	<p>Responsible Manager: Financial Services Manager (via Procurement)</p> <p>Implementation date: June 2016</p>
5	Medium	<p><u>Processing of invoices</u></p> <p>The processing of invoices for Agency Staff payments outside of the MATRIX agreements relies on submission of individual timesheets and in some cases mileage logs to the Council for certification that these reflect hours actually worked. Testing highlighted a small number of minor problems with this process with errors in some timesheets that had been approved, missing timesheets, illegible signatures from certifying officers and failure to provide a breakdown or log</p>	<p>Risk of erroneous or fraudulent claims being processed without detection, resulting in financial loss to the Council.</p>	<p>Update the guidance on the supporting information required from recruitment agencies submitting invoices for payment.</p> <p>Management spot checks to be carried out on a small sample of claims for compliance against this.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: July 2016</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		of actual hours worked or journeys undertaken by the Agency worker.			
end					

APPENDIX 4

Follow Up

Planned Follow Ups:

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

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

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

Follow Up Assurance:

In summary:

- 2013/14 audit recommendations have been implemented with final checks against the one remaining review;
- the majority 2014/15 recommendations have been implemented with those remaining monitored and current progress reported for information;
- some of the 2015/16 recommendations have been implemented with the others either in progress or awaiting follow up.

There are no exceptions to report.

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up or outcome</u>	<u>2nd Follow Up</u>	<u>3rd Follow Up</u>
					High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed	
2013-14 Audits							
ICT	2 nd September 2014	Head of Business Transformation and Organisational Development and ICT Transformation Manager	Limited	1 'high' and 5 'medium' priority recommendations to follow-up in regard to starters, leavers and user accounts, procedures, inventory management, contracts and disposals.	Followed up in March 2015. 3 recommendations have been implemented (authorisation of new users, clearing of inactive accounts, disposal of equipment), 1 recommendation has been superseded by changes to processes (disposal contracts). 2 medium recommendations are part implemented/ ongoing (procedure documents, inventory reviews).	The follow up in October 2015 found that the 2 remaining 'medium' priority recommendations in relation to procedure documents and inventory reviews were in progress. The risk to the Council has been reduced and both recommendations should be implemented by January 2016 therefore a further follow up will take place in February 2016 as part of the 2015/16 review. Review remains on going.	Feb 2016 - Awaiting confirmation that D.P is happy with report (27/04/16 AR) The follow up in April 2016 found that out of the 2 recommendations; 1 relating to the written procedures of disposals of ICT equipment has been implemented. 1 relating to the implementing of the new asset management module is still in progress. A follow up will take place in Oct 2016.
2014-15 Audits							
Equality and Diversity	28 th August 2014	Corporate Senior Management Team	Moderate	1 'high' and 2 'medium' priority recommendations made in relation to training, policy and terms of reference.	Followed up March 15-Policy Manager have confirmed that all recommendations are currently outstanding and not fully implemented but	Follow up in November 2015 found that 1 'medium' priority recommendation in relation to policy has been implemented and	

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					are in progress. Given the impending completion date it would not be appropriate to follow the recommendations up until July 2015.	the 1 'high' priority recommendation and the other 'medium priority recommendation in relation to training and terms of reference are in progress. Workshops are to be introduced first half of 2016.	
Data, Security and Publication	9th September 2014	Head of Transformation and Organisation Development/Executive Director (Finance and Resources)	Moderate	1 "medium" priority recommendation re local government transparency code	Followed up November 15 the 1 'medium' priority recommendation has been implemented and no further follow ups are required.		
DFGs and HIAs	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendations re the need to ensure documents are stored correctly	Followed up in September 2015. Implementation of the 1 medium recommendation is still in progress, whereby an electronic HIA filing system has been integrated, and paper files are being transferred to a single location for managing more effectively, completion expected end of October 2015 as part of the move to the new Parkside office. Further follow up being organised.		
Budget Setting	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and a progress feedback will be sought in line with agreed implementation dates.	Being picked up as part of the 2015/16 review currently taking place.	Follow up undertaken and is awaiting management response.	

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2015-16 Audits							
Private Sector Housing - Step-up Private Tenancy Scheme	15th September 2015	Head of Community Services, Strategic Housing Manager and Housing Strategy and Enabling Team Leader.	Moderate	2 'medium' priority recommendations were made in relation to Rent Guarantee Bond and Debt Recovery.	Follow up in March 16 found that the 2 'medium' priority recommendations had been implemented and no further follow-ups are required.		
Members Allowances	2nd October 2015	Head of Legal Equalities and Democratic Services and Democratic Services Manager	Significant	2 'medium' priority recommendations were made in relation to Broadband/Data Allowances and Change control process for Members Data	With management awaiting sign off.		
Safeguarding	4th February 2016	Human Resources Manager	Significant	3 'medium' priority recommendations; training course monitoring, staff vetting and case records.	Aug-16		
Corporate Governance - AGS	22th February 2016	Financial Services Manager	Moderate	1 'high' priority and 3 'medium' priority recommendations; No action plan, compilation of AGS, review of terminology and circulation of document	Aug-16		
Allotments	04th February 2016	Head of Leisure and Cultural Services	Significant	1 'medium' priority recommendation in relation to Maintenance of records	1 'medium' priority recommendation in relation to maintenance of records has been implemented. No further follow ups are required.		
S106s Planning obligations	08th February 2016	Head of Planning and Regeneration, Financial Services Manager, Principal Solicitor	Critical review	Challenge points and good practice in relation to Committee Reporting, Policies/Procedures, Waste Services Contributions, Project	Sep-16		

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				Contribution areas, Central Finance Spreadsheet, Withdrawn Planning Applications, Online Publication and Retention and Income Management			
CCTV	31th March 2016	Head of Community Services	Critical review	Challenge points and good practice in relation to Training and the CCTV system.	Sep-16		
Accounts Reconciliations	31th March 2016	Executive Director - Finance and Resources and Financial Services Manager	Critical Review	Challenge points and good practice in relation to Frequency and Training, Procedure Notes, Responsibilities and the Saffron System	Sep-16		
Consultancy and Agency	13th June 2016	Corporate and Senior Management Team	Limited	2 'high' and 3 'medium' priority recommendations in relation to Matrix, Procurement procedures, Post transformation reviews, professional indemnity Insurance and accuracy of invoices received.	Dec-16		
Regulatory	08th June 2016	Head of Regulatory Services	Critical Review	Time recording challenges in relation to Systems Specification, Policies & Guidance, Coding Structure, Fee Earners, Performance Measurement and Database Accuracy.	Progress meeting planned for Dec16		
end							

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WORK PROGRAMME 2016/17

15th September 2016

- Monitoring Officers' Report
- Parish Councils' Representatives Report
- Grant Thornton Audit Fee Letter 2016/17
- Grant Thornton Audit Findings Report
- Statement of Accounting Policies
- Statement of Accounts 2015/2016 (post-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